GS SCORE

UNION Budget

2017-18

Summary

For Civil Services Examination

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INTRODUCTION

State of the National Economy

Budget for 2017-18 was presented amidst huge expectations from the government. Most challenging and important among all is **'good governance'**. Good Governance includes the burning issues like inflation and price rise, corruption in day to day transactions and crony capitalism.

Government's policies aim to bring a Transformative Shift in the way our country is governed. In the last two and half years, India has moved

- from a discretionary administration to a policy and system based administration;
- from favoritism to transparency and objectivity in decision making;
- from blanket and loose entitlements to targeted delivery; and
- from informal economy to formal economy.

Overall, Inflation, which was in double digits, has been controlled, sluggish growth has been replaced by high growth and a massive war against black money has been launched.

Government undertook many more measures to ensure that the fruits of growth reach the farmers, the workers, the poor, the scheduled castes and scheduled tribes, women and other vulnerable sections of the society. Its focus was on energizing our youth to reap the benefits of growth and employment.

State of the Global Economy

The world economy is facing considerable uncertainty, in the aftermath of major economic and political developments during the last one year. Nevertheless, there are positive signs too as the International Monetary Fund (IMF) estimates that:

- World GDP will grow by 3.1% in 2016 and 3.4% in 2017.
- The advanced economies are expected to increase their growth from 1.6% to 1.9% and the emerging economies from 4.1% to 4.5%.
- Macro-economic policy is expected to be more expansionary in certain large economies.
- Growth in a number of emerging economies is expected to recover in 2017, after relatively poor performance in 2016.

Challenges for the Emerging Economies

There are three major challenges for emerging economies in the present world:

- ***First***, the current monetary policy stance of the US Federal Reserve, to increase the policy rates more than once in 2017, may lead to lower capital inflows and higher outflows from the emerging economies.
- ***Second***, the uncertainty around commodity prices, especially that of crude oil, has implications for the fiscal situation of emerging economies. It is however expected that increase, if any, in oil prices

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would get tempered by quick response from producers of shale gas and oil. This would have a sobering impact on prices of crude and petroleum.

- ***Third***, in several parts of the world, there are signs of increasing retreat from globalization of goods, services and people, as pressures for protectionism are building up. These developments have the potential to affect exports from a number of emerging markets, including India.

India as a Bright Spot

Amidst all these developments, India stands out as a bright spot in the world economic landscape.

- India's macro-economic stability continues to be the foundation of economic success.
- CPI inflation declined from 6% in July 2016 to 3.4% in December, 2016 and is expected to remain within RBI's mandated range of 2% to 6%.
- Favorable price developments reflect prudent macro-economic management, resulting in higher agricultural production, especially in pulses.
- India's Current Account Deficit declined from about 1% of GDP last year to 0.3% of GDP in the first half of 2016-17.
- Foreign Direct Investment (FDI) increased from 1,07,000 crores in the first half of last year to '1,45,000 crores in the first half of 2016-17.
- This marks an increase by 36%, despite 5% reduction in global FDI inflows.
- Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017, which represents a comfortable cover for about 12 months of imports.
- The Government has also continued on the steady path of **fiscal consolidation**, without compromising on the public investment requirements of the economy.
- Externally, the economy successfully weathered a number of shocks, the redemption of FCNR deposits, volatility from the US elections and the Fed rate hike.

India as Fastest Growing Economy

According to IMF forecast, India is expected to be one of the fastest growing major economies in 2017.A number of global reports and assessments, over the last two years, have shown that India has considerably improved its policies, practices and economic profile. These are reflected in:

- Doing Business Report of the World Bank;
- World Investment Report 2016 of UNCTAD;
- Global Competitiveness Report of 2015-16; and
- 2016-17 of the World Economic Forum and several other Reports.

India has become the sixth largest manufacturing country in the world, up from ninth previously and Indian economy seen as an engine of global growth.

Economic Reforms in the last One Year

In the last one year, our country has witnessed historic and impactful economic reforms and policy making. In fact, India was one of the very few economies undertaking transformational reforms.

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There were two tectonic policy initiatives, namely,

1. ***Constitution Amendment Bill for GST-*** The Passage of the Bill and the progress for its implementation

2. ***Demonetization*** of high denomination bank notes.

NOTE: Demonetization and GST are built on the third transformational achievement of Government, namely, the **JAM vision (Jan Dhan Aadhar Mobile)**, and will have an epoch making impact on our economy and the lives of our people.

Demonetization and Government Forecast for the Next Fiscal

Demonetization of high denomination bank notes was in continuation of a series of measures taken by our Government during the last two years. For several decades, tax evasion for many has become a way of life. This compromises the larger public interest and creates unjust enrichment in favor of the tax evader, to the detriment of the poor and deprived. This has bred a parallel economy which is unacceptable for an inclusive society.

Demonetization seeks to create a new 'normal' wherein the ***GDP would be bigger, cleaner and real.*** This exercise is part of our Government's resolve to eliminate corruption, black money, counterfeit currency and terror funding.

Like all reforms, this measure is disruptive too, as it seeks to change the retrograde status quo. Drop in economic activity, on account of the currency squeeze during the Remonetization period is expected to have only a transient impact on the economy.

Demonetization has strong potential to generate long-term benefits in terms of reduced corruption, greater digitization of the economy, increased flow of financial savings and greater formalization of the economy, all of which would eventually lead to higher GDP growth and tax revenues.

Demonetization helps to transfer resources from the tax evaders to the Government, which can use these resources for the welfare of the poor and the deprived. There is early evidence of an increased capacity of Banks to lend at reduced interest rates and a huge shift towards digitization among all sections of society.

The pace of remonetisation has picked up and is expected to reach comfortable levels. The effects of demonetisation are not expected to spill over into the next year. Thus IMF, even while revising India's GDP forecast for 2016 downwards, has projected a GDP growth of 7.2% and 7.7% in 2017 and 2018 respectively.

The World Bank, however, is more optimistic and has projected a GDP growth of 7% in 2016-17, 7.6% in 2017-18 and 7.8% in 2018-19.

This pick up in our economy is premised upon our policy and determination to continue with economic reforms, increase in public investment in infrastructure and development projects, and export growth in the context of the expected rebound in world economy.

The surplus liquidity in the banking system, created by Demonetization, will lower borrowing costs and increase the access to credit. This will boost economic activity, with multiplier effects.

Other Reforms in the last One Year

The last one year was a witness to other major reforms, namely,

- Enactment of the Insolvency and Bankruptcy Code;

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- Amendment to the RBI Act for inflation targeting;
- Enactment of the *Aadhar* bill for disbursement of financial subsidies and benefits;
- Significant reforms in FDI policy; and
- The job creating package for textile sector and several other measures.

Approach of the Budget

While preparing this Budget, approach has been to spend more in rural areas, infrastructure and poverty alleviation and yet maintain the best standards of ***fiscal prudence*** (*Fiscal Prudence means being conservative when estimating your revenues but accounting for the unforeseen when estimating your expenditure*). The need to continue with economic reforms, promote higher investments and accelerate growth has also been kept in mind.

Budget for 2017-18 – Annual Financial Statement

Budget for 2017-18 contains three major reforms.

- **First**, the ***presentation of the Budget has been advanced to 1st February*** to enable the Parliament to avoid a Vote on Account and pass a ***single Appropriation Bill for 2017-18***, before the close of the current financial year. This would enable the Ministries and Departments to operationalize all schemes and projects, including the new schemes, right from the commencement of the next financial year. They would be able to fully utilize the available working season before the onset of the monsoon.
- **Second**, the ***merger of the Railways Budget with the General Budget*** is a historic step. Government has discontinued the colonial practice prevalent since 1924. This decision brings the Railways to the centre stage of Government's fiscal policy and would facilitate multi modal transport planning between railways, highways and inland waterways. The functional autonomy of Railways will, however, continue.
- **Third**, government has ***done away with the plan and non-plan classification of expenditure***. This will give a holistic view of allocations for sectors and ministries. This would facilitate optimal allocation of resources.

Road Map and Priorities - TEC INDIA

Continuing with the task of fulfilling the people's expectations, Govt. agenda for the next year is ***"Transform, Energize and Clean India"***, that is, **TEC India.** This agenda of TEC India seeks to

- **Transform** the quality of governance and quality of life of people;
- **Energize** various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential; and
- **Clean** the country from the evils of corruption, black money and non-transparent political funding.

To foster this broad agenda Budget has been proposed under ten distinct themes, i.e.

1. **Farmers** : for whom government has committed to double the income in 5 years;
2. **Rural Population** : providing employment and basic infrastructure;
3. **Youth** : energizing them through education, skills and jobs;

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4. **Poor and the Underprivileged** : strengthening the systems of social security, health care and affordable housing;
5. **Infrastructure** : for efficiency, productivity and quality of life;
6. **Financial Sector** : growth and stability through stronger institutions;
7. **Digital Economy** : for speed, accountability and transparency;
8. **Public Service** : effective governance and efficient service delivery through people's participation;
9. **Prudent Fiscal Management** : to ensure optimal deployment of resources and preserve fiscal stability; and
10. **Tax Administration**: honoring the honest.

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FARMERS & AGRICULTURE

Introduction

- The agriculture sector in India needs a transformation to ensure sustainable livelihoods for the farmers and food security for the population. The transformation in agriculture has to be steered by raising productivity in agriculture, by investing in efficient irrigation technologies, and efficient use of all inputs. This budget worked on improving it.
- The total area sown under Kharif and Rabi seasons are higher than the previous year. With a better monsoon, the growth rate for the agriculture and allied sectors is estimated to be 4.1% for 2016-17. The national goal is to double the income of farmers by 2022.

Budget 2017: Announcements

Agricultural Credit & Funds

- Target for agricultural credit in 2017-18 has been fixed at a record level of 10 lakh crores
- Farmers will also benefit from 60 days' interest waiver announced on 31 Dec 2016
- To ensure flow of credit to small farmers, Government to support NABARD for computerization and integration of all 63,000 functional Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of Rs. 1,900 crores
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of Rs. 2000 crores and will be increased to Rs. 8000 crores over 3 years

Agricultural Insurance

- Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made

Agricultural Extension Service

- New mini labs in Krishi Vigyan Kendras (KVKs) and ensure 100% coverage of all 648 KVKs in the country for soil sample testing
- As announced by the Honorable Prime Minister, the Long Term Irrigation Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to Rs. 40,000 crores.
- Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop' with an initial corpus of 5,000 crores

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Agricultural Market

- Coverage of National Agricultural Market (e-NAM) to be expanded from 250 markets to 585 APMCs. Assistance up to 75 Lakhs will be provided to every e-NAM
- A model law on contract farming to be prepared and circulated among the States for adoption
- Total allocation for Rural, Agriculture and Allied sectors is 187223 crores

Important Terms

- ***Agricultural Credit*** - It is the amount of investment funds in the form of loans, notes, bills of exchange, banker's acceptance etc. made available for agricultural production from resources outside the farm sector.
- ***Interest Waiver*** – It is an act of removing a real or potential liability of the farmer towards the repayment of interest on agricultural loan.
- ***Primary Agricultural Credit Society (PACS)*** – It is a basic unit and smallest co-operative credit institutions in India. It works on the grassroots level (gram panchayat and village level).
- ***Core Banking System*** - A core banking system is the software used to support a bank's most common transactions. Elements of core banking include making and servicing loans, opening new accounts, processing cash deposits and withdrawals, processing payments and cheques, maintaining records for all the bank's transactions, etc.
- ***Agricultural Insurance*** – The agricultural insurance is meant to protect farmers, ranchers & others against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities.
- ***Pradhan Mantri Fasal Bima Yojana (PMFBY)*** - The PMFBY was launched on 18 February 2016. It envisages a uniform premium of only 2% to be paid by farmers for Kharif crops, and 1.5% for Rabi crops. The premium for annual commercial and horticultural crops is 5%.
- ***Agriculture Insurance Company of India Limited (AIC)*** – It was incorporated under the Indian Companies Act 1956 on 20th December, 2002. The AIC commenced its business from 1st April, 2003. AIC took over the implementation of National Agricultural Insurance Scheme (NAIS) which, until FY 2002-03 was implemented by General Insurance Corporation of India. In addition, AIC also transacts other insurance businesses directly or indirectly concerning agriculture and its allied activities.
- ***Agricultural Extension Service*** - Agricultural extension is the application of scientific research and knowledge to agricultural practices through farmer education. Generally, agricultural extension can be defined as the "delivery of information inputs to farmers."
- ***Krishi Vigyan Kendra (KVK)*** – These are agricultural extension centres created by Indian Council for Agricultural Research (ICAR) and its affiliated institutions at district level to provide various types of farm support to the agricultural sector. The first KVK was established during 1974 in Pondicherry.

