UNION BUDGET 2020-21

ANUJ JINDAL

MCOM - DELHI SCHOOL OF ECONOMICS
EX-MANAGER – STATE BANK OF INDIA
JRF- COMMERCE
JRF- MANAGEMENT
NET- LABOUR WELFARE/ HRM
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Macroeconomic Indicators

GDP Growth Rate (per cent)

CPI and WPI (per cent)

Net FDI

CAD/Forex (per cent)

Trends in Deficits

Debt

Tracking Progress in Numbers

Foreign Exchange Reserves (₹ crore)

Gross Bank Credit (₹ Crore)

Distribution of workers by status in Employment (per cent)

India is the 5th largest economy in the world in terms of GDP at current US $ Trillion.
BASICS OF A BUDGET

Revenue Expenditure (in ₹ crore)

Capital Expenditure (in ₹ crore)
BASICS OF A BUDGET

Revenue Receipts (in ₹ crore)

Capital Receipts (in Rs. crore)
BASICS OF A BUDGET

Rupee Comes From

- Income Tax - 17%
- Union Excise Duties - 7%
- Corporation Tax - 18%
- GST - 18%
- Non Debt Capital Receipts - 6%
- Borrowings and Other Liabilities - 20%
- Non Tax Revenue - 10%
- Customs - 4%
BASICS OF A BUDGET

**FISCAL DEFICIT** = Difference between “Revenue Receipts and Non debt capital receipts” and Total Expenditure

**REVENUE DEFICIT** = Revenue Expenditure – Revenue Receipts
BASICS OF A BUDGET

EFFECTIVE REVENUE DEFICIT = Difference between Revenue Deficit and Grants for Creation of Capital Assets

PRIMARY DEFICIT = Fiscal Deficit – Interest Payments
### BASICS OF A BUDGET

**FISCAL DEFICIT** = Difference between “Revenue Receipts and Non debt capital receipts” and Total Expenditure

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Debt Receipts (Net)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Market Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(G-sec + T Bills + POLIF)</td>
<td>430164</td>
<td>448122</td>
<td>498972</td>
<td>535870</td>
</tr>
<tr>
<td>3. Securities against Small Savings</td>
<td>125000</td>
<td>130000</td>
<td>240000</td>
<td>240000</td>
</tr>
<tr>
<td>4. State Provident Funds</td>
<td>16059</td>
<td>18000</td>
<td>18000</td>
<td>18000</td>
</tr>
<tr>
<td>5. Other Receipts (Internal Debts and Public Account)</td>
<td>73997</td>
<td>59532</td>
<td>4941</td>
<td>50848</td>
</tr>
<tr>
<td>6. External Debt</td>
<td>5519</td>
<td>(-2952)</td>
<td>4933</td>
<td>4622</td>
</tr>
<tr>
<td>7. Draw Down of Cash Balance</td>
<td>(-1321)</td>
<td>51059</td>
<td>...</td>
<td>(-53003)</td>
</tr>
<tr>
<td>8. Grand Total</td>
<td>649418</td>
<td>703760</td>
<td>766846</td>
<td>796337</td>
</tr>
</tbody>
</table>
BASICS OF A BUDGET

SOURCES OF DEFICIT FINANCING

(₹ in crore)

- Securities against small savings
- State Provident Fund
- Other Receipts (Internal Debt and Public Account)
- External Debt
- External Debt
- Draw Down of Cash Balance
- Market Borrowings

Year: 2016-17, 2017-18, 2018-19, RE19-20, BE20-21
DEFICIT TRENDS (% of GDP)
TRANSFER TO STATES

TOTAL TRANSFERS TO STATES AND UTs
(₹ in lakh crore)

- 2016-17: 9.86
- 2017-18: 10.85
- 2018-19: 11.95
- RE 2019-20: 11.88
- BE 2020-21: 13.91
TRANSFER TO STATES

COMPOSITION OF TRANSFERS TO STATES & UTs
(₹ in crore)

- Devolution:
  - 2018-19: 761454
  - RE 2019-20: 656046
  - BE 2020-21: 784181

- Scheme related and Other Transfers:
  - 2018-19: 340236
  - RE 2019-20: 408205
  - BE 2020-21: 456560

