



UNION BUDGET

for an

IDEAL SOCIETY

Dr Anu Singh

Assistant Professor

Economics, Christ (Deemed to be University) Bangalore

The Finance Minister of India has to formulate a budget every year primarily based on the business cycle phase the economy is going through. For instance, this financial year central budget is heavily dominated towards reviving the pandemic affected economy. The annual budget is the government's disposal mechanism to use for its fiscal policy measures in dealing with the business cycle of the economy. The business cycle is divided broadly into two broad phases: 1) Expansionary phase, which consists of recovery and boom and 2) Contractionary phase or recessionary phase, which consists of recession and trough. Budget 21 proposed by Ms

Sitharaman can be seen as dealing with the recessionary phase because India was among the few nations which were worst hit due to lockdown. The negative growth reached a record low of minus 23%. India was technically in the recessionary phase when it had harmful growths consecutively for two quarters in the year 2020. While handling these affairs economy has also to face some consequences, the consequence of improving economy are increasing fiscal deficit (government spending greater than government revenue, public debt (borrowings from the public via government bonds and securities), high foreign debt (borrowing from

from foreigners on the high-interest rate, the burden of taxation (direct and indirect) on people of India and thereby affecting the economic performance in turn, etc. Covid19 also exposed the quality and quantity of health facilities in India. Late Dr APJ Kalam, in his book "Vision 2020" mentioned the importance of quality and robust health infrastructure to be achieved by 2020. The loopholes in the system, the ignorance towards health amenities have caused the economy to stand still during the pandemic. The budget also has to look into the environmental aspects of the economy. Any government that is genuinely worried about its future generation will focus on policies that would improve the ecosystem. Therefore India has to change its approach from a linear economic system to a circular economy. A circular economy is a systemic approach to sustainable economic development designed to benefit businesses, society, and the environment. Its regenerative mechanism aims to promote growth from the consumption of finite resources gradually. This requires some expenditure, investments, and taxing those industries following the linear design of 'take-make-waste'.



"the government has three goals to achieve, and the finance minister, should focus on these goals to formulate an effective budget for coming years"

In support of the State government, the government of India also has to curtail rising anti-social activities, which manifest the lack of education, poverty, unemployment, and weak institutions that are either not properly implemented or not very effective. The

examples may belong to pending court cases, not wearing a public mask even if it is a legal offence and corruption. Therefore it can be understood in particular that the government has three goals to achieve, and the finance minister, therefore, should focus on these goals to formulate an effective budget for coming years, namely: 1) The long-term goal of sustainable development and adoption of a circular economy 2) Medium-term goal of improving the quality of life by providing better health and educational facilities with strong law and order. And, 3) Short-term goal of reviving the economy from the clutches of recession. To achieve the short-term goal of reviving the economy budget, 2021 has proposed increased government spending to provide a much-needed stimulus to personal consumption (one of the biggest components of GDP), which is the primary cause in plunging the GDP into negative growth as per sources. An increase in government spending can be spending on building physical infrastructure (roads, railways, electric plants of renewable nature, etc.). It can be providing monetary and non-monetary help to those who have lost their jobs, mostly unskilled workers. It also invited private players to support a much-needed push to revive the economy.

examples may belong to pending court cases, not wearing a public mask even if it is a legal offence and corruption. Therefore it can be understood in particular that the government has three goals to achieve, and the finance minister, therefore, should focus on these goals to formulate an effective budget for coming years, namely: 1) The long-term goal of sustainable development and adoption of a circular economy 2) Medium-term goal of improving the quality of life by providing better health and



educational facilities with strong law and order. And, 3) Short-term goal of reviving the economy from the clutches of recession.

To achieve the short-term goal of reviving the economy budget, 2021 has proposed increased government spending to provide a much-needed stimulus to personal consumption (one of the biggest components of GDP), which is the primary cause in plunging the GDP into negative growth as per sources.

An increase in government spending can be spending on building physical infrastructure (roads, railways, electric plants of renewable nature, etc.). It can be providing monetary and non-monetary help to those who have lost their jobs, mostly unskilled workers.

It also invited private players to support a much-needed push to revive the economy. The mid-term goal of improving the quality of life needs the government to invest in building health infrastructure, which includes hospitals, medical colleges, producing or importing health

related machines and technologies in every corner of the country. Private players can also be asked or lured to provide better health facilities

"It also invited private players to support a much needed push to revive the economy. "

to the people by offering tax benefits and or providing subsidies to the economically backward class. Education is the best tool to develop the economy and society, to provide the quality of life cannot be taken lightly. Strong institutions that inform effective laws and order are a must for faster economic growth and development. Although it's a state's subject, a national budget can be the model budget for the states to

follow when it comes to implementing formal institutions in reducing transaction costs of running the business. With the introduction of new educational policy and the advent of online education, the government must plan some expenditure for providing better technologies to poor States and students. GST on such items, which are considered as the requirement for attending classes, should be reduced. The most hit of these students are those who belong to small towns and villages. The use of the internet is now the basic requirement and no more a luxury; therefore, this facility now either should be provided by the state, or the taxes on such services must be reduced to the minimum. This proposal again brings a burden on the government by increasing government expenditure. To fulfil the long term goal of sustainable development and to function as a circular economy, the present government must look into removing the entities which are being the major cause in increasing pollution, be it the old factory, technology, machines, or vehicle, and replacing it with electric vehicles, by providing a good number of fueling/charging stations, import subsidies, tax benefits and tax holidays for firms adopting green technology, etc. Taxing the consumption and production of goods/machinery and production technologies that contribute to increasing the environmental conditions' vulnerability is a good move by the government. This would help the government to fetch some revenue while attaining the goals prescribed by the United Nations.