KVKs provide several farm support activities like providing technology dissemination to farmers, training, awareness etc. To achieve the set objectives KVKs undertake following types of activities in the adopted villages: (1) Farm Advisory Service (2) Training programme for different categories of people. (3) Training

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programme for the extension functionaries. (4) Front Line Demonstration (Fill) (5) On Farm Testing (OFT).

- ***Soil Health Card Scheme*** - This scheme was launched by the government in February 2015. Under the scheme soil cards are issued to farmers which carry crop-wise recommendations of nutrients and fertilizers required for the individual farms to help farmers to improve productivity through judicious use of inputs. All soil samples are tested in various soil testing labs across the country. Thereafter the experts analyse the strength and weaknesses (micro-nutrients deficiency) of the soil and suggest measures to deal with it. The result and suggestion are displayed in the cards.
- ***Agricultural Marketing*** - It is mainly the buying and selling of agricultural products. Today's agricultural marketing has to undergo a series of exchanges or transfers from one person to another before it reaches the consumer. There are three marketing functions involved in this, i.e., assembling, preparation for consumption and distribution. Selling any agricultural produce depends on some couple of factors like the demand of the product at that time, availability of storage, etc.
- ***e-NAM*** - National Agriculture Market (NAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities. The NAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flow (agriculture produce) continues to happen through mandis, an online market reduces transaction costs and information asymmetry.
- ***Agricultural Produce Marketing Committee (APMC)*** - An Agricultural Produce Market Committee (APMC) is a marketing board established by a state government. APMC operate on two principles: (a) ensure that farmers are not exploited by intermediaries (or money lenders) who compel farmers to sell their produce at the farm gate for an extremely low price and (b) all food produce should first be brought to a market yard and then sold through auction.
- ***Contract farming*** – It is a system of contractual production of agricultural raw produce by the farmer for procurement by private companies who process and sell it further.

Announcements and its Implications

Agricultural Credit & Funds

- Indian farmer is poor & faces a credit constraint Target for agricultural credit in 2017-18 has been fixed at 10 lakh crores. Additional credit supply can raise input use, investment, and hence output. This is the liquidity effect of credit. Additionally, agriculture being a risky activity, better credit facilities can help farmers smooth out consumption. This increases the willingness of risk-averse farmers to take risks and make agricultural investments. This is the consumption smoothing effect of credit.
- The Budget 2017 will undertake special efforts to ensure adequate flow of credit to the under serviced areas, the Eastern States and Jammu & Kashmir.
- Farmers will also get 60 days interest waiver announced on 31st December, 2016. Debt waiver and interest waiver schemes have always been used as a political tool to win elections. The Public Accounts Committee has expressed serious concerns over implementation of such schemes. There have been discrepancies, acts of omission and commission in paying money to those who were ineligible (persons who had taken personal loan, vehicle loan or gold loan were also reimbursed), depriving those who were eligible, overpaying some beneficiaries and paying less than what was due to others.

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- The loan waiver has a negative impact on the credit culture as it encourages farmers to wilfully default and makes even the healthy commercial banks wary of lending crop loans to the farmers. For the short term farmer can reclaim his money, but after that he becomes non-bankable. Banks would naturally not like to lend to these farmers in the future as seen after 1990 and 2008 loan waiver schemes.
- Further about 40% of the small and marginal farmers avail credit from the cooperative structure. The Primary Agriculture Credit Societies (PACS) act as the front end for loan disbursements. To ensure proper flow computerisation of PACS is needed. The computerisation and integration of PACS with the Core Banking System of District Central Cooperative Banks will ensure seamless flow of credit to small and marginal farmers.
- A Long Term Irrigation Fund has also been set up in NABARD under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY). It is an arrangement between Ministry of Water Resources, River Development & Ganga Rejuvenation and NABARD to complete the 99 prioritized irrigation projects as part of the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY).
- As per the latest available data on irrigation, the all India percentage distribution of net irrigated area to total cropped area during 2012-13 was 33.9% which leads to heavy dependence on rain-water for agriculture. The Long Term Irrigation Fund & Micro Irrigation Fund will help in increasing the area under irrigation. Irrigation helps to increase the productivity, makes multiple cropping possible, in cultivation of high-value cash crops like tobacco & sugarcane etc.
- Dairy is an important source of additional income for the farmers. Availability of milk processing facility and other infrastructure will benefit the farmers through value addition. A large number of milk processing units set up under the Operation Flood Programme have since become old and obsolete. A Dairy Processing and Infrastructure Development Fund has been proposed which will help in augmenting the capacity & improve quality of dairy sector in India.

Agricultural Insurance

- Commercialization of agricultural products has increased in India. The fluctuation in the price of the products may affect the income of the farmers significantly. At the time of sowing, farmers should feel secure against natural calamities. The Fasal Bima Yojana is a major step in this direction. This insurance scheme, unlike the previous ones, covers local calamities too, such as landslide, hailstorm, inundation, etc. inundation was not covered by the previous schemes.
- Insurance of crop production provides a relief to the farmers when the crop is damaged by attack of pests, flood, drought or any other mean. Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made.

Agricultural Extension Service

- The Budget has proposed new mini labs in Krishi Vigyan Kendras (KVKs) and will ensure 100% coverage of all 648 KVKs in the country for soil sample testing.
- Agricultural extension (also known as agricultural advisory services) plays a crucial role in promoting agricultural productivity, increasing food security, improving rural livelihoods, and promoting agriculture as an engine of pro-poor economic growth.
- Extension as a rural support service is needed to meet the new challenges agriculture is confronted with like changes in the global food and agricultural system like growing importance of standards and

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labels; growth in non-farm rural employment and agribusiness; and the deterioration of the natural resource base and climate change.

Agricultural Market

- Budget proposed to increase the coverage of National Agricultural Market (e-NAM) from 250 markets to 585 APMCs. Assistance up to Rs. 75 lakhs will be provided to every e-NAM.
- For the post-harvest phase, the e-NAM will enable farmers to get better prices for their produce in the markets. Assistance up to a ceiling of Rs. 75 lakhs will be provided to every e-NAM market for establishment of cleaning, grading and packaging facilities. This will lead to value addition of farmers' produce.
- Market reforms will also be undertaken and the States would be urged to denotify perishables from APMC. This will give opportunity to farmers to sell their produce and get better prices
- It is also proposed to integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses.
- A model law on contract farming would be prepared and circulated among the States for adoption. The contract farming entered the Indian agricultural scenario in a big way in the early 2000s. Following the issuance of a model APMC Act in 2003, three-fourths of Indian states were allowed contractual farming in one way or the other.
- It is argued that contract farming might not be suitable for agriculture in India where the majority of farmers depend on small or marginal landholdings. Additionally, it can also be detrimental by encouraging large monoculture farming, & leading to dependency of farmers on companies for seeds and equipment.

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RURAL POPULATION

Introduction

- In India, out of the 121 crore population, 83.3 crores (nearly 70% of the population) live in rural area. The overall growth rate of population has sharply declined, according to the Census 2011. For the first time since independence, the absolute increase in population is more in urban areas than in rural areas. The slowing down of the overall growth rate of population is due to the sharp decline in the growth rate in rural areas, while the growth rate in urban areas remains almost the same.
- Over Rs. 3 lakh crores spent in rural areas every year, for rural poor from Central Budget, State Budgets, Bank linkage for self-help groups, etc. Total allocation for Rural, Agriculture and Allied sectors is RS. 1, 87, 223 crores.

Budget 2017: Announcements

Poverty, employment & skill training

- Over 3 lakh crores spent in rural areas every year, for rural poor from. Central Budget, State Budgets, Bank linkage for ***self-help groups***, etc.
- Aim to bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019, the 150th birth anniversary of Gandhiji.
- Against target of 5 lakh farm ponds under MGNREGA, 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up.
- Women participation in ***MGNREGA*** has increased to 55% from less than 48%.
- MGNREGA allocation to be the highest ever at Rs. 48,000 crores in 2017-18.
- For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022.
- Allocation for Prime Minister's Employment Generation Program and Credit Support Schemes has been increased three fold.

Infrastructure

- Pace of construction of ***PMGSY*** roads accelerated to 133 km roads per day in 2016-17, against an average of 73 km during 2011-2014
- Government has taken up the task of connecting habitations with more than 100 persons in left wing extremism affected Blocks under PMGSY. All such habitations are expected to be covered by 2019 and the allocation for PMGSY, including the State's Share is Rs. 27,000 crores in 2017-18

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Housing & Electrification

- Allocation for ***Pradhan Mantri Awaas Yojana*** – Gramin increased from 15,000 crores in BE 2016-17 to Rs. 23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.
- Well on our way to achieving 100% village electrification by 1st May 2018.

Sanitation & Drinking Water

- Sanitation coverage in rural India has gone up from 42% in Oct 2014 to about 60%. Open Defecation free villages are now being given priority for piped water supply.
- As part of a sub mission of the ***National Rural Drinking Water Programme (NRDWP)***, it is proposed to provide safe drinking water to over 28,000 Arsenic and fluoride affected habitations in the next four years.

Panchayati Raj Institutions

- A programme of "human resource reforms for results" will be launched during 2017-18 for human resources development in ***Panchayati Raj Institutions***

Rural Life

- Total allocation for Rural, Agriculture and Allied sectors is 187223 crores

Important Terms

- ***Self-Help Groups*** - **Self-Help Group** (SHG) is a small voluntary association of poor people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through **self-help** and mutual **help**. The SHG promotes small savings among its members. The savings are kept with a bank.
- ***MGNREGA*** - MGNREGA is an Indian labour law and social security measure that aims to guarantee the 'right to work'. It aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.
- ***Pradhan Mantri Gram Sadak Yojana(PMGSY)*** - The Pradhan Mantri Gram Sadak Yojana (PMGSY), was launched by the Government of India to provide connectivity to unconnected Habitations as part of a poverty reduction strategy. Government of India is endeavoring to set high and uniform technical and management standards and facilitating policy development and planning at State level in order to ensure sustainable management of the rural roads network.
- ***Pradhan Mantri Awaas Yojana (PMAY)*** - Pradhan Mantri Awas Yojna (PMAY) is a mission started with an aim 'Housing For All' (HFA) scheme by NDA Government to be achieved by the year 2022, that is when India will be completing its 75 years of Independence. The mission started in 2015 and will be attained in seven years i.e., during 2015 – 2022. This Housing for All (HFA) scheme is envisioned with the objectives of bringing a 'Pucca house' for every family in urban cities with water connection, toilet facilities, 24x7 electricity supply and complete access.
- ***Deendayal Upadhyaya Gram Jyoti Yojana*** - Deen Dayal Upadhyaya Gram Jyoti Yojana is a Government of India scheme designed to provide continuous power supply to rural India

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- ***Deendayal Antyodaya Yojana- National Rural Livelihood Mission -*** Aajeevika - National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011. The Mission aims at creating efficient and effective institutional platforms of the rural poor, enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services. In November 2015, the program was renamed Deen Dayal Antayodaya Yojana (DAY-NRLM)

- ***Prime Minister's Employment Generation Programme (PMEGP)*** - Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy programme administered by the Ministry of Micro, Small and Medium Enterprises, Government of India. Khadi & Village Industries Commission (KVIC), is the nodal agency at national level for implementation of the scheme. At state level the scheme is implemented through KVIC, KVIB and District Industries center. Objectives of the PMEGP are to generate employment opportunities in rural as well as urban areas through setting up of self employment ventures. And to provide continuous and sustainable employment to a large segment of traditional and prospective artisans and unemployed youth, so as to help arrest migration of rural youth to urban areas.