- Finance Commission Grants:
  - 2018-19: 93704
  - RE 2019-20: 123710
  - BE 2020-21: 149925
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>I. Devolution of States share in taxes</td>
<td>7614.54</td>
<td>6560.48</td>
<td>7841.81</td>
</tr>
<tr>
<td>II. Some Important Items of Transfer</td>
<td>462.36</td>
<td>573.44</td>
<td>7327.75</td>
</tr>
<tr>
<td>1. Assistance to States from NDRF</td>
<td>100.00</td>
<td>200.00</td>
<td>250.00</td>
</tr>
<tr>
<td>2. Central Pool of Resources for North Eastern Region and Sikkim</td>
<td>450.00</td>
<td>380.00</td>
<td>407.00</td>
</tr>
<tr>
<td>3. Externally Added Projects - Grants</td>
<td>28.24</td>
<td>30.00</td>
<td>40.00</td>
</tr>
<tr>
<td>4. Externally Aided Projects - Loan</td>
<td>2377.4</td>
<td>2500.00</td>
<td>2500.00</td>
</tr>
<tr>
<td>5. Schemes of North East Council</td>
<td>445.00</td>
<td>324.00</td>
<td>257.00</td>
</tr>
<tr>
<td>6. Schemes under Provision to Article 275(1) of the Constitution</td>
<td>18.15</td>
<td>23.21</td>
<td>11.09</td>
</tr>
<tr>
<td>7. Special Assistance under the demand - Transfers to States</td>
<td>4686.56</td>
<td>4000.00</td>
<td>15000.00</td>
</tr>
<tr>
<td>8. Special Central Assistance to Scheduled Castes under Demand-Department of Social Justice and Empowerment</td>
<td>807.00</td>
<td>1074.00</td>
<td>1172.00</td>
</tr>
<tr>
<td>9. Special Central Assistance to Tribal Area under the Demand - Ministry of Tribal Affairs</td>
<td>1345.00</td>
<td>1245.00</td>
<td>1210.00</td>
</tr>
<tr>
<td>III. Finance Commission Grants</td>
<td>9370.04</td>
<td>1237.18</td>
<td>14992.65</td>
</tr>
<tr>
<td>1. Grant for local bodies - Rural Bodies</td>
<td>350.04</td>
<td>568.16</td>
<td>699.25</td>
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<tr>
<td>2. Grants for Urban Local Bodies</td>
<td>1440.00</td>
<td>258.43</td>
<td>300.00</td>
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<tr>
<td>3. Grants-in-Aid for SDRF</td>
<td>965.80</td>
<td>1093.80</td>
<td>200.00</td>
</tr>
<tr>
<td>4. Post Devolution Revenue Deficit Grants</td>
<td>3452.80</td>
<td>281.31</td>
<td>300.00</td>
</tr>
<tr>
<td>IV. Total Transfer to States (Other than (I)+(II)+(III))</td>
<td>2860.46</td>
<td>3224.43</td>
<td>3358.78</td>
</tr>
<tr>
<td>1. Under Centrally Sponsored Schemes (Revenue)</td>
<td>2714.78</td>
<td>2830.57</td>
<td>2952.69</td>
</tr>
<tr>
<td>2. Under Central Sector Schemes (Revenue)</td>
<td>130.29</td>
<td>38.27</td>
<td>394.51</td>
</tr>
<tr>
<td>3. Under Other Categories of Expenditure (Revenue)</td>
<td>884.00</td>
<td>1055.00</td>
<td>1066.00</td>
</tr>
<tr>
<td>4. Capital Transfers</td>
<td>35.00</td>
<td>104.00</td>
<td>93.00</td>
</tr>
<tr>
<td>V. Total Transfer to Delhi and Puducherry</td>
<td>7955.00</td>
<td>2841.97</td>
<td>4740.03</td>
</tr>
<tr>
<td>1. Under Centrally Sponsored Schemes (Revenue)</td>
<td>793.00</td>
<td>1999.00</td>
<td>560.30</td>
</tr>
<tr>
<td>2. Under Central Sector Schemes (Revenue)</td>
<td>1.00</td>
<td>222.00</td>
<td>209.00</td>
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<tr>
<td>3. Under Other Categories of Expenditure (Revenue)</td>
<td>7031.00</td>
<td>2697.2</td>
<td>4135.60</td>
</tr>
<tr>
<td>4. Capital Transfers</td>
<td>130.00</td>
<td>225.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Total Transfer to States/UTs</td>
<td>11953.94</td>
<td>11879.61</td>
<td>13080.66</td>
</tr>
</tbody>
</table>
Outlay Vs Output Vs Outcome

- **Outlay** - the amount that is provided for a given scheme or project in the Budget
- **Output** - the direct and measurable product of program activities, often expressed in physical terms or units
- **Outcome** - the collective results or qualitative improvements brought about in the delivery of these services
Central Sector Schemes Vs Centrally Sponsored Schemes

- Central Sector schemes expenditures are considered Centre’s expenditure.
- 100% expenditure met by central government
- Primarily from Union List items

- Centrally sponsored schemes expenditures are considered grants
- Ratio of expenditure between centre and state
- Primarily from state list
REVENUES OF THE GOVERNMENT - 1

Dividend Distribution Tax removed and classical system of dividend taxation adopted.

