Introduction

This budget brief provides an analysis of the Government of India’s Union Budget estimates for the Fiscal Year (FY) 2023/24. The brief is based on the annual budget of the Union Government of India which was placed in Parliament on 1 February 2023. The analysis gives particular emphasis to elements of the budget which affect the enjoyment of women and child rights.

Key Highlights of Union Budget 2023–24

**Empowerment and Welfare of Women:** The budget launches a new small savings scheme for women *Mahila Samman Bachat Patra*, offering a fixed interest rate of 7.5 per cent for a two-year period up to March 2025. *Deendayal Antyodaya Yojana-National Rural Livelihoods Mission* (DAY-NRLM) has mobilized rural women into 81 lakh Self Help Groups (SHGs), which will allow members to reach the next stage of economic empowerment through the formation of large producer enterprises.

**Spending on Women and Children:** Contrasting expenditure trends for child and gender budgets, where spending on children as a percentage of Gross Domestic Product (GDP) is declining against the increase in spending on women, poses a serious fiscal concern. This is mainly an effect of a decline in total expenditure (as a percentage of GDP).

**Food Security and Nutrition:** From 1 January 2023, the Government is implementing the *Muft Khadyanna Yojana* scheme to supply free food grain to all Antyodaya Anna Yojana” (AAAY) and priority households for the next one year, under the Pradhan Mantri Garib Kalyan Anna Yojana (PM-GKAY) scheme which supplies free food grains to migrants and the poor.
Health and Healthcare: The Government is reinforcing primary healthcare with 157 new nursing colleges; and a Mission to eliminate sickle cell anaemia by 2047 will be launched, which will entail awareness creation, and universal screening of seven crore people in the 0–40 years age group in affected tribal areas.

Quality Education for Children: A National Digital Library for children and adolescents will be established for facilitating availability of quality books across geographies, languages, genres and academic levels, and device agnostic accessibility\(^1\). In the next three years, Government will employ 38,800 teachers and support staff for 740 Eklavya Model Residential Schools (EMRSs) supporting tribal students.

Tax Policy: The income tax exemption limit has increased from ₹ 5 lakh per annum to ₹ 7 lakh per annum, in order to help households offset the harsh socioeconomic environment.

Financial Inclusion: The agriculture credit target has expanded to ₹ 20 lakh crore. The government is providing a 2 per cent interest subsidy to ensure farmers get short-term farm loans of up to ₹ 3 lakh at an effective rate of 7 per cent per annum.

Energy and Environment – Green Growth: The Government has introduced a target to reach green hydrogen production of 5 MMT by 2030. A total of ₹ 35,000 crore has been allocated towards achieving the net zero goal and green energy transition. The PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.

Agriculture: A total of 1 crore farmers will be encouraged to adopt natural farming. The Aatmanirbhar Horticulture Clean Plant Programme will be launched with ₹ 2,200 crore to increase the availability of disease-free plant material. Decentralized storage capacity will be set up that will help farmers store their produce. An Agriculture Accelerator Fund will be established to encourage agri-startups by young entrepreneurs in rural areas.

Key Macro-economic Growth Focus and Micro-economic Welfare Focus

A day before the previous Union Budget FY2022–23, the Economic Survey 2021–22 was tabled in Parliament on 31 January 2022, by the Hon’ble Finance Minister, which enunciated the paramount role that capital outlay for investment in infrastructure plays in speedy economic revival, with a multiplier effect. It is important to note that the Economic Survey 2021–22 stated that to attain its 5 trillion-dollar

\(^1\) Device agnosticism is the capacity of a computing component to work with various systems without requiring any particular adaptations.
economy goal by 2024–25, India would need to spend around ₹ 1.4 trillion over the next few years on infrastructure. Another important goal was set in the previous Union Budget, which was “complementing the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus”.

Understandably, these aforementioned two important goals are not only necessary for reducing macroeconomic instability by boosting aggregate demand in the economy, but have enormous implications on the well-being of children and women.

**Support for Women’s and Children’s Well-being**

In this context, the Hon’ble Finance Minister mentioned in her budget speech (Union Budget 2022–23) that the Union government realized the strong link between women and children. It thus, rationalized and revamped the schemes of the Ministry of Women and Child Development (MoWCD) and launched three schemes viz., Mission Shakti, Mission Vatsalya, and Saksham Anganwadi and Poshan 2.0 to provide integrated benefits to women and children.

As a first step towards this, the Hon’ble Finance Minister specifically mentioned that two lakh ‘new generation’ Anganwadis (rural child care centres) will be upgraded under the Saksham Anganwadi and Poshan 2.0 scheme that will have better infrastructure and audio-visual aids, powered by clean energy and providing an improved environment for Early Child Development (ECD).

Therefore, analysis of this Union Budget 2023–24 confirms how effectively the Government has made its approach towards attaining the goal of a 5 trillion-dollar economy by 2024–25, and accompanying the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus, set by the previous year’s Union Budget.
**Macro-economic Growth Outlook**

In both real and nominal terms, it can be seen from Figure 1 that GDP growth experienced a sharp “V-shaped” recovery in FY2021–22 from the previous year, which was hit by the unforeseen outbreak of the COVID-19 pandemic. However, it is intriguing to note that soon after the “V-shaped” recovery, economic growth has again been declining.