- ***National Rural Drinking Water Programme (NRDWP)*** - The aim and objective of National Rural Drinking Water Programme (NRDWP) is to provide every rural person with adequate safe water for drinking, cooking and other basic domestic needs on a sustainable basis, with a minimum water quality standard, which should be conveniently accessible at all times and in all situations.

- ***Swachh Bharat Mission (Gramin) -*** To accelerate the efforts to achieve universal sanitation coverage and to put focus on sanitation, the Govt launched the Swachh Bharat Mission on 2nd October, 2014. It has two Sub-Missions, the Swachh Bharat Mission (Gramin) and the Swachh Bharat Mission (Urban), which aims to achieve Swachh Bharat by 2019, as a fitting tribute to the 150th Birth Anniversary of Mahatma Gandhi, which in rural areas shall mean improving the levels of cleanliness in rural areas.

Announcements & its Implications

- Over 3 lakh crores are spent in rural areas every year, if we add up all the programmes meant for rural poor from the Central Budget, State Budgets, Bank linkage for self-help groups, etc. With a clear focus on improving accountability, outcomes and convergence, Government will undertake a Mission Antyodaya to bring one crore households out of poverty and to make 50,000 gram panchayats poverty free by 2019 (the 150th birth anniversary of Gandhiji).

- Government will utilize the existing resources more effectively along with annual increases. This mission will work with a focused micro plan for sustainable livelihood for every deprived household. A composite index for poverty free gram panchayats would be developed to monitor the progress from the baseline.

- Government has made a conscious effort to reorient MGNREGA to support the resolve to double farmers' income. While providing at least 100 days employment to every rural household, MGNREGA should create productive assets to improve farm productivity and incomes.

- The target of 5 lakh farm ponds and 10 lakh compost pits announced in the last Budget from MGNREGA funds will be fully achieved. Against 5 lakh farm ponds, it is expected that about 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up and this single measure will contribute greatly to drought proofing of gram panchayats.

- Participation of women in MGNREGA has been increased to 55% from less than 48% in the past. It is expected to grow in the next fiscal too.

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- The budget provision of Rs. 38,500 crores under MGNREGA in 2016-17 has been increased to Rs. 48,000 crores in 2017-18. This is the highest ever allocation for MGNREGA. The initiative to geo-tag all MGNREGA assets and putting them in public domain has established greater transparency. Govt is also using space technology in a big way to plan MGNREGA works.
- The *Pradhan Mantri Gram Sadak Yojana* (PMGSY) is now being implemented in a mission mode. The pace of construction of PMGSY roads has accelerated to reach 133 km roads per day in 2016-17, as against an average of 73 km during the period 2011-2014. Government has also taken up the task of connecting habitations with more than 100 persons in left wing extremism affected Blocks. Government is committed to complete the current target under PMGSY by 2019. PMGSY has been provided a sum of Rs. 19,000 crores in 2017-18 for this scheme. Together with the contribution of States, an amount of 27,000 crores will be spent on PMGSY in 2017-18.
- Budget 2017-18 proposes to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses. The allocation for Pradhan Mantri Awaas Yojana – Gramin from Rs. 15,000 crores in BE 2016-17 to 23,000 crores in 2017-18.
- India is well on her way to achieving 100% village electrification by 1st May 2018. An increased allocation of 4,814 crores has been proposed under the *Deendayal Upadhyaya Gram Jyoti Yojana* in 2017-18.
- Budget 2017-18 proposes to increase the allocations for *Deendayal Antyodaya Yojana- National Rural Livelihood Mission* for promotion of skill development and livelihood opportunities for people in rural areas to 4,500 in 2017-18. The allocation for Prime Minister's Employment Generation Programme (PMEGP) and credit support schemes has been increased more than 3 times.
- *Swachh Bharat Mission (Gramin)* has made tremendous progress in promoting safe sanitation and ending open defecation. Sanitation coverage in rural India has gone up from 42% in October 2014 to about 60%. Open Defecation Free villages are now being given priority for piped water supply.
- Budget 2017-18 proposes to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years. This will be a sub mission of the National Rural Drinking Water Programme (NRDWP).
- For imparting new skills to the people in the rural areas, mason training will be provided to 5 lakh persons by 2022, with an immediate target of training at least 20,000 persons by 2017-18.
- Panchayati raj institutions still lack human resources for implementing development programmes. Therefore, a programme of "human resource reforms for results" will be launched during 2017-18 for this purpose.
- The Government will continue to work closely with the farmers and the people in the rural areas to improve their life and environment. The total allocation for the rural, agriculture and allied sectors in 2017-18 is Rs. 1,87,223 crores, which is 24% higher than the previous year.

Notes

YOUTH

Introduction

- National Youth Policy has the vision "To empower youth of the country to achieve their full potential and through them enable India to find its rightful place in the community of nations.
- In order to realize the vision there are 5 clearly defined Objectives and 11 priority areas which need to be pursued. i.e.

Objectives	Priority Areas
1. Create a productive workforce that can make a sustainable contribution to India's economic development	1. Education 2. Employment and Skill development 3. Entrepreneurship
2. Develop a strong and healthy generation equipped to take on future challenges 3. Instil social values and promote community service to build national ownership	4. Health and healthy lifestyle 5. Sports 6. Promotion of social values 7. Community engagement 8. Participation in politics and governance
4. Facilitate participation and civic engagement at all levels of governance	9. Youth engagement
5. Support youth at risk and create equitable opportunity for all dis-advantaged and marginalised youth	10. Inclusion 11. Social justice

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Education

- To introduce a system of measuring annual learning outcomes in schools.
- Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.
- Good quality higher education institutions to have greater administrative and academic autonomy

Notes

- SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty.
- National Testing Agency to be set-up as an autonomous and self-sustained premier testing organization to conduct all entrance examinations for higher education institutions.

Employment and Skill Development

- Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country. 100 India International Skills Centres will be established across the country.
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs. 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth.
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores.
- A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched.
- Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

Important Terms

- ***SWAYAM platform -*** SWAYAM or Study Webs of Active -Learning for Young Aspiring Minds programme of Ministry of Human Resource Development, Government of India, Professors of centrally funded institutions like IITs, IIMs, central universities will offer online courses to citizens of India

  SWAYAM is an instrument for self-actualisation providing opportunities for a life-long learning. Here learner can choose from hundreds of courses , virtually every course that is taught at the university / college / school level and these shall be offered by best of the teachers in India and elsewhere. If a student is studying in any college, he/she can transfer the credits earned by taking these courses into their academic record. If you are, working or not working, in school or out of school, SWAYAM presents a unique educational opportunity to expand the horizons of knowledge.

  Government proposes to leverage information technology and launch SWAYAM Platform with at least 350 online courses. This will enable students to virtually attend the courses taught by the best faculty; access high quality reading resources, participate in discussion forums; take tests and earn academic grades. Access to SWAYAM would be widened by linkage with DTH channels, dedicated to education

- ***Pradhan Mantri Kaushal Kendras -*** The Pradhan Mantri Kaushal Kendra PMKK is an exclusive multiple skill development centre with state of art infrastructure that runs industry driven courses of high quality. It also focuses on employability, thus creating aspirational value for skill development training.
- ***Skill Strengthening for Industrial Value Enhancement (STRIVE) -*** Skills Training for Industrial Value Enhancement (STRIVE) Operation essentially aims at improving the relevance and efficiency of

vocational training provided through Industrial Training Institutes (ITI) and apprenticeship programs and the interventions planned are expected to result in substantial social and environmental benefits to the society at large, especially, to the poor and vulnerable sections.

- ***Skill India Mission -*** Skill India is a campaign launched by the Govt on 15 July 2015 with an aim to train over 40 crore (400 million) people in India in different skills by 2022. It includes various initiatives of the government like "National Skill Development Mission", "National Policy for Skill Development and Entrepreneurship, 2015", "Pradhan Mantri Kaushal Vikas Yojana (PMKVY)" and the "Skill Loan scheme".

- ***Incredible India Campaign -*** With an aim to give a boost to India's tourism sector and promote India in the International arena as the most sought-after tourist destination, Incredible India campaign was launched in 2002. This international marketing campaign, spearheaded by the Government of India. In the campaign, India has been depicted as a mesmerizing tourist destination with various aspects of the country's rich culture, fascinating history, enthralling traditions etc. being highlighted through powerful visuals and information-rich content.

- ***Special Purpose Vehicles (SPVs) -*** SPV is also called special purpose entity (SPE) or special purpose corporation (SPC) created to fund projects in the various sectors of economy. The SPVs are expected to lend funds, especially debt funds of longer maturity, directly to eligible projects to supplement loans from banks and financial institutions. The SPV becomes a vehicle for channelizing funds for projects in the roads, ports, airports, and tourism sectors.

Announcements and its Implications

- Quality education is must to energize our youth. Thus government has proposed to introduce a system of measuring annual learning outcomes in our schools. Emphasis will be given on science education and flexibility in curriculum to promote creativity through local innovative content.

- An Innovation Fund for Secondary Education will be created to encourage local innovation for ensuring universal access, gender parity and quality improvement. This will include ICT enabled learning transformation. The focus will be on 3479 educationally backward blocks.

- In higher education, government will undertake reforms in the UGC. Good quality institutions would be enabled to have greater administrative and academic autonomy. Colleges will be identified based on accreditation and ranking, and given autonomous status. A revised framework will be put in place for outcome based accreditation and credit based programmes.

- Budget 2017-18 proposes to leverage Information Technology (IT) and launch SWAYAM platform with at least 350 online courses. This would enable students to virtually attend the courses taught by the best faculty, access high quality reading resources, participate in discussion forums, take tests and earn academic grades. Access to SWAYAM would be widened by linkage with DTH channels, dedicated to education.

- Govt proposes to establish a National Testing Agency as an autonomous and self-sustained premier testing organization to conduct all entrance examinations for higher education institutions. This would free CBSE, AICTE and other premier institutions from these administrative responsibilities so that they can focus more on academics.

- India has a huge demographic advantage. Skill India mission was launched in July 2015 to maximize the potential of our youth. Pradhan Mantri Kaushal Kendras (PMKK) have already been promoted in more than 60 districts. government now proposes to extend these Kendras to more than 600 districts across the country. 100 India International Skills Centres will be established across the

Notes

country. These Centres would offer advanced training and also courses in foreign languages. This will help those of our youth who seek job opportunities outside the country.

- Budget 2017-18 also proposes to launch the Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) at a cost of 4,000 crores. SANKALP will provide market relevant training to 3.5 crore youth.
- The next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of 2,200 crores. STRIVE will focus on improving the quality and market relevance of vocational training provided in ITIs and strengthen the apprenticeship programmes through industry cluster approach.
- A special scheme for creating employment in the textile sector has already been launched. A similar scheme will be implemented for the leather and footwear industries.
- Tourism is a big employment generator and has a multiplier impact on the economy. Five Special Tourism Zones, anchored on SPVs, will be set up in partnership with the States. Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

Notes

THE POOR AND THE UNDERPRIVILEGED

Introduction

Government is entrusted with the empowerment of the disadvantaged and marginalized sections of the society. The target groups for the development and empowerment are:

- Women and Child
- Scheduled Castes
- Other Backward Classes
- Senior Citizens
- Victims of Substance Abuse
- Denotified, Nomadic and Semi-Nomadic Tribes
- Beggars
- Transgender

This section is mostly discriminated in access to health services, education and even livelihood opportunities. Patriarchal mindset of society has lead to the distorted sex ratio of country at 940, the IMR and MMR though reduced significantly, yet the number in absolute term is still highest. There is wide gap in availability of doctors and number of patient. Only 7 physicians are available per 10000 populations. There are very few government hospitals where secondary and tertiary health care services are available. So people are forced to go to private hospital which charge mammoth amount of fee.

Government is promoting social and economic empowerment of the poor and the underprivileged through cross-cutting policies and programmes, mainstreaming gender concerns, creating awareness about their rights and facilitating institutional and legislative support for enabling them realize their human rights and develop to their full potential.