Simplified and New Income Tax Regime as an option to the old regime.

<table>
<thead>
<tr>
<th>Income Bracket (₹ lakh)</th>
<th>Below 5</th>
<th>5-7.5</th>
<th>7.5-10</th>
<th>10-12.5</th>
<th>12.5-15</th>
<th>Above 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate (per cent)</td>
<td>Exempt</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
</tbody>
</table>

Simplified GST return shall be implemented from 1st April 2020. Refund process to be fully automated.
Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.

Tax concession for sovereign wealth fund of foreign governments and other foreign investments.

Tax benefits to Start-ups by way of deduction of 100 per cent of their profits are enhanced by increasing turnover limit and period of eligibility.

Concessional tax rate for cooperatives proposed.

Turnover threshold for audit of MSMEs increased.

Extension of time limits pertaining to the tax benefits for affordable housing.

Issuance of Unique Registration Number to all charity institutions for easy tax compliance.

Health cess to be imposed on imports of medical equipment given these are made significantly in India.
CORPORATE TAX RATE CUT

- Thailand: 20%
- India: 22%
- Japan: 23.2%
- Bangladesh: 25%
- Indonesia: 25%
- China: 25%
- Sri Lanka: 28%
- Philippines: 30%
In the new tax regime, substantial tax benefit will accrue to a taxpayer depending upon exemptions and deductions claimed by him.

For example, a person earning Rs. 15 lakh in a year and not availing any deductions etc., will pay only Rs. 1,95,000 as compared to Rs. 2,73,000 in the old regime. Thus, his tax burden shall be reduced by Rs. 78,000 in the new regime. He would still be the gainer in the new regime, even if he was taking deduction of Rs. 1.5 Lakh under various sections of Chapter VI-A of the Income Tax Act under the old regime.

The new tax regime shall be optional for taxpayers. An individual who is currently availing more deductions and exemption under the Income Tax Act may choose to avail them and continue to pay tax in the old regime.

The new personal income tax rates will entail estimated revenue foregone of Rs. 40,000 crore per year. Measures have been initiated to pre-fill the income tax return so that an individual who opts for the new regime would need no assistance from an expert to file his return and pay income tax.

(The FM has taken into consideration only 1 deduction- Rs 1.5 lakh. If all exemptions are taken into consideration, a person will end up paying Rs 7800 more tax under the new system)
CONCESSIONAL CORPORATE TAX

- New provisions were introduced in September 2019, offering a concessional corporate tax rate of 15% to the newly incorporated domestic companies in the manufacturing sector which start manufacturing by 31st March, 2023.
- In order to attract investment in the power sector, it has been proposed to extend the concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity.
• To incentivize investment by Sovereign Wealth Fund of foreign governments, the Finance Minister has proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of the investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years.
The Finance Minister noted that during their formative years, Start-ups generally use Employee Stock Option Plan (ESOP) to attract and retain highly talented employees. Currently, ESOPs are taxable as perquisites at the time of exercise. In order to give a boost to the start-up ecosystem, the Finance Minister has proposed to ease the burden of taxation on the employees by deferring the tax payment for five years or till they leave the company or when they sell their shares, whichever is earliest.

An eligible Start-up having turnover up-to 25 crore is allowed deduction of 100% on its profits for three consecutive assessment years out of seven years if the total turnover does not exceed 25 crore rupees. The Finance Minister has proposed to increase this limit to Rs. 100 crore. She has also proposed to extend the period of eligibility for claim of deduction from the existing 7 years to 10 years.
TAX FOR COOPERATIVES

- Cooperative societies are currently taxed at a rate of 30% with surcharge and cess. As a major concession, and in order to bring parity between the cooperative societies and corporates, the Finance Minister has proposed to provide an option to cooperative societies to be taxed at 22% plus 10% surcharge and 4% cess with no exemptions/deductions. She has also proposed to exempt these societies from Alternative Minimum Tax (AMT), just like companies under the new tax regime are exempted from the Minimum Alternate Tax (MAT).
In order to reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector, the Finance Minister has proposed to raise by five times, the turnover threshold for audit from the existing Rs. 1 crore to Rs. 5 crore. In order to boost less-cash economy, she has proposed that the increased limit shall apply only to those businesses which carry out less than 5% of their business transactions in cash.
In the last budget, the Finance Minister had announced an additional deduction of up to one lakh, fifty thousand rupees for interest paid on loans taken for purchase of an affordable house. The date of loan sanction for availing this additional deduction is proposed to be extended by one year, beyond 31st March, 2020.
Under the proposed ‘Vivad se Vishwas’ scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty, provided he pays by 31st March, 2020. Those who will avail the scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June 2020.
CUSTOM DUTY ON LOW QUALITY IMPORTS
HEALTH CESS

• Labour intensive sectors in MSME are critical for employment generation. Cheap and low-quality imports are an impediment to their growth. Keeping in view the need of this sector, customs duty is being raised on items like footwear and furniture. Rate of Duty for footwear is being raised from 25% to 35%; and for “parts of footwear” from 15% to 20%. Rate of Duty for specified Furniture goods is being raised from 20% to 25%.