In real terms, the Economic Survey 2022–23 reported that the Indian economy is expected to grow by 7.0 per cent in FY2022–23 (by the end of March 2023). In this regard, the survey argued that private consumption and capital formation have primarily led this growth, which as a result, generated employment. Based on such a status quo, the survey has predicted growth to be between 6.0 to 6.8 per cent in FY2023–24 (Figure 1).

**Figure 1: Trends in Real (Constant Prices) and Nominal (Current Prices) GDP Growth FY2017–18 to FY 2023–24**

In this context, the survey further argued that the support to economic growth needs to come from PM Gati Shakti- National Master Plan for Multi-modal Connectivity, which is dedicated to increasing public infrastructure investment and is also envisaged to leverage private investment.
Budget Provides impetus for Growth

This context, therefore, lays emphasis on how the Union Budget FY2023–24 needs to provide impetus for growth through various fiscal policy measures.

The finance minister Nirmala Sitharaman mentioned at the very beginning of her budget speech (Union Budget FY2023–24) that “this budget hopes to build on the foundation laid in the previous Budget and the blueprint drawn for India@100.” In this regard, Nirmala Sitharaman mentioned that this budget emphasizes three core strategies:

- Facilitating ample opportunities for citizens, especially youth, to fulfil their aspirations
- Providing a strong impetus to growth and job creation
- Strengthening macro-economic stability

The role of fiscal policies for all these three points critically depends on effective redistribution of income through people-centric tax policies and ameliorating development expenditures of various sectors. This can be effectively achieved through proficiently managing the trade-off between fiscal consolidation and counter-cyclical (expansionary during recessions) fiscal policy measures.

Child and Gender Budget Statements

Allocation for the Welfare of Children (Child Budget Statement)

The budgetary allocation for children as a percentage of total expenditure was 2.2 per cent in FY2020–21 and declined to 1.9 per cent in FY2021–22 (Figure 2). According to the revised estimate for FY2022–23, it is expected to increase to 2.1 per cent and it is further budgeted to increase to 2.3 per cent in FY2023–24.

Overall, the budgetary allocation for children as a percentage of total expenditure has been declining from 3.3 per cent in 2017–18 to 2.3 per cent in the Budget Estimate of FY2023–24. A gradual decline in allocation for children as per Statement 12 is noted, notwithstanding the fact that a substantial share of spending on children and women is undertaken by state governments. This has further increased since the recommendation of the 14th Finance Commission (FC) with increase in states’ share of the “Divisible Pool”.

Allocation for Women (Gender Budget Statement)

In contrast to the expenditure trends for children, expenditure for women as a percentage of total expenditure has increased from 4.3 per cent in FY2020–21 to 5.5 per cent in FY2021–22 (Figure 2). However, according to the revised estimate for FY2022–23, it is expected to decline to 5.2 per cent and is budgeted to further decline to 5.0 per cent in FY2023–24.

Overall, the budgetary allocation for women as a percentage of total expenditure has marginally increased from 4.3 per cent in FY2017–18 to 5.0 per cent in the Budget Estimate of FY2023–24.
Figure 2: Trends in Allocation for Women and Children, FY2017–18 to FY 2023–24

Source: Union Budget 2023-24
Note: RE = revised estimate; BE = budget estimate
Issues and Dynamics of Debt and Deficits

Since the COVID-19 pandemic negatively affected FY2020–21, it can be seen from Figure 3 that the fiscal deficit to GDP ratio has been coming down. The two other deficit indicators (revenue deficit and primary deficit to GDP ratio) also reveal similar trends. However, it is important to mention that the primary deficit that shows a declining trend, is due to the spiralling of interest payments over the years.

Nonetheless, as a result of the declining fiscal deficit as a percentage of GDP, the outstanding liabilities to GDP ratio, which sharply rose from 47.6 per cent in FY2018–19 to 61.1 per cent in FY2020–21, has started declining thereafter.

**Figure 3: Trends in Debt and Deficit Indicators, FY2018–19 to FY 2023–24**

![Chart showing trends in debt and deficit indicators]

Source: Union Budget 2023-24

Fiscal Deficit, Outstanding Liabilities and interest Payments

However, there is an interesting observation regarding the relationship between outstanding liabilities and fiscal deficit. Since conceptually, fiscal deficit is the change in debt between the current year and previous year, it is surprising to note that the fiscal deficit as a percentage of GDP is expected to reduce from 6.4 per cent in FY2022–23 RE to 5.9 per cent in 2023–24 BE. Whereas conversely, the outstanding liabilities as a percentage of GDP are expected to marginally increase from 55.9 per cent in FY2022–23 RE to 56.2 per cent in FY2023–24 BE.