As a result there has been considerable improvement in the welfare of these groups in the recent years.

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Women and Child Development

- ***Mahila Shakti Kendra*** will be set up with an allocation of 500 crores in 14 lakh ***ICDS Anganwadi Centres***. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.
- Under ***Maternity Benefit Scheme*** 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.

Notes

Healthcare for all

- Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 is also targeted.
- Action plan has been prepared to reduce ***IMR*** from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.
- To create additional 5,000 Post Graduate seats per annum to ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care.
- Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.

Labour Reforms

- To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalize and amalgamate the existing labour laws into 4 Codes on (i) wages (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.
- Propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines.

SCs and STs

- The allocation for Scheduled Castes has been increased by 35% compared to BE 2016-17.
- The allocation for Scheduled Tribes has been increased to 31,920 crores and for Minority Affairs to 4,195 crores.

Senior Citizens

- For senior citizens, ***Aadhar based Smart Cards*** containing their health details will be introduced.

Housing for all

- Affordable housing to be given infrastructure status ***National Housing Bank*** will refinance individual housing loans of about 20,000 crore in 2017-18.

Important Terms

- ***ICDS (Integrated Child Development Services):*** It is the oldest health scheme started in 1975. It tackles malnutrition and health problems by providing food, preschool education, and primary healthcare to children under 6 years of age and their mothers
- ***Anganwadi Centers:*** Its literal meaning is "courtyard shelter". These were started as a part of ICDS programme. ICDS services are provided from Anganwadi centres established mainly in rural areas and staffed with frontline workers. the programme is also intended to combat gender inequality by providing girls the same resources as boys

Notes

- ***Maternity Benefit Scheme:*** Ministry of Women and Child Development, in accordance with the provisions of Section 4(b) of National Food Security Act, formulated a scheme for pregnant and lactating mothers called Maternity Benefit Programme - a conditional cash transfer scheme. The Scheme provides cash incentives to pregnant and lactating women (i) for the wage loss so that the woman can take adequate rest before and after delivery; (ii) to improve her health and nutrition during the period of pregnancy and lactation; and (iii) to breastfeed the child during the first six months of the birth, which is very vital for the development of the child.

- ***IMR:*** Infant mortality rate refers to the deaths of infants under age of one year per 1,000 live births. Infant Mortality Rate include Perinatal mortality, Neonatal mortality and Post-Neonatal mortality. Perinatal mortality only includes deaths from 22 weeks of pregnancy onward till 7th day after delivery. Neonatal mortality includes deaths in the first 28 days of life. Postneonatal mortality only includes deaths after 28 days of life but before one year. IMR is different from Child mortality, which refers to death of children below 5 years per 1000 live births

- ***MMR:*** Maternal mortality Rate refers to number of women who die as a result of pregnancy and childbirth complications per 100,000 live births in a given year.

- ***Industrial Relations:*** It is significant dimension of industrial sector covering laws, conventions and institutions that regulate 'the workplace'. It is a fundamentally important aspect of our way of life, our culture and our society.

- ***Social security:*** From workers perspective social security include the benefits provided by employer to contribute to post retirement livelihood and health of the employees. There are two major social security plans in India, the Employees' Provident Fund Organization (EPFO) and the Employees' State Insurance Corporation (ESIC). The EPFO runs a provident fund, also known as a pension scheme, and an insurance scheme. All of these are supposed to grant EPFO members and their families' benefits for old age, disability, and support in case the primary breadwinner dies.

Announcements and its Implication

- Sabka Saath Sabka Vikas begins with the girl child and women. Mahila Shakti Kendra will be set up at village level with an allocation of 500 crores in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

- A nationwide scheme for financial assistance to pregnant women has already been announced by Government on 31st December, 2016. Under this scheme, Rs 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.

- For the welfare of Women and Children under various schemes across all Ministries, Govt have stepped up the allocation from 1,56,528 crores in BE 2016-17 to 1,84,632 crores in 2017-18.

- Government propose to facilitate higher investment in affordable housing. Affordable housing will now be given infrastructure status, which will enable these projects to avail the associated benefits.

- The National Housing Bank will refinance individual housing loans of about 20,000 crore in 2017-18. There is surplus liquidity created by Demonetisation, the Banks have already started reducing their lending rates, including those for housing. In addition, interest subvention for housing loans has also been announced by the Government.

- Poverty is usually associated with poor health. It is the poor who suffer the maximum from various chronic diseases. Government has therefore prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018 and Measles by 2020.

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- Elimination of tuberculosis by 2025 is also targeted.
- Similarly, action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020. 1.5 lakh Health Sub Centres will be transformed into Health and Wellness Centres
- There is a need to ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care. Therefore Government has decided to take steps to create additional 5,000 Post Graduate seats per annum.
- In addition, steps will be taken to roll out DNB courses in big District Hospitals, strengthen PG teaching in select ESI and Municipal Corporation Hospitals and encourage reputed Private Hospitals to start DNB courses.
- The Government is committed to take necessary steps for structural transformation of the Regulatory framework of Medical Education and Practice in India. Two new All India Institutes of Medical Sciences will be set up in the States of Jharkhand and Gujarat.
- Government propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines. New rules for regulating medical devices will also be formulated. These rules will be internationally harmonized and attract investment into this sector. This will reduce the cost of such devices.
- Government is keen on fostering a conducive labour environment wherein labour rights are protected and harmonious labour relations lead to higher productivity.
- Legislative reforms will be undertaken to simplify, rationalize and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.
- The Model Shops and Establishment Bill 2016 have been circulated to all States for consideration and adoption. This would open up additional avenues for employment of women. The amendment made to the Payment of Wages Act, is another initiative of our Government for the benefit of the labour and ease of doing business.
- Our Government is giving special importance to implementation of the schemes for welfare of Scheduled Castes, Scheduled Tribes and Minorities. The allocation for the welfare of Scheduled Castes has been stepped up from Rs. 38,833 crores in BE 2016-17 to Rs. 52,393 crores in 2017-18, representing an increase of about 35%.
- The allocation for Scheduled Tribes has been increased to `31,920crores and for Minority Affairs to Rs. 4,195 crores. The Government will introduce outcome based monitoring of expenditure in these sectors by the NITI Aayog.
- For senior citizens, Aadhar based Smart Cards containing their health details will be introduced. A beginning will be made through a pilot in 15 districts during 2017-18. The LIC will implement a scheme for senior citizens to provide assured pension, with a guaranteed return of 8% per annum for 10 years.

Notes

REAL ESTATE SECTOR AND PROMOTING AFFORDABLE HOUSING

Introduction

- 2016 was the landmark year for the country and the real estate industry. For the real estate industry, 2016 saw the biggest changes in decades, especially on the policy front. Some of the biggest game changing policies like GST and RERA (Real Estate (Regulation and Development) Act 2016) cleared hurdles, and are on their way to full implementation.
- The demonetization move caused considerable turmoil, however, along with the Benami Transactions Act, it promises to bring greater transparency in the real estate sector.
- Affordable housing will come into sharper focus now than in previous years, as REITs (Real Estate Investment Trust) promise to open up the real estate market to smaller investors in the coming year. The country's real estate markets are definitely poised for growth in the medium-to-long term on the back of higher transparency and further consolidation.

Budget 2017-18 - Announcements

Promoting Affordable Housing And Real Estate Sector

- Between 8th November and 30th December 2016, deposits between 2 lakh Rupees and 80 lakh Rupees were made in about 1.09 crore accounts with an average deposit size of Rs. 5.03 lakh. Deposits of more than 80 lakh were made in 1.48 lakh accounts with average deposit size of 3.31 crores.
- Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.
- The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply
- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received
- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed
- Exemption from capital gain tax for persons holding land on 2.6.2014, the date on which the State of Andhra Pradesh was reorganized, and whose land is being pooled for creation of capital city of Andhra Pradesh under the Government scheme.

Notes

Important Terms

- ***Affordable Housing*** **:** Affordable housing refers to housing units that are affordable by that section of society whose income is below the median household income.

- ***Real Estate (Regulation & Development) Bill*** **:** RERA was passed by the Parliament in March 2016. Rules and procedures have been framed, and the Union Territories as well as two states, i.e. UP and Gujarat, have already implemented RERA. Chandigarh has set up an interim regulator and various other states are in different stages of setting up their respective regulatory bodies. All states will have to meet the deadline of implementation i.e. one year from the time the bill was passed. This major pro-consumer law will bring in transparency to the sector like never before.

- ***Real Estate Investment Trusts (REITs)*** **:** An important development in the real estate sector, REITs will help smaller investors to invest in Grade-A commercial real estate across India. India's first REIT listing could happen within the next one year. Budget 2016-17 exempted dividend distribution tax (DDT) on special purpose vehicles (SPVs). Rules for REITs were relaxed, and the investment cap in under-construction projects was raised from 10% to 20%. SPVs are now allowed to have holdings in other SPV structures, and the limit on number of sponsors has also been removed. Currently, around 229 million sft of office space can be seen as REIT-compliant. If even 50% of this were to get listed, we are looking at a total REITs listing worth USD 18.5 bn.

- ***Benami Transactions Act*** **:** The Benami Transactions Act will curb black money flow into real estate and also render holding of property under fictitious names a punishable offence. Budget 2015-16 further announced imposition of a heavy penalty on property transactions carried out in cash. This amendment promises to make incidences of unaccounted monies getting parked into real estate next to impossible.

Announcements and Its Implication

- In the Budget proposal last year, Government had announced a scheme for profit-linked income tax exemption for promoters of affordable housing scheme which has received a very good response. However, in order to make this scheme more attractive, Govt proposed certain changes in the scheme.

  – Instead of built up area of 30 and 60 sq.mtr. the carpet area of 30 and 60 sq.mtr. will be counted. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr.will apply.

  – In order to be eligible, the scheme was to be completed in 3 years after commencement. Government proposes to extend this period to 5 years.

- At present, the houses which are unoccupied after getting completion certificates are subjected to tax on notional rental income.

- For builders for whom constructed buildings are stock-in-trade, Government proposed to apply this rule only after one year of the end of the year in which completion certificate is received so that they get some breathing time for liquidating their inventory.

- Budget 2017-18 also proposed to make a number of changes in the capital gain taxation provisions in respect of land and building. The holding period for considering gain from immovable property to be long term is 3 years now. This is proposed to be reduced to 2 years now onwards.

Notes

- Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. This move will significantly reduce the capital gain tax liability while encouraging the mobility of assets. Government also planned to extend the basket of financial instruments in which the capital gains can be invested without payment of tax.
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.
- The new capital for State of Andhra Pradesh is being constructed by innovative land-pooling mechanism without use of the Land Acquisition Act. Govt proposed to exempt from capital gain tax, persons holding land on 2.6.2014, the date on which the State of Andhra Pradesh was reorganized, and whose land is being pooled for creation of capital city under the Government scheme.

Notes

INFRASTRUCTURE

Introduction

- Infrastructure is one of the strong pillars of economy and "exemplary" and "proactive" steps by government to remove hurdles results in capital formation and employment generation.
- In Budget 2017-18, Government declared its agenda to *Transform, Energize and Clean India, i.e. 'TEC INDIA*'. The ***fifth*** component of TEC India agenda is Infrastructure. The budget 2017-18 made significant advances in the infrastructure sector and the total allocation for infrastructure development stands at Rs. 3, 96,135 crores.
- Transportation sector as a whole, including rail, roads, shipping, Budget has provided Rs. 2,41,387 crores in 2017-18. This magnitude of investment will spur a huge amount of economic activity across the country and create more job opportunities
- The total capital and development expenditure of Railways has been pegged at Rs. 1, 31,000 crores, Railway lines of 3,500 kms, SMS based Clean My Coach Service, new Metro Rail Policy, Second phase of Solar Park development and high speed Broadband Connectivity are the key highlights of the Budget announcements.

Budget 2017-18 - Announcements

Transport Sector

- For transportation sector as a whole, including rail, roads, shipping, provision of 2, 41,387 crores has been made in 2017-18.