• To give impetus to domestic industry, and to generate resource for health services, it is proposed to impose a nominal health cess of 5% on imports of specified medical equipment. Basic customs duty on imports of newsprint and light-weight coated paper is being reduced from 10% to 5%.
EXPENDITURES OF THE GOVERNMENT

Expenditure of major items

- Ministry of Housing and Urban Affairs: Rs. 60040
- Ministry of Health and Family Welfare: Rs. 67112
- Ministry of Railways: Rs. 72216
- Ministry of Road Transport and Highways: Rs. 91823
- Ministry of Human Resource Development: Rs. 99312
- Ministry of Rural Development: Rs. 122398
- Ministry of Consumer Affairs, Food and Public Distribution: Rs. 124535
- Ministry of Agriculture and Farmers’ Welfare: Rs. 142762
- Ministry of Home Affairs: Rs. 167250
- Ministry of Defence: Rs. 471378
PM KUSUM to cover 20 lakh farmers for stand alone solar pumps and further 15 lakh for grid connected pumps.

- Viability gap funding for creation of efficient warehouses on PPP mode.
- SHGs run Village storage scheme to be launched.
- Intergartion of e-NWR with e-NAM.

- Elimination of FMD and brucellosis in cattle and PPR in sheep and goat by 2025.
- Increasing coverage of artificial insemination to 70 per cent.
- Doubling of milk processing capacity by 2025.
- Agricultural credit target of ₹15 lakh crore for 2020-21.

“Kisan Rail” and “Krishi Udaan” to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables.

- Fish Production target of 200 lakh tonnes by 2022-23.
- Another 45000 acres of aquaculture to be supported.
- Fishery extention through 3477 Sagar Mitras and 500 fish FPOs.
- Raise fishery exports to ₹1 lakh crore by 2024-25.
The Finance Minister said that more than Rs 2.83 lakh crore would be spent on Agriculture, Rural Development, Irrigation and allied activities as farmers and rural poor continue to remain the key focus of the Government.

Reiterating the commitment of doubling farmers’ income by 2022, She said, Government has already provided resilience for 6.11 crore farmers insured under PM Fasal Bima Yojana.

Agriculture credit target for the year 2020-21 has been set at Rs 15 lakh crore.

All eligible beneficiaries of PM-KISAN will be covered under the KCC scheme.

Moreover, comprehensive measures for one hundred water stressed districts, proposal to expand PM-KUSUM to provide 20 lakh farmers for setting up stand-alone solar pumps and for another 15 lakh farmers to solarise their grid-connected pump sets, setting up of efficient warehouses at the block/taluk level and in Horticulture sector with focus on “one product one district” for better marketing and export are some of the steps in that direction.
• Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat to be eliminated by 2025, Coverage of artificial insemination to be increased from the present 30% to 70%, MNREGS to be dovetailed to develop fodder farms, doubling of milk processing capacity from 53.5 million MT to 108 million MT by 2025 to be facilitated.
• Similarly on the Blue Economy, raising of fish production to 200 lakh tonnes is proposed by 2022-23. Youth to be involved in fishery extension through 3477 Sagar Mitras and 500 Fish Farmer Producer Organisations.
• Fishery exports hoped to be raised to Rs 1 lakh crore by 2024-25.
• DeenDayalAntyodayaYojana- for alleviation of poverty, half a crore households are mobilized with 58 lakh SHGs and it will be further expanded.
WATER, SANITATION, WELLNESS

- More than 20,000 empanelled hospitals under PM Jan Arogya Yojana.
- FIT India movement launched to fight NCDs.

- “TB Harega Desh Jeetega” campaign launched to end TB by 2025.

- Viability gap funding proposed for setting up hospitals in the PPP mode.
- Expansion of Jan Aushadhi Kendra Scheme to all districts by 2024.

- ODF Plus to sustain ODF behaviour.
- Focus on liquid and grey water management along with waste management.