Further, such high levels of outstanding liabilities understandably bears fiscal ramifications in terms of the burden of increased interest payments. Interest payments as a percentage of total expenditure have increased from 19.4 per cent in FY2020–21 to 21.2 per cent in FY2021–22, and are further estimated to increase to 24.0 per cent in FY2023–24.
It is important to ensure that such an increasing interest payments burden should not crowd out productive spending and at the same time, it needs to be offset by buoyant revenue receipts. In this regard, therefore, analysis of the interface between trends in revenue receipts and revenue and capital expenditures is highly imperative.

**Deficit Control with Reduced Expenditures**

The interface between the trends in revenue receipts (including both net to centre tax revenue and non-tax revenue) and total expenditure (including both revenue expenditure and capital outlay) reveals a major cause of concern.

**Revenue Receipts and Total Expenditure as a Percentage of GDP**

While both the revenue receipts and total expenditure as a percentage of GDP have shown increasing trends, it is observed that total expenditure has grown at a faster rate than total revenue receipts. A concern arose regarding the interface between these two key fiscal variables.

It can be seen from Figure 4 that total expenditure as a percentage of GDP witnessed a decline from 17.8 per cent in FY2020–21 to 16.0 per cent in FY2021–22, whereas total revenue receipts considerably increased from 8.3 per cent to 9.2 per cent during the same period.

However, what this signifies is that the reduction in fiscal deficit has been achieved through a perverse catch-up scenario, wherein, total expenditure was reduced given the increase in revenue receipts. In addition to this, why such increased revenue receipts have not been translated into an increase in total expenditures, appears to be another important concern in the Union budget FY2023–24.

**Figure 4**: Trends in Revenue Receipts and Total Expenditure, FY2018–19 to FY2023–24

Source: Union Budget 2023-24
Revenue Expenditure and Capital Outlay as a Percentage of GDP

The bifurcation of total expenditure into revenue expenditure and capital outlay makes it clear as to which expenditure head has contributed to the decline in total expenditure. Figure 5 explicates that capital outlay continues to increase over the years, with the aim of giving the economy a massive demand side push. It has increased from 2.2 per cent of GDP in FY2020–21 to 2.5 per cent in the subsequent year, and it is estimated to further increase to 3.3 per cent in FY2023–24.

Needless to mention, capital outlay (investment in infrastructure) plays a key role in speedy economic revival, with a multiplier effect on sustainable job creation, eventually making growth more inclusive.

On the other hand, revenue expenditure has shown a steady decline from 15.6 per cent of GDP in FY2020–21 to 11.6 per cent in FY2023–24 BE. This has resulted in a decline in total expenditure as a percentage of GDP.

Such a substantial decline in revenue expenditure requires analysis, to realize which key social sectors have contributed to such a decline.

**Figure 5:** Trends in Revenue Expenditure and Capital Outlay, FY2018–19 to FY2023–24

![Graph showing trends in revenue expenditure and capital outlay as a percentage of GDP from 2018-19 to 2023-24 BE.](source: Union Budget 2023-24)

Trends in Key Social Sector Spending

The expenditures on key social sectors (Figure 6) – such as health and education - bears considerable implications for women and children.

Total centrally sponsored schemes (CSSs- central assistance to state plans) as a percentage of total expenditure, by and large, reveal a declining trend from FY2020–22 actual to FY2023–24 BE. On the other hand, expenditures on education, WASH and child protection (Mission Vatsalya) as percentages of total expenditure have emerged to be increasing during this period.
It is important to note that cuts in expenditures in absolute terms by a few important ministries/departments (such as, Department of Food and Public Distribution, Department of Economic Affairs, Ministry of Labour and Employment, Department of Rural Development, and a few others) in FY2023–24 BE from FY2022–23 RE have been observed.

**Figure 6**: Trends in Expenditures on Key Social Sectors, FY2017–18 to FY2023–24
The journey towards post-pandemic recovery continues.

Expenditure on Education – Trend

- Expenditure on Education as a percentage of total expenditure for the years 2017-18 to 2023-24.

Expenditure on Housing & Urban Infrastructure – Trend

- Expenditure on Housing & Urban Affairs as a percentage of total expenditure for the years 2017-18 to 2023-24.

Expenditure on Health – Trend

- Expenditure on Health as a percentage of total expenditure for the years 2017-18 to 2023-24.

Source: Union Budget 2023-24
Conclusions

While development programmes for children and women are highly interlinked, the contrasting expenditure trends for child and gender budgets, where spending on children as a percentage of GDP is declining against the increase in spending on women, poses a serious fiscal concern. This is mainly an effect of a decline in total expenditure (as a percentage of GDP).

The total expenditure reduction - revenue expenditure has substantially declined which led to the decline in total expenditure even though capital outlay has increased- in the face of increased revenue receipts, has led to the reduction in the fiscal deficit to GDP ratio, which appears to be a perverse catch-up scenario.

Various measures relating to tax and non-tax revenue receipts, disinvestment, ministry/department-wise expenditure trends, and capital infrastructure spending in the Union Budget FY2023-24 have generated mixed responses among economists towards achieving counter-cyclical expansionary fiscal policy. It is, therefore fair to conclude that there is considerable policy space for designing, implementing, and administering the budgetary provisions.

For questions or comments, contact UNICEF India Social Policy & Social Protection (SPSP)