Railways

- For 2017-18, the total **capital and development expenditure** of Railways has been pegged at 1, 31,000 crores. This includes Rs. 55,000 crores provided by the Government
- For passenger safety, **a Rashtriya Rail Sanraksha Kosh** will be created with a corpus of Rs. 1 lakh crores over a period of 5 years
- Unmanned level crossings on Broad Gauge lines will be eliminated by 2020
- In the next 3 years, the throughput is proposed to be enhanced by 10%.
- This will be done through modernization and upgradation of identified corridors.
- Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
- 500 stations will be made differently abled friendly by providing lifts and escalators.
- It is proposed to feed about 7,000 stations with solar power in the medium term.

Notes

- SMS based **Clean My Coach Service** has been started **'Coach Mitra'**, a single window interface, to register all coach related complaints and requirements to be launched
- By 2019, all coaches of Indian Railways will be fitted with **bio toilets.**
- Tariffs of Railways would be fixed, taking into consideration costs, quality of service and competition from other forms of transport

Metro Rail Policy

- A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardization and indigenization of hardware and software.
- A new Metro Rail Act will be enacted by rationalizing the existing laws.
- This will facilitate greater private participation and investment in construction and operation.

Road

- In the road sector, Budget allocation for highways increased from ` 57,976 crores in BE 2016-17 to Rs. 64,900 crores in 2017-18
- 2,000 kms of coastal connectivity roads have been identified for construction and development
- Total length of roads, including those under **PMGSY,** built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years

Airports

- Select airports in **Tier 2 cities** will be taken up for operation and maintenance in the **PPP model**

Broadband Highways

- By the end of 2017-18, high speed broadband connectivity on optical fiber will be available in more than 1, 50,000 gram Panchayats, under **BharatNet**. A **DigiGaon** initiative will be launched to provide tele-medicine, education and skills through digital technology

Oil Reserves

- Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT

Solar Park

- Second phase of **Solar Park** development to be taken up for additional 20,000 MW capacities.

Notes

Electronics Manufacturing

- For creating an eco-system to make India a global hub for electronics manufacturing a provision of Rs. 745 crores in 2017-18 in incentive schemes like **M-SIPS and EDF.**
- A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18

Important Terms

- ***Coach Mitra -*** "Govt has proposed 'Coach Mitra' facility, a single window interface, to register all coach related complaints and requirements to achieve the objectives of swachh rail.
- ***Bio toilets -*** Bio-Toilets or Bio Digester is a decomposition mechanized toilet system which decomposes Human Excretory Waste in the digester tank using specific high graded bacteria further converting it into methane and water, discharged further to the desired surface.
- ***PMGSY -*** Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched on 25th December 2000 as a fully funded Centrally Sponsored Scheme to provide all weather road connectivity in rural areas of the country. The programme envisages connecting all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas.
- ***PPP model -*** Public-private partnership (PPP) is a funding model for a public infrastructure project such as a new telecommunications system, airport or power plant. The public partner is represented by the government at a local, state and/or national level.
- ***BharatNet Project -*** BharatNet shall be a project of national importance to establish, by 2017. Its a highly scalable network infrastructure accessible on a non-discriminatory basis, to provide on demand, affordable broadband connectivity of 2 Mbps to 20 Mbps for all households and on demand capacity to all institutions, to realise the vision of Digital India.
- ***DigiGaon -*** A 'Digi Gaon' initiative shall be launched in 2017 to provide telemedicine, education and skills through digital technology.
- ***Solar Park -*** Ministry of New and renewable Energy (MNRE) has drawn a scheme to set up number of solar parks across various states in the country, each with a capacity of Solar Projects generally above 500 MW . Govt aims to establish solar parks with an aim to facilitate creation of infrastructure necessary for setting up new solar power projects in terms of allocation of land, transmission and evacuation lines, access roads, availability of water and others, in a focused manner.
- ***Trade Infrastructure for Export Scheme (TIES) -*** Govt is going to launch TIES (new) scheme to fund export infrastructure. It will create export infrastructure in states, will primarily focus on projects like customs checkpoints, cold storages at ports and last mile connectivity.

Announcements and its Implications

Railways

- Railways, roads and rivers are the lifeline of our country. Recent Budget is the first combined Budget of independent India that includes the Railways also. India is now in a position to synergize the investments in railways, roads, waterways and civil aviation.

- For 2017-18, the total capital and development expenditure of Railways has been pegged at 1,31,000 crores. This includes 55,000 crores provided by the Government.
- Among other things, the Railways will focus on four major areas, namely:
  - Passenger safety
  - Capital and Development works
  - Cleanliness and
  - Finance and accounting reforms.
- For passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of 1 lakh crores over a period of 5 years. Besides seed capital from the Government, the Railways will arrange the balance resources from their own revenues and other sources. Government will lay down clear cut guidelines and timeline for implementing various safety works to be funded from this Kosh.
- Unmanned level crossings on Broad Gauge lines will be eliminated by 2020. Expert international assistance will be harnessed to improve safety preparedness and maintenance practices.
- In the next 3 years, the throughput is proposed to be enhanced by 10%. This will be done through modernization and upgradation of identified corridors. Railway lines of 3,500 kms will be commissioned in 2017-18, as against 2,800 kms in 2016-17. Steps will be taken to launch dedicated trains for tourism and pilgrimage.
- Railways have set up joint ventures with 9 State Governments. 70 projects have been identified for construction and development.
- A beginning has been made with regard to station redevelopment. At least 25 stations are expected to be awarded during 2017-18 for station redevelopment. 500 stations will be made differently abled friendly by providing lifts and escalators.
- It is proposed to feed about 7,000 stations with solar power in the medium term. A beginning has already been made in 300 stations. Works will be taken up for 2,000 railway stations as part of 1000 MW solar mission.
- Our focus is on Swachh rail. SMS based Clean My Coach Service has been started. It is now proposed to introduce 'Coach Mitra' facility, a single window interface, to register all coach related complaints and requirements. By 2019, all coaches of Indian Railways will be fitted with bio toilets. Pilot plants for environment friendly disposal of solid waste and conversion of biodegradable waste to energy are being set up at New Delhi and Jaipur railway stations. Five more such solid waste management plants are now being taken up.
- Today Indian Railways face stiff competition from other modes of transportation which are dominated by the private sector. Transformative measures have to be undertaken to make Indian Railways competitive to retain their position of pre-eminence. The following steps will therefore be taken:
  - Railways will implement end to end integrated transport solutions for select commodities through partnership with logistics players, who would provide both front and back end connectivity. Rolling stocks and practices will be customized to transport perishable goods, especially agricultural products.
  - Railways will offer competitive ticket booking facility to the public at large. Service charge on e-tickets booked through IRCTC has been withdrawn. Cashless reservations have gone up from 58% to 68%.

Notes

- As part of accounting reforms, accrual based financial statements will be rolled out by March 2019.
- It will be our continuous endeavor to improve the Operating Ratio of the Railways. The tariffs of Railways would be fixed, taking into consideration costs, quality of service, social obligations and competition from other forms of transport.

Metro Rail

- Metro rail is emerging as an important mode of urban transportation. A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardization and indigenization of hardware and software. This will open up new job opportunities for our youth.
- A new Metro Rail Act will be enacted by rationalizing the existing laws. This will facilitate greater private participation and investment in construction and operation.

Roads

- In the road sector, the Budget allocation has been stepped for highways from 57,976crores in BE 2016-17 to `64,900crores in 2017-18. 2,000 kms of coastal connectivity roads have been identified for construction and development. The total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1, 40,000 kms which is significantly higher than previous three years. This will facilitate better connectivity with ports and remote villages.
- A specific programme for development of multi-modal logistics parks, together with multi modal transport facilities, will be drawn up and implemented. An effective multi modal logistics and transport sector will make our economy more competitive.

Airports

Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode. Airport Authority of India Act will be amended to enable effective monetization of land assets. The resources, so raised, will be utilized for airport upgradation.

Telecom

- Telecom sector is an important component of our infrastructure eco system. The recent spectrum auctions have removed spectrum scarcity in the country. This will give a major fillip to mobile broadband and Digital India for the benefit of people living in rural and remote areas.
- Under the BharatNet Project, OFC has been laid in 1,55,000 kms. I have stepped up the allocation for BharatNet Project to ` 10,000 crores in 2017-18. By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, with wifi hot spots and access to digital services at low tariffs.
- A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.

Energy

- For strengthening our Energy sector, Government has decided to set up Strategic Crude Oil Reserves. In the first phase, 3 such Reserves facilities have been set up. Now in the second phase, it is proposed to set up caverns at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.

Notes

- In solar energy, we now propose to take up the second phase of Solar Park development for additional 20,000 MW capacities.

Electronics

- We are also creating an eco-system to make India a global hub for electronics manufacturing. Over 250 investment proposals for electronics manufacturing have been received in the last 2 years, totaling an investment of 1.26 lakh crores.
- A number of global leaders and mobile manufacturers have set up production facilities in India.
- I have therefore exponentially increased the allocation for incentive schemes like M-SIPS and EDF to 745 crores in 2017-18. This is an all-time high.

Export Infrastructure

- A new and restructured Central scheme, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18 to focus on our export infrastructure in a competitive world.

Notes

FINANCIAL SECTOR

Introduction

- India's financial services sector has been one of the fastest growing sectors in the economy. The economy has witnessed increased private sector activity including an explosion of foreign banks, insurance companies, mutual funds, venture capital and investment institutions.
- India's diversified financial sector is undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities.
- The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.
- The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs).
- These measures include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA).
- With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

Budget 2017-18 - Announcements

Foreign Investments

- ***Foreign Investment Promotion Board*** to be abolished in 2017-18 and further liberalization of FDI policy is under consideration

Derivative Market

- An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate ***spot market and derivatives marke***t in the agricultural sector, for commodities trading. ***e- NAM*** to be an integral part of the framework.
- Bill relating to curtail the menace of illicit deposit schemes will be introduced. A bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system

Notes

Financial Institutions

- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the ***Arbitration and Conciliation Act 1996.***
- A ***Computer Emergency Response Team for our Financial Sector (CERT-Fin)*** will be established
- Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, ***IRFC and IRCON*** will be listed in stock exchanges.
- Propose to create an integrated public sector ***'oil major'*** which will be able to match the performance of international and domestic private sector oil and gas companies
- A new ***ETF*** with diversified CPSE stocks and other Government holdings will be launched in 2017-18
- In line with the ***'Indradhanush' roadmap,*** 10,000 crores for recapitalization of Banks provided in 2017-18
- Lending target under ***Pradhan Mantri Mudra Yojana*** to be set at 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes and Women.

Important Terms Explained

- ***Foreign Investment Promotion Board -*** The Foreign Investment Promotion Board (FIPB) was a national agency of Government of India, with the remit to consider and recommend foreign direct investment (FDI) which does not come under the automatic route. It used to act as a single window clearance for proposals on foreign direct investment(FDI) in India. The Foreign Investment Promotion Board (FIPB) was housed in the Department of Economic Affairs, Ministry of Finance. ***FIPB is now abolished*** as announced by Finance Minister during 2017-2018 budget.
- ***Spot market -*** The spot market or cash market is a public financial market in which financial instruments or commodities are traded for immediate delivery. It contrasts with a futures market, in which delivery is due at a later date.
- ***Derivatives Market -*** The derivatives market is the financial market for derivatives, financial instruments like futures contracts or options, which are derived from other forms of assets. The market can be divided into two, that for exchange-traded derivatives and that for over-the-counter derivatives.
- ***e- NAM*** - e-NAM (National Agricultural Market) is a pan-India electronic trading portal launched by Ministry of Agriculture & Farmers' Welfare, Govt of India, to facilitate farmers, traders, buyers, exporters and processors with a common platform for trading commodities.
- ***Arbitration and Conciliation Act 1996 -*** The Arbitration and Conciliation Act 1996 is an Act that regulates domestic arbitration in India. It was amended in 2015, to make arbitration a preferred mode of settlement of commercial disputes and making India a hub of international commercial arbitration.
- ***Computer Emergency Response Team for our Financial Sector (CERT-Fin) -*** IN the recent budget the Government proposed to establish the Computer Emergency Response Team for Financial Sector (CERT-Fin) to curb hacking and securing online data.