Coverage under Nikshay Poshan Yojana (₹ Lakh)

Coverage

Ongoing

SBM (₹ crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>NIIMR</th>
<th>USMR</th>
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<tbody>
<tr>
<td>2019-20</td>
<td>9638</td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>12294</td>
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</table>
• Rs 69,000 crore is being provided for Health care including Rs 6400 crores for Prime Minister Jan ArogyaYojana (PMJAY).
• She said, under PM Jan ArogyaYojana (PMJAY), there are more than 20,000 empanelled hospitals more in Tier-2 and Tier-3 cities for poorer people.
• Setting up hospitals in the PPP mode mainly in Aspirational Districts, using machine learning and AI, in the Ayushman Bharat scheme,
• “TB Harega Desh Jeetega” campaign to end Tuberculosis by 2025,
• expansion of Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgicals by 2024 are some of the other wellness measures in the Budget.
• On sanitation front, Government is committed to ODF Plus in order to sustain ODF behaviour and the total allocation for Swachh Bharat Mission is Rs.12,300 crore in 2020-21.
• Similarly, Rs 3.60 lakh crore approved for Jal Jeevan Mission and Rs 11,500 crore in 2020-21.
• About 150 higher educational institutions will start apprenticeship embedded courses.
• Internship opportunities to fresh engineers by urban local bodies.
• Special bridge courses to improve skill sets of those seeking employment abroad.

Allocation 2020-21 (BE) (₹ crore)

- DHRUV
- Operation Digital Board

Study in India (crore)

- 2019-20 (RE) 32
- 2020-21 (BE) 65

EQUIP (₹ crore)

- 2020-21 (BE) 1413

Programme for Apprenticeship Training (₹ crore)

- 2020-21 (BE) 174
- 2019-20 (RE) 168

• Degree level online education programmes for students of deprived sections of the society.
• Ind-SAT to be conducted in Asia and Africa under Study in India programme.
• Rs 99,300 crore is being allocated in 2020-21 and Rs 3000 crores for skill development.
• New Education Policy will be announced soon.
• About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021.
• Degree level full-fledged online education programme to be started.
• Under its “Study in India” programme, an Ind-SAT is proposed to be held in Asian and African countries.
• A National Police University and a National Forensic Science University are being proposed in the domain of policing science, forensic science, cyber-forensics etc. It is proposed that special bridge courses be designed by the Ministries of Health, Skill Development.
NEW ECONOMY

- On New Economy, Smt Sitharaman said that a policy to enable private sector to build Data Centre parks throughout the country will be brought out soon.
- Fibre to the Home (FTTH) connections through Bharatnet will link 100,000 gram panchayats this year.
- It is proposed to provide Rs 6000 crore to Bharatnet programme in 2020-21.
- Measures proposed to benefit the Start-ups include a digital platform for seamless application and capture of IPRs, Knowledge Translation Clusters to be set up across different technology sectors including new and emerging areas.
- It is proposed to provide an outlay of Rs 8000 crore over a period five years for the National Mission on Quantum Technologies and Applications.

- Knowledge Translation Clusters for emerging technology sectors
- Scaling up of Technology Clusters harbouring test beds and small scale manufacturing facilities.
- National Mission on Quantum Technologies and applications with an outlay of Rs.8000 crore proposed.
INDUSTRY, COMMERCE, INVESTMENT

- Scheme to encourage manufacturing of mobile phones, electronic equipment and semiconductor packaging.
- National Technical Textiles Mission for a period of 4 years.

- NIRVIK Scheme for higher export credit disbursement launched.
- Setting up of an Investment Clearance Cell to provide end to end facilitation.

- Extension of invoice financing to MSMEs through TReDs.
- A scheme to provide subordinate debt for entrepreneurs of MSMEs.
- Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets.
• Rs 27300 crore would be allocated for development and promotion of Industry and Commerce for the year 2020-21.
• An Investment Clearance Cell will be set up to provide “end to end” facilitation.
• It is proposed to develop five new smart cities in collaboration with States in PPP mode.
• A scheme to encourage manufacture of mobile phones, electronic equipment and semiconductor packaging is also proposed.
• A National Technical Textiles Mission would be set up with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of Rs 1480 crore to position India as a global leader in Technical Textiles. To achieve higher export credit disbursement, a new scheme, NIRVIK is being launched to support mainly small exporters.
• Government e-Marketplace (GeM) is moving ahead for creating a Unified Procurement System in the country for providing a single platform for procurement of goods, services and works. It is proposed to take the turnover of GeM to Rs 3 lakh crores. 3.24 lakh vendors are already on this platform.
INFRASTRUCTURE

- National Logistics Policy to be launched soon.
- **Roads**: Accelerated development of Highways.
- **Railways**: Four station redevelopment projects
- 150 passenger trains through PPP mode.
- More Tejas type trains for tourist destinations.
- **Port**: Corporatizing at least one major port.
- **Air**: 100 more airports to be developed under UDAAN.