Notes

- ***IRFC -*** IRFC is a dedicated financing arm of the Ministry of Railways. Its sole objective is to raise money from the market to part finance the plan outlay of Indian Railways.
- ***IRCON -*** IRCON (Indian Railway Construction Company Limited) is a specialized Constructions organization covering the entire spectrum of construction activities and services in the infrastructure sector. Ircon International Limited (IRCON) is a government company incorporated by the Central Government (Ministry of Railways) under the Companies Act, 1956.
- ***'Oil major' -*** In the maritime industry, a group of six companies that control the chartering of the majority of oil tankers worldwide are together referred to as "Oil Majors". These are: Royal Dutch Shell, BP, Exxon Mobil, Chevron Texaco, Total Fina Elf and Conoco Phillips.
- ***ETF -*** An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds, and trades close to its net asset value over the course of the trading day. Most ETFs track an index, such as a stock index or bond index. The government is set to launch a new exchange-traded fund (ETF) based on the central public sector enterprises (CPSE) index.
- ***'Indradhanush' -*** In August 2015, the Indian Finance Ministry announced a critical 7 point action plan Mission Indradhanush, to help turn around public sector financial giants. This mission Indradhanush encompasses a strategy around seven different elements which can bring about a desirable efficiency in the overall functioning of PSBs. Through this program the govt aims to Better senior appointment, Establishment of BBB (Bank board bureau), Pump more capital, Reduce bad loans, Empower management, Improve accountability and Better governance
- ***Pradhan Mantri Mudra Yojana -*** Micro Units Development & Refinance Agency Ltd. (MUDRA) is an institution set up by Government of India to provide funding to the non-corporate, non-farm sector income generating activities of micro and small enterprises whose credit needs are below 10 Lakh. Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has created three products i.e. 'Shishu', 'Kishore' and 'Tarun' as per the stage of growth and funding needs of the beneficiary micro unit.

Announcements and its Implications

- The focus of TEC (Transform Energize Clean) India agenda in this sector is on building stable and stronger institutions. Govt is continuing with its reform agenda with several new measures.
- Government has already undertaken substantive reforms in FDI policy in the last two years. More than 90% of the total FDI inflows are now through the automatic route. The Foreign Investment Promotion Board (FIPB) has successfully implemented e-filing and online processing of FDI applications. Economy has now reached a stage where FIPB can be phased out. Govt has therefore decided to abolish the FIPB in 2017-18. A roadmap for the same will be announced in the next few months. In the meantime, further liberalization of FDI policy is under consideration.
- The Commodities markets require further reforms for the benefits of farmers. An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for commodities trading. e-NAM would be an integral part of such framework.
- The draft bill to curtail the menace of illicit deposit schemes has been placed in the public domain and will be introduced shortly after its finalization. There is an urgent need to protect the poor and gullible investors from another set of dubious schemes, operated by unscrupulous entities who exploit the regulatory gaps in the Multi State Cooperative Societies Act, 2002. Govt will amend this Act in consultation with various stakeholders, as part of our 'Clean India' agenda.

Notes

- The bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system. It will also protect the consumers of various financial institutions. Together with the Insolvency and Bankruptcy Code, a resolution mechanism for financial firms will ensure comprehensiveness of the resolution system in our country.
- In the last Budget speech it has been proposed that a Bill will be introduced to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts. After extensive stakeholders' consultations, Govt decided that the required mechanism would be instituted as part of the Arbitration and Conciliation Act 1996. An amendment Bill in this regard will be introduced in the future.
- Cyber security is critical for safeguarding the integrity and stability of our financial sector. A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established. This entity will work in close coordination with all financial sector regulators and other stakeholders
- Listing of Public Sector enterprises will foster greater public accountability and unlock the true value of these companies. The Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The disinvestment policy announced by me in the last budget will continue.
- The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- There are opportunities to strengthen our CPSEs through consolidation, mergers and acquisitions. By these methods, the CPSEs can be integrated across the value chain of an industry. It will give them capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders. Possibilities of such restructuring are visible in the oil and gas sector. We propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.
- India's ETF, comprising shares of ten CPSEs, has received overwhelming response in the recent Further Fund Offering (FFO). We will continue to use ETF as a vehicle for further disinvestment of shares. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.
- The focus on resolution of stressed legacy accounts of Banks continues. The legal framework has been strengthened to facilitate resolution, through the enactment of the Insolvency and Bankruptcy Code and the amendments to the SARFAESI and Debt Recovery Tribunal Acts.
- In line with the 'Indradhanush' roadmap, Govt has provided 10,000 crores for recapitalization of Banks in 2017-18.
- Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges. This will enhance capital flows into the securitization industry and will particularly be helpful to deal with bank NPAs.
- The Pradhan Mantri Mudra Yojana has contributed significantly to funding the unfunded and the underfunded. Last year, the target of 1.22 lakh crores was exceeded. For 2017-18, Govt propose to double the lending target of 2015-16 and set it at 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes, Minorities and Women.

Notes

- The Stand Up India scheme was launched by the Government in April 2016 to support Dalits, Tribal and Women entrepreneurs to set up Greenfield enterprises and become job creators. Over 16,000 new enterprises have come up through this scheme in activities, as diverse as food processing, garments, diagnostic centres, etc.

Notes

DIGITAL ECONOMY & PROMOTING DIGITAL TRANSACTIONS

Introduction

- The Digital Economy is the new productivity platform that is regarded as the third industrial revolution.
- Digital revolution, also known as 'The Internet Economy' or Internet of Everything (IoE), is expected to generate new market growth opportunities, jobs and become the biggest business opportunity of mankind in the next 30 to 40 years.
- India comprising 15% of the world population, with a growth rate of 7 to 8%, could be the second largest economy by 2030. India's new leadership considers the digital economy as a major growth enabler.
- Government published India's Internet of Things policy and its focus areas which include agriculture, health, water quality, natural disasters, transportation, security, automobile, supply chain management, smart cities, automated metering and monitoring of utilities, waste management, oil and gas.
- Government strategically listed "Digital India" among the top priorities to give way to the digital economy's opportunities. Govts vision for a Digital India is a strategic call to embrace the opportunity for India as one of the leaders in the third industrial revolution, and the use of Information and Communication Technologies (ICTs) that has never been greater.

Budget 2017-18: Announcements

Digital Economy

- 125 lakh people have adopted the ***BHIM app*** so far. The Government will launch two new schemes to promote the usage of BHIM; these are, ***Referral Bonus Scheme*** for individuals and a Cash back Scheme for merchant.
- ***Aadhar Pay***, a merchant version of Aadhar Enabled Payment System, will be launched shortly.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through ***UPI, USSD, Aadhar Pay, IMPS*** and debit cards.
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.
- Banks have targeted to introduce additional 10 lakh new ***POS terminals*** by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017
- Proposed to create a ***Payments Regulatory Board*** in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

Notes

Promoting Digital Transactions

- Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means.
- No transaction above Rs. 3 lakh would be permitted in cash subject to certain exceptions.
- Miniaturized POS card reader for m-POS (other than mobile phones or tablet computers), micro ATM standards version 1.5.1, Finger Print Readers / Scanners and Iris Scanners and on their parts and components for manufacture of such devices to be exempt from ***BCD, Excise/CV duty and SAD.***

Important Terms

- ***BHIM App*** - The Bharat Interface for Money (BHIM) in an initiative by the Govt to enable fast, secure and reliable cashless payments through mobile phones. BHIM is Aadhaar-enabled, inter-operable with other Unified Payment Interface (UPI) applications and bank accounts, and has been developed by the National Payments Corporation of India (NPCI). This seals the government's push towards digital payments after the demonetization that resulted in the scrapping of high-value Rs 1,000 and Rs 500 currency notes.
- ***UPI*** – Unified Payment Interface (UPI) allows you to make payments using your mobile phone as the primary device for transactions, through the creation of a 'virtual payment address', which is an alias for your bank account. UPI was launched by the National Payment Corporation of India (NPCI).
- ***Referral Bonus Scheme*** – Govt. announced two new schemes to boost the adoption of BHIM (Bharat Interface for Money) digital payment app i.e Referral Bonus Scheme for consumers and a Cash-back scheme for merchants.
- ***Aadhar Pay -*** There are lots of payment apps in the market. These are the UPI apps, SBI Pay, Paytm, Phonepe, Freecharge, mobile wallets etc. But, the Adhaar Payment App is special as you can pay through the Adhaar Payment App without phone. It is possible because you the customer does not require the app. The merchant or a person, who want money, have to arrange a smartphone, app, etc. The payer don't require anything. This app is made for the merchants and shopkeepers. Customer would only enjoy its benefits. The Adhaar Payment App uses your fingerprints for the authentication. On the basis of this authentication, the money is paid from your Aadhaar linked account.
- ***IMPS*** - Immediate Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones. It is also being extended through other channels such as ATM, Internet Banking, etc.
- ***POS terminals*** - A point-of-sale (POS) terminal is a computerized replacement for a cash register. Much more complex than the cash registers of even just a few years ago, the POS system can include the ability to record and track customer orders, process credit and debit cards, connect to other systems in a network, and manage inventory. Generally, a POS terminal has as its core a personal computer, which is provided with application-specific programs and I/O devices for the particular environment in which it will serve.

Notes

- ***USSD*** - USSD (Unstructured Supplementary Service Data) is a Global System for Mobile(GSM) communication technology that is used to send text between a mobile phone and an application program in the network. Applications may include prepaid roaming or mobile chatting.
- ***BCD- Basic Customs Duty*** – Various duties under Customs are levied on imports. Basic Customs Duty is the fundamental duty chargeable on Goods imported into India under Customs Act, 1962. The rates of BCD are indicated in I Schedule (for Imports) of Customs Tariff Act, 1975. Generally, BCD is levied at standard rate of duty but if certain conditions are satisfied, the importer can avail the benefit of preferential rate of duty on imported goods.
- ***CVD – Countervailing Duty*** - Countervailing Duty (CVD) is an additional import duty charged on imported goods. The rate of such duty is equivalent to the rate of excise levied on such goods if it had been manufactured within the importing country
- ***SAD- Special Addition Duty*** - The special addition duty is the duty paid on the imported goods. The person who imports those goods can claim for the refund after the sale of those goods.

Announcements and its Implications

Digital Economy

- India is now on the cusp of a massive digital revolution. Promotion of a digital economy is an integral part of Government's strategy to clean the system and weed out corruption and black money. It has a transformative impact in terms of greater formalization of the economy and mainstreaming of financial savings into the banking system. This, in turn, is expected to energize private investment in the country through lower cost of credit.

  A shift to digital payments has huge benefits for the common man. The earlier initiative of the Government to promote financial inclusion and the JAM trinity were important precursors to our current push for digital transactions.

  The BHIM app has been launched to unleash the power of mobile phones for digital payments and financial inclusion. 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM.
- Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly. This will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phones. A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Banks have targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based PoS by September 2017.
- Increased digital transactions will enable small and micro enterprises to access formal credit. Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.
- The digital payment infrastructure and grievance handling mechanisms shall be strengthened. The focus would be on rural and semi urban areas through Post Offices, Fair Price Shops and Banking Correspondents. Steps would be taken to promote and possibly mandate petrol pumps, fertilizer depots, municipalities, Block offices, road transport offices, universities, colleges, hospitals and other institutions to have facilities for digital payments, including BHIM App. A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.

Notes

- Government will strengthen the Financial Inclusion Fund to augment resources for taking up these initiatives. Government will consider and work with various stakeholders for early implementation of the interim recommendations of the Committee of Chief Ministers on digital transactions.
- The Committee on Digital Payments constituted by Department of Economic Affairs has recommended structural reforms in the payment eco system, including amendments to the Payment and Settlement Systems Act, 2007. Government will undertake a comprehensive review of this Act and bring about appropriate amendments. To begin with, it is proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. Necessary amendments are proposed to this effect in the Finance Bill 2017.
- As we move faster on the path of digital transactions and cheque payments, we need to ensure that the payees of dishonored cheques are able to realize the payments. Government is therefore considering the option of amending the Negotiable Instruments Act suitably.

Promoting Digital Transaction

- The scheme of presumptive income tax is for small and medium tax payers whose turnover is upto 2 crores. At present, 8% of their turnover is counted as presumptive income. Government proposed to make this 6% in respect of turnover which is received by non-cash means. This benefit will be applicable for transactions undertaken in the current year also.
- Govt proposed to limit the cash expenditure allowable as deduction, both for revenue as well as capital expenditure, to 10,000. Similarly, the limit of cash donation which can be received by a charitable trust is being reduced from Rs. 10,000/- to Rs. 2000/-.
- The Special Investigation Team (SIT) set up by the Government for black money has suggested that no transaction above 3 lakh should be permitted in cash. The Government has decided to accept this proposal. Suitable amendment to the Income-tax Act is proposed in the Finance Bill for enforcing this decision.
- To promote cashless transactions, Govt proposed to exempt BCD, Excise/CV duty and SAD on miniaturized POS card reader for m-POS, micro ATM standards version 1.5.1, Finger Print Readers/ Scanners and Iris Scanners.
- Simultaneously, it proposed to exempt parts and components for manufacture of such devices, so as to encourage domestic manufacturing of these devices.

PUBLIC SERVICE

Introduction

- After over a decade of rapid economic growth in India, the biggest challenge facing policymakers at both central and state levels is to ensure 'inclusive' growth so that the gains from increased national income are shared by all sections of society.
- In particular, it is imperative that a high quality of basic services such as health and education be provided to all citizens, since these are not only ends in themselves, but also play a critical role in enhancing individual capabilities to participate fully in the growth of the economy.
- Central and state governments have shown a lack of imagination (like all their predecessors) in addressing the problem of service quality by focusing mostly on increasing spending and not enough on the question of how effectively the resources allocated are spent.
- There are large and glaring inefficiencies in service delivery in India. In case of India, Government can address following policy areas to improve service delivery
  - **INFRASTRUCTURE -** Proper delivery channels have to be laid.
  - **EQUITY -** Many a times, socio-cultural disadvantage mean that citizens are denied access to the services.
  - **AUTONOMY** to Consumers - The service consumer should be given the AUTONOMY to choose the service.
  - **EFFICIENCY** of service delivery has to be emphasized using methods of e-Governance, etc.
  - **EFFECTIVENESS** of the programs should not be ignored. Mechanisms like SOCIAL AUDIT would help.
- Primarily, Government's focus must be on effective government and efficient service delivery.

Budget 2017-18: Announcements

- The Government e-market place which is now functional for procurement of goods and services.
- To utilize the Head Post Offices as front offices for rendering passport services.
- A Centralized Defence Travel System has been developed through which travel tickets can be booked online by our soldiers and officers.
- Web based interactive Pension Disbursement System for Defence Pensioners will be established.
- To rationalize the number of tribunals and merge tribunals wherever appropriate.
- Commemorate both Champaran and Khordha revolts appropriately.

Notes

Important Terms

- ***Defence Travel System*** – Defence Travel System is the E-ticketing system that has been developed to facilitate the Armed forces Personnel to book tickets through Defence Travel Portal.
- ***Pension Disbursement System for Defence Pensioners*** - Defence Accounts Department made an efficient Pension Disbursement System (i.e. Project "Aashraya") for making the correct payment of pension and addressing grievances of the pensioners while automating the most of the manual work of DPDOs(Defence Property Disposal Office)
- ***Khurda revolt (Paika Rebellion)*** - Finance minister, in his budget speech, announced to commemorate the Paika Rebellion, an armed uprising against the British East India company in Khurda area of Odisha in 1817. Paikas (a martial race) had first raised the banner of revolt against the British Raj at Barunei near Khurda. The revolt had subsequently spread to Ghumsar in Ganjam and Kujang, Kendrapara and Kanika in the undivided Cuttack district. Historians from Odisha claim the Paika revolt should be acknowledged as the first war of Independence, and not the Sepoy Mutiny of 1857.

Announcement Implications

- India has made a strong beginning with regard to Direct Benefit Transfer (DBT) to LPG and kerosene consumers. Chandigarh and eight districts of Haryana have become kerosene free. 84 Government schemes have also boarded on the DBT platform.
- The Government e-market place which is now functional for procurement of goods and services, has been selected as one of the winners of the South Asia Procurement Innovation Awards of the World Bank.
- Our citizens in far flung regions of the country find it difficult to obtain passports and redress passport related grievances. Government have decided to utilize the Head Post Offices as front offices for rendering passport services.
- Defence forces keep the country safe from both external and internal threats. A Centralised Defence Travel System has now been developed through which travel tickets can be booked online by our soldiers and officers. They do not have to face the hassle of standing in queues with railway warrants.
- A comprehensive web based interactive Pension Disbursement System for Defence Pensioners will be established. This system will receive pension proposals and make payments centrally. This will reduce the grievances of defence pensioners.
- At present our citizens, especially those belonging to the poor and unprivileged sections, go through cumbersome procedures of Government recruitment. There are multiplicity of agencies and examinations. Government propose to introduce a system of single registration and two tier system of examination.
- Over the years, the number of tribunals have multiplied with overlapping functions. Government propose to rationalize the number of tribunals and merge tribunals wherever appropriate.
- In the recent past, there have been instances of big time offenders, including economic offenders, fleeing the country to escape the reach of law. Government has to ensure that the law is allowed to take its own course. Government is therefore considering introduction of legislative changes, or even a new law, to confiscate the assets of such persons located within the country, till they submit to the jurisdiction of the appropriate legal forum. Needless to say that all necessary constitutional safeguards will be followed in such cases.

Notes

- Government will continue to remain committed to improve the standards of public service and transparent governance. As India approaches, the 150th Birth Anniversary of the Mahatma Gandhi, Govt is planning to take all steps to celebrate it in a befitting manner. A High Level Committee under the Chairmanship of Prime Minister is proposed to be set up for the same.
- Government will also commemorate the centenary year of *Champaran Satyagrah* this year. Government of India will support Government of Gujarat to commemorate 100 years of Sabarmati Ashram in 2017 too.
- 200 years ago in 1817, a valiant uprising of soldiers led by Buxi Jagabandhu took place in Khordha of Odisha. Govt will commemorate the same.

Notes

PRUDENT FISCAL MANAGEMENT

Introduction

- The Government must pursue its policy objectives in accordance with the principles of prudent responsible fiscal management which means managing fiscal situation in a responsible manner while showing care and thought for the future.
- In includes the Reduction total debt to prudent levels, so as to provide a buffer against factors that may impact adversely on the level of total debt in the future. Until prudent levels of debt have been achieved, the Government must ensure that total operating expenses in each financial year are less than total operating revenues in the same financial year
- Once prudent levels of total debt have been achieved, maintaining those levels by ensuring that, on average, over a reasonable period of time, total operating expenses do not exceed total operating revenues.
- In the last few years Government has endeavored to improve upon the fiscal numbers, especially the fiscal deficit, through greater focus on quality of expenditure and higher tax realization from the huge cash deposits in Banks.

Budget 2017: Announcements

- Stepped up allocation for *Capital expenditure* by 25.4% over the previous Year
- Total resources being transferred to the States and the Union Territories with Legislatures is 4.11 lakh crores, against 3.60 lakh crores in BE 2016-17
- For the first time, a *Consolidated Outcome Budget*, covering all Ministries and Departments, is being laid along with the other Budget documents.
- ***FRBM*** Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the *sustainable debt target* and need for public investment, fiscal deficit for 2017-18 is targeted at 3.2% of GDP and Government remains committed to achieve 3% in the following year.
- Net market borrowing of Government restricted to 3.48 lakh crores after buyback in 2017-18, much lower than 4.25 lakh crores of the previous year.
- ***Revenue Deficit*** of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9% , against 2% mandated by the FRBM Act.

Important Terms

- ***FRBM Act*** - The Fiscal Responsibility and Budget Management Act, 2003 (FRBMA) is an Act of the Parliament to institutionalize financial discipline, reduce India's fiscal deficit, improve

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macroeconomic management and the overall management of the public funds by moving towards a balanced budget.

- ***Revenue Deficit -*** Revenue deficit is the gap between the consumption expenditure (revenue expenditure) of the Government (Union or the State Governments) and its current revenues (revenue receipts). It also indicates the extent to which the government has borrowed to finance the current expenditure

Announcements and Implications

- The total expenditure in Budget for 2017-18 has been placed at 21.47 lakh crores. With the abolition of Plan-Non Plan classification of expenditure, the focus is now on Revenue and Capital expenditure.
- In the Budget 2017-18, Govt has stepped up the allocation for Capital expenditure by 25.4% over the previous year. This will have multiplier effects and lead to higher growth. The total resources being transferred to the States and the Union Territories with Legislatures is 4.11 lakh crores, against 3.60 lakh crores in BE 2016-17.
- Government has made a provision of 3,000 crores under the Department of Economic Affairs to implement various Budget announcements and other new schemes in 2017-18. For Defence expenditure excluding pensions, I have provided a sum of 2,74,114crores including 86,488 crores for Defence capital. The allocation for Scientific Ministries has been increased to 37,435 crore in 2017-18.
- For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents. This will improve accountability of Government expenditure.
- The FRBM Review Committee has given its report recently after an elaborate exercise. Report recommend that a sustainable debt path must be the principal macro-economic anchor of our fiscal policy. The Committee has favoured Debt to GDP of 60% for the General Government by 2023, consisting of 40% for Central Government and 20% for State Governments.
- Within this framework, the Committee has derived and recommended 3% fiscal deficit for the next three years.
- The Committee has also provided for 'Escape Clauses', for deviations upto 0.5% of GDP, from the stipulated fiscal deficit target. Among the triggers for taking recourse to these Escape Clauses, the Committee has included "far-reaching structural reforms in the economy with unanticipated fiscal implications" as one of the factors.
- Fiscal deficit roadmap of 3% as recommended by the Committee for the next three years has been accepted by the Government. Government has taken into consideration the need for higher public expenditure in the context of sluggish private sector investment and slow global growth.
- Government has kept in mind the recommendation of the Committee that a sustainable debt should be the underlying basis of prudent fiscal management. Considering all these aspects, Govt has pegged the fiscal deficit for 2017-18 at 3.2% of GDP and remain committed to achieve 3% in the following year. With this gradual approach, Govt has ensured adherence to fiscal consolidation, without compromising the requirements of public investment.
- Also due care has been taken to limit the net market borrowing of Government to 3.48 lakh crores after buyback, much lower than 4.25 lakh crores of the previous year. More importantly, the Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9%, against 2% mandated by the FRBM Act.

Notes

TAX PROPOSALS (PERSONAL INCOME TAX & GOODS AND SERVICES TAX)

Introduction

The thrust of Government's tax proposals is to stimulate growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency of political funding and simplification of tax administration

Budget 2017-18 - Announcements

Personal Income-Tax

- Existing rate of taxation for individual assesses between income of 2.5 lakhs to 5 lakhs reduced to 5% from the present rate of 10%.
- Surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between 50 lakhs and 1 crore.
- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto 5 lakhs other than business income.
- Appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs.

Goods and Services Tax

- The GST Council has finalized its recommendations on almost all the issues based on consensus on the basis of 9 meetings held.
- Preparation of IT system for GST is also on schedule.
- The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.