**Power**: Efforts to replace conventional energy meters by prepaid smart meters.

**Gas Grid**: Expand National Gas Grid to 27,000 km

**Infrastructure Financing**: ₹103 lakh crore National infrastructure Pipeline projects announced.
- An international bullion exchange to be set up at GIFT City.
Accelerated development of highways will be undertaken. This will include development of 2500 Km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and 2000 Km of strategic highways. Delhi-Mumbai Expressway and two other packages to be completed by 2023. Chennai-Bengaluru Expressway also be started.
On Infrastructure sector as highlighted by the Prime Minister that Rs 100 lakh crore would be invested over the next 5 years, National Infrastructure Pipeline was launched on 31st December 2019 of Rs 103 lakh crore.

Indian Railways aims to achieve electrification of 27000 Km of tracks. She said that within 100 days of assumption of this government, it has commissioned 550 wi-fi facilities in as many stations.

Four station re-development projects and operation of 150 passenger trains would be done through PPP mode.

More Tejas type trains will connect iconic tourist destinations.

High speed train between Mumbai to Ahmedabad would be actively pursued.

Similarly, 100 more airports would be developed by 2024 to support Udaan scheme.

Air fleet number expected to go up from the present 600 to 1200 during this time.

Allocation of Rs 1.70 lakh crore proposed for transport Infrastructure in 2020-21. Similarly, allocation of Rs 22,000 crore proposed for power and renewable energy sector in 2020-21.
Women & child, social Welfare
- More than 6 lakh anganwadi workers equipped with smart phones.
- A task force to be appointed to recommend regarding lowering MMR and improving nutrition levels.

Culture and Tourism
- Proposal to establish Indian Institute of Heritage and conservation.
- 5 archaeological sites to be developed as iconic sites.
- A museum on Numismatics and Trade to be established.
- Tribal museum in Ranchi.
- Maritime museum to be set up at Lothal.

Environment and Climate Change
- Coalition for Disaster Resilient Infrastructure launched in September 2019.
- Encouragement to states implementing plans for cleaner air in cities above 1 million.

Tourism promotion (₹ crore)
- 2020-21 (BE): 3980
- 2020-21 (RE): 2500
Women and Child, Social Welfare

- Rs 35,600 crore proposed for nutrition-related programmes for the financial year 2020-21.
- Rs 28,600 crore proposed for programs that are specific to women.
- Moreover, Rs 85000 crore would be allocated towards the welfare of Scheduled Castes and Other Backward classes for 2020-21.
- Similarly, for furthering development and welfare of Scheduled tribes, Rs 53,700 crore is proposed for 2020-21. She said, the government is mindful of the concerns of senior citizens and Divyang. Accordingly, an enhanced allocation of Rs 9,500 crore is being provided for 2020-21.

Culture and Tourism

establishment of an Indian Institute of Heritage and Conservation under Ministry of Culture proposed with the status of a deemed University.

5 archaeological sites to be developed as iconic sites with on-site Museums - Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivasgar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).

Re-curation of the Indian Museum in Kolkata, announced by Prime Minister in January 2020.

Museum on Numismatics and Trade to be located in the historic Old Mint building Kolkata.

4 more museums from across the country to be taken up for renovation and re-curation.

Support for setting up of a Tribal Museum in Ranchi (Jharkhand).

Maritime museum to be set up at Lothal- the Harrapam age maritime site near Ahmedabad, by Ministry of Shipping.

crore for 2020-21.
Environment and Climate Change

- On Environment, States that are formulating and implementing plans for ensuring cleaner air in cities above one million to be encouraged.
- Parameters for the incentives to be notified by the Ministry of Environment, Forests and Climate change and the allocation for this purpose is Rs 4,400.
GOVERNANCE

STRUCTURAL REFORMS

IBC
- Honourable exit through IBC for companies.

GST
- 20 per cent reduction in turn around time for trucks.
- Benefit to MSMEs through enhanced threshold and composition limits.
- Savings of about 4 per cent of monthly spending for an average household.
- In last 2 years, 60 lakh new taxpayers added and 105 crore e-way bills generated

INCLUSIVE GROWTH

- Governance guided by “Sabka Saath, Sabka Vikas, Sabka Vishwas” with focus on:
  - Preventive Healthcare: Provision of sanitation and water
  - Healthcare: Ayushman Bharat
  - Clean energy: Ujjawala and Solar Power
  - Financial Inclusion, Credit support and Pension
  - Affordable Housing
  - Digital penetration

DIGITAL REVOLUTION

Shift to DBT
- During 2018-19, ₹7 lakh crore transferred through DBT.

Next wave
- Digital Governance.
- Improve physical quality of life through National Infrastructure Pipeline
- Disaster Resilience.
- Social Security through Pension and Insurance penetration.
• Dwelling on the issue of Governance as clean, corruption-free, policy driven and good in intent and most importantly trusting in faith, the Finance Minister announced setting up of a National Recruitment Agency (NRA) as an independent, professional, specialist organisation for conduct of a computer-based online Common Eligibility Test for recruitment to Non-Gazetted posts.
• A test-centre in every district, particularly in the Aspirational Districts would also be set up.
• It is also proposed to evolve a robust mechanism for appointment including direct recruitment to various Tribunals and specialised bodies to attract best talents and professional experts.
Finance Sector

- Deposit Insurance Coverage to increase from ₹1 lakh to ₹5 Lakh per depositor.
- Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of ₹100 crore or loan size of ₹50 Lakh.
- Proposal to sell balance holding of government in IDBI Bank.
- Separation of NPS Trust for government employees from PFRDAI.

- Specified categories of government securities would be opened for non resident investors
- FPI Limit for corporate bonds to be increased to 15 per cent.
- New debt ETF proposed mainly for government securities.
In the last few years, Government of India has infused about Rs 3,50,000 crore by way of capital into Public Sector Banks for regulatory and growth purposes. Governance reforms would be carried out in these banks, so that they become more competitive.

- Government has already approved consolidation of 10 banks into four.
- The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs one lakh to Rs five lakh per depositor.
- The limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 is proposed to be reduced from Rs. 500 crore to asset size of Rs 100 crore or loan size from existing Rs 1 crore to Rs 50 lakh.
- To meet the need for greater private capital, it is proposed to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange.
- More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI in the last year. The restructuring window was to end on March 31, 2020. Government has asked RBI to consider extending this window till March 31, 2021.
- For selected sectors such as pharmaceuticals, auto components and others, it is proposed to extend handholding support – for technology upgradations, R&D, business strategy etc. A scheme of Rs 1000 crore will be anchored by EXIM Bank together with SIDBI.
Financial Markets

- On Financial Markets, about deepening of the bond market, certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors as well.
- Government also proposes to expand by floating a new Debt-ETF consisting primarily of government securities. This will give retail investors access to government securities as much as giving an attractive investment for pension funds and long-term investors.
- To address the liquidity constraints of the NBFCs/HFCs, post the Union budget 2019-20, the government formulated a Partial Credit Guarantee scheme for the NBFCs.
- The Government and RBI has taken various measures to permit Rupee derivatives to be traded in the International Financial Services Centre at GIFT city, Gujarat.
Disinvestment

- On Disinvestment, the Finance Minister said that listing of companies on stock exchanges discipline a company and provides access to financial markets and unlocks its value.
- It also gives opportunity for retail investors to participate in the wealth so created.
- The government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).
Fiscal Management

- the Finance Minister said that XV Finance Commission has given its first report pertaining to Financial Year 2020-21. In the spirit of co-operative federalism, Government in substantial measure, accepted the recommendations of the Commission. The commission would submit its final report to the President during the latter part of the year, for five years beginning 2021-22.
- She also announced to transfer to the GST Compensation Fund balances due out of collection of the years 2016-17 and 2017-18, in two instalments.
- Hereinafter, transfers to the fund would be limited only to collection by way of GST compensation cess.
- The Revised Estimates of Expenditure for the Financial Year 2019-20 are at a level of Rs 26.99 lakh Crore and the receipts are estimated at Rs.19.32 lakh crore.
- Government has estimated nominal growth of GDP for year 2020-21, on the basis of trends available, at 10%.
- A good part of the borrowings for the financial year 2020-21 would go towards Capital expenditure of the Government that has been scaled up by more than 21%. She said that the measures would spur growth impulses in the economy.
STOCK MARKET FALL:
• Abolition of LTCG on selling of shares not provided.
• Dividends taxable in the hands of recipients

FISCAL DEFICIT TARGETS:- BAD LOANS
• Accumulated bad loans of banks- Rs 7.8 trillion; Government has announced various recapitalisations but they are not yet implemented

MGNREGA vs PM-KISAN:
• Expenditure in MGNREGS reduced to Rs 61500 crore
• PM-KISAN gets an allocation of Rs 75000 crore, up from 54000 crore
• Government seems to favour land owning farmers than the poorest of the poor seeking work under MGNREGA

GOVERNMENT HIDING SOMETHING:
• FCI buys rice and wheat from farmers at MSP and sells then to PDS shops. The difference in prices is compensated by the government. The government has reduced this compensation in order to reduce Fiscal deficit
PROBLEMS IN THE BUDGET

Chart 1

Government spending growth has fallen and remains skewed towards revenue expenditure

Year-on-year growth (in %)

- Revenue expenditure (as a % of total spending)
- Capital expenditure (as a % of total spending)

Total expenditure (y-o-y growth in %)

(Revenue expenditure) 83.6 in 1999-00, 16.4 in 2000-01, 6.7 in 2001-02, 12.7 in 2002-03, 16.4 in 2003-04, 86.5 in 2019-20

Capital expenditure:

- 83.6 in 1999-00
- 16.4 in 2000-01
- 6.7 in 2001-02
- 12.7 in 2002-03
- 16.4 in 2003-04
- 86.5 in 2019-20

Graph shows the breakdown of revenue and capital expenditure from 1999-00 to 2020-21 with a comparison between revised and budgeted figures.
PROBLEMS IN THE BUDGET

Chart 2
With the tax cuts, tax buoyancy is set to decline and remain flat in FY21
(as a % of GDP)

Gross tax revenue

Net tax revenue

1999-00
NDA-I
UPA
NDA-II
NDA-III
2019-20
2020-21
PROBLEMS IN THE BUDGET

The fiscal deficit for FY20 stands at 4.6% after accounting for off-budget liabilities.

Fiscal deficit adjusted for special bond issuance and NSSF loans undertaken by public sector entities. For the years between 2001-02 and 2008-09, these include oil, fertilizer and FCI bonds. For recent years (2016-17 onwards), these include financial support extended through loans from NSSF to public sector entities such as FCI, RCF and MMTC in lieu of subsidy payments and government-serviced bonds issued by public sector entities. Bank recapitalization bonds are not included in the analysis.
PROBLEMS IN THE BUDGET

Chart 4
Public debt remains stubbornly high
(as a % of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>NDA-I</th>
<th>UPA</th>
<th>NDA-II</th>
<th>NDA-III</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>22.8</td>
<td>50.3</td>
<td>27.2</td>
<td>23.4</td>
</tr>
<tr>
<td>2003-04</td>
<td>32.9</td>
<td>62.3</td>
<td>27.2</td>
<td>23.4</td>
</tr>
<tr>
<td>2008-09</td>
<td>57.3</td>
<td>62.3</td>
<td>27.2</td>
<td>23.4</td>
</tr>
<tr>
<td>2013-14</td>
<td>50.5</td>
<td>62.3</td>
<td>27.2</td>
<td>23.4</td>
</tr>
<tr>
<td>2018-19</td>
<td>24.8</td>
<td>47</td>
<td>24.8</td>
<td>23.4</td>
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<tr>
<td>2019-20</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>23.4</td>
</tr>
<tr>
<td>2020-21</td>
<td>48.7</td>
<td>48.7</td>
<td>48.7</td>
<td>23.4</td>
</tr>
</tbody>
</table>

Note: Union government debt figures for 2019-20 and 2020-21 based on budget documents; historical data is from CMIE; state government debt for 2020-21 assumed to be the same as 2019-20
Despite distress, rural spending has plateaued...
Share of rural sector spending in the budget (in %)

Rural spending here denotes spending on agriculture and rural development ministries.
... while spending on social infra has declined

Share of social infra spending in the budget (in %)

Chart 6

Spending on social infrastructure includes allocations towards ministries of human resource development, women and child development, drinking water and sanitation, and health and family welfare (including AYUSH).
# Problems in the Budget

**Chart 7**

**Agriculture and communications gain most funds, whereas steel and textiles lose out**

<table>
<thead>
<tr>
<th>Top gainers</th>
<th>Allocation (in ₹ million)</th>
<th>Difference (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of agriculture</td>
<td>491,882</td>
<td>1,427,623</td>
</tr>
<tr>
<td>Ministry of communications</td>
<td>314,317</td>
<td>819,571</td>
</tr>
<tr>
<td>Ministry of parliamentary affairs</td>
<td>203</td>
<td>505</td>
</tr>
<tr>
<td>Ministry of new and renewable energy</td>
<td>27,219</td>
<td>57,530</td>
</tr>
<tr>
<td>Ministry of fisheries, animal husbandry and dairing</td>
<td>22,955</td>
<td>41,141</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top losers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of steel</td>
<td>1,518</td>
<td>1,000</td>
</tr>
<tr>
<td>Ministry of textiles</td>
<td>52,678</td>
<td>35,148</td>
</tr>
<tr>
<td>Ministry of law and justice</td>
<td>39,986</td>
<td>27,786</td>
</tr>
<tr>
<td>Ministry of civil aviation</td>
<td>50,272</td>
<td>37,977</td>
</tr>
<tr>
<td>Ministry of planning</td>
<td>8,494</td>
<td>6,500</td>
</tr>
</tbody>
</table>

*Figures refer to average allocations in the years 2014-20*

Source: Budget documents, Centre for Monitoring Indian Economy, Reserve Bank of India, National Institute of Public Finance and Economics
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