Important Terms

- ***GST -*** GST is one indirect tax for the whole nation, which will make India one unified common market. The GST intends to subsume most indirect taxes under a single taxation regime. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. This is expected to help broaden the tax base, increase tax compliance, and reduce economic distortions caused by inter-state variations in taxes.
- ***GST Council -*** GST Council will be tasked with optimizing tax collection for goods and services by the State and Centre. The Council will consist of the Union Finance Minister (as Chairman), the Union Minister of State in charge of revenue or Finance, and the Minister in charge of Finance or

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Taxation or any other, nominated by each State government. The GST Council will be the body that decides which taxes levied by the Centre, States and local bodies will go into the GST; which goods and services will be subjected to GST; and the basis and the rates at which GST will be applied

Announcements and its Implications

Tax Proposals

- India's tax to GDP ratio is very low, and the proportion of direct tax to indirect tax is not optimal from the view point of social justice.
- Key facts about Tax Revenues
  - Direct tax collection is not commensurate with the income and consumption pattern of Indian economy.
  - As against estimated 4.2 crore persons engaged in organized sector employment, the number of individuals filing return for salary income are only 1.74 crore.
  - As against 5.6 crore informal sector individual enterprises and firms doing small business in India, the number of returns filed by this category are only 1.81 crore.
  - Out of the 13.94 lakh companies registered in India upto 31st March, 2014, 5.97 lakh companies have filed their returns for Assessment Year 2016-17.
  - Of the 5.97 lakh companies which have filed their returns for Assessment Year 2016-17 so far, as many as 2.76 lakh companies have shown losses or zero income.
  - 2.85 lakh companies have shown profit before tax of less than 1 crore. 28,667 companies have shown profit between 1 crore to 10 crore, and only 7781 companies have profit before tax of more than 10 crores.
- Among the 3.7 crore individuals who filed the tax returns in 2015-16
  - 99 lakh show income below the exemption limit of 2.5 lakh p.a.
  - 1.95 crore show income between Rs. 2.5 to Rs. 5 lakh.
  - 52 lakh show income between Rs. 5 to Rs. 10 lakhs.
  - Only 24 lakh people show income above Rs. 10 lakhs.
  - Of the 76 lakh individual assesses who declare income above 5 lakh, 56 lakh are in the salaried class. The number of people showing income more than 50 lakh in the entire country is only 1.72 lakh.

  This is in contrast with the fact that in the last five years, more than 1.25 crore cars have been sold, and number of Indian citizens who flew abroad, either for business or tourism, is 2 crore in the year 2015.

  From all these figures it can be concluded that India is largely a tax non-compliant society. The predominance of cash in the economy makes it possible for the people to evade their taxes. When too many people evade taxes, the burden of their share falls on those who are honest and compliant.
- After the demonetization, the preliminary analysis of data received in respect of deposits made by people in old currency presents a revealing picture.

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- During the period 8th November to 30th December 2016, deposits between Rs. 2 lakh and 80 lakh were made in about 1.09 crore accounts with an average deposit size of 5.03 lakh.
- Deposits of more than 80 lakh were made in 1.48 lakh accounts with average deposit size of 3.31 crores.
- This data mining will help us immensely in expanding the tax net as well as increasing the revenues, which was one of the objectives of demonetization.

• One of the main priorities of the Government is to eliminate the black money component from the economy. To achieve that Government is committed to make taxation rates more reasonable, tax administration fairer and expand the tax base in the country. This approach will change the color of money.

• The net tax revenue of 2013-14 was 11.38 lakh crores. This grew by 9.4% in 2014-15 and 17% in 2015-16. As per the RE of 2016-17, we will end the year with a high growth rate of 17% for the second year in a row.

Personal Income-Tax

• While the Government is trying to bring within tax-net more people who are evading taxes, the present burden of taxation is mainly on honest tax payers and salaried employees who are showing their income correctly. Therefore, post-demonetization, there is a legitimate expectation of this class of people to reduce their burden of taxation. Also an argument is made that if a nominal rate of taxation is kept for lower slab, many more people will prefer to come within the tax net.

• Government proposed to reduce the existing rate of taxation for individual assesses between income of 2.5 lakhs to 5 lakhs to 5% from the present rate of 10%. This would reduce the tax liability of all persons below 5 lakh income either to zero (with rebate) or 50% of their existing liability.

• In order not to have duplication of benefit, the existing benefit of rebate available to the same group of beneficiaries is being reduced to 2500 available only to assesses upto income of 3.5 Lakhs. The combined effect of both these measures will mean that there would be zero tax liability for people getting income upto 3 Lakhs p.a. and the tax liability will only be 2,500 for people with income between 3 and 3.5 lakhs.

• If the limit of 1.5 lakh under Section 80C for investment is used fully the tax would be zero for people with income of 4.5 lakhs. While the taxation liability of people with income upto 5 lakhs is being reduced to half, all the other categories of tax payers in the subsequent slabs will also get a uniform benefit of 12,500/- per person. The total amount of tax foregone on account of this measure is 15,500 crores.

• In order to make good some of this revenue loss on account of this relief, Government propose to levy a surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between 50 lakhs and 1 crore. The existing surcharge of 15% of Tax on people earning more than 1 crore will continue. This is likely to give additional revenue of 2,700 crores.

• In order to expand tax net, Government also plan to have a simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto 5 lakhs other than business income. Also a person of this category who files income tax return for the first time would not be subjected to any scrutiny in the first year unless there is specific information available with the Department regarding his high value transaction. I appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs.

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Goods and Services Tax

- There has been substantial progress towards ushering in GST, by far, the biggest tax reform since independence. Since the enactment of the Constitution (One Hundred and First Amendment) Act, 2016, the preparatory work for this path-breaking reform has been a top priority for the Government.
- In this context, several teams of officers both from the States and Central Board of Excise and Customs have been working tirelessly to give finishing touch to the Model GST law and rules and other details.
- Government on its part has promptly given effect to various provisions of the Constitutional Amendment Act, including constitution of the GST Council. Since then, the GST Council held 9 meetings to discuss various issues relating to GST, including broad contours of the GST rate structure, threshold exemption and parameters for composition scheme, details for compensation to States due to implementation of GST, examination of draft model GST law, draft IGST law and the Compensation Law and administrative mechanism for GST.
- GST Council has finalized its recommendations on almost all the issues based on consensus and after spirited debate and discussions. The preparation of IT system for GST is also on schedule. The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.
- Centre, through the Central Board of Excise & Customs, shall continue to strive to achieve the goal of implementation of GST as per schedule without compromising the spirit of co-operative federalism.
- Implementation of GST is likely to bring more taxes both to Central and State Governments because of widening of tax net. Govt has preferred not to make many changes in current regime of Excise & Service Tax because the same are to be replaced by GST soon.

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MEASURES FOR STIMULATING GROWTH

Introduction

- Amidst gloomy economic scenario globally and protectionist tendencies emerging in many countries, India has remained a bright spot witnessing enviable growth rates and taking steps to attract foreign direct investment.
- However India is also facing various issues like rising NPAs, stagnating MSMEs which do not want to grow because of various regulatory issues and many issues related to Start Ups and MAT.
- Budget 2017-18 has tried to deal with all these issues and create an environment which will stimulate growth.

Budget 2017-18 - Announcements

- Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated ***(Masala)*** Bonds.
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years.
- ***MAT*** credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present.
- In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs. 50 crore is reduced to 25.
- Allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of ***NPA*** accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks.
- Basic customs duty on LNG reduced from 5% to 2.5%.

Important Terms

- ***ECB -*** ECB is basically a loan availed by an Indian entity from a nonresident lender. Most of these loans are provided by foreign commercial banks and other institutions.
- ***Masala Bonds -*** These are rupee-denominated borrowings by Indian entities in overseas markets. Usually, while borrowing in overseas markets, the currency is a globally accepted one like dollar, euro or yen. Companies issuing Masala bonds do not have to worry about rupee depreciation, which is usually a big worry while raising money in overseas markets. If the rupee weakens by the time the

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bonds come up for redemption, the borrower (company) will need to shell out more rupees to repay the dollars.

- ***'Loss Carry forward' -*** Loss carry forward refers to an accounting technique that applies the current year's net operating losses to future years' profits to reduce tax liability and track profits accurately. For example, Imagine a company lost $5 million one year and earned $6 million the next. Including the previous year's loss on its current balance sheets lowers the profits for that year to $1 million, a more accurate assessment of the company's overall state.

- ***MAT (Minimum Alternate Tax) -*** There are several "zero tax companies" that book high profit but pay almost nil taxes by rolling out substantial dividends to their shareholders. This nil tax comes as a result of various exemptions, deductions and incentives provided to them due to several conditions that they meet. However, the aim of MAT is to ensure that no company which has the ability to pay taxes gets to avoid payment of income tax.

- ***NPA -*** In loans, when the principal or interest component is unpaid for 90 days, a loan is termed as an NPA and banks have to make 15 percent provision. If it is unpaid for a year, it becomes a substandard loan and attracts 25 percent provision. And two years of non-repayment from the date of being classified as an NPA turns a loan into a doubtful asset, on which banks will have to provide 40 percent provisions. Within a year, it becomes a loss account requiring 100 percent provision if the bank isn't able to receive any repayment.

Announcements and its Implications

- Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This means Indian companies seeking foreign debt will likely see its cost of capital fall amidst a rise in overseas investor interest and will ease the flow of investments into Indian companies through ECB and Masala bond route. This step will help in meeting the demands of various sectors, especially infrastructure which is in need of capital.

- The Government gave income tax exemptions to start-ups with certain conditions last year. For the purpose of carry forward of losses in respect of such start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit linked deduction available to the start-ups for 3 years out of 5 years is being changed to 3 years out of 7 years. Carry forward of loss means a startup will be able to adjust its present loss against future profit and will be able to adjust tax it has to pay. As a result of this announcement start-ups could now avail of a three-year tax holiday in the first seven years of their existence. However, at present the tax breaks are available only on the profits made by startups for three years, whereas stakeholders had requested either removal of the incorporation date criterion or increase in the concession period. Most start-ups are not able to achieve profitability in the first few years of existence.

- MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present. This provides the companies an additional five years before they become liable to pay their MAT. Though startups and other industries have requested to remove MAT, but government refused to accede to their demand. Industry experts said this could also be a good step in the context of the new accounting standards, Ind-AS. With the implementation of Ind-AS, many transactions could start attracting MAT and they can now be set off for five years. There was concern that MAT liability would increase due to Ind-AS. However, many of the industry experts were demanding complete removal of MAT and said that it is effecting their investment. Pharmaceutical companies are believed to be suffering from it.

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- In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs. 50 crore is reduced to 25%. This will benefit 96 percent (6.67 lakh) of companies in India at the expense of the government forgoing Rs 7,200 crore of revenue. The concession will give a platform for MSMEs to become more competitive vis-a-vis larger companies and will also enable firms to migrate to a company's format.
- Allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. At present, only 7.5 percent of the capital set aside for NPAs and 10 percent of the rural advances are tax deductible from the gross income of the bank while all other earnings are taxable. This increase from 7.5% to 8.5 % will reduce the tax liability of banks. Tax concession on provisions for bad loans also came as a relief for Indian banks which are struggling with gross non-performing assets of around Rs6.7 trillion. However, Bankers were hoping for a 100 percent deduction on such provisions given the rise in the provisioning amount each quarter. So this will be a help to banks but a minor help only. There is disappointment in the sector as no announcement on a bad bank, or the proposed Public Sector Asset Rehabilitation Agency, to buy NPAs at market prices
- Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks. The measure will remove the pain of having to pay tax even when interest income is not realized.
- Basic customs duty on LNG reduced from 5% to 2.5%. This step will reduce the cost of LNG and will help fertilizer sector and other sectors which use natural gas.

Notes

TRANSPARENCY IN ELECTORAL FUNDING

Introduction

- India is the world's largest democracy. Political parties are an essential ingredient of a multi-party Parliamentary democracy. Even 70 years after Independence, the country has not been able to evolve a transparent method of funding political parties which is vital to the system of free and fair elections.
- An attempt was made in the past by amending the provisions of the Representation of Peoples Act, the Companies Act and the Income Tax Act to incentivize donations by individuals, partnership firms, HUFs and companies to political parties.
- Both the donor and the donee were granted exemption from payment of tax if the accounts were transparently maintained and returns were filed with the competent authorities.
- Additionally, a list of donors who contributed more than Rs. 20,000/- to any party in cash or cheque is required to be maintained. The situation has only marginally improved since these provisions were brought into force. Political parties continue to receive most of their funds through anonymous donations which are shown in cash.
- Donors have also expressed reluctance in donating by cheque or other transparent methods as it would disclose their identity and entail adverse consequences.
- An effort, therefore, requires to be made to cleanse the system of political funding in India

Budget 2017-18 - Announcements

- Need to cleanse the system of political funding in India.
- Maximum amount of cash donation, a political party can receive, will be Rs. 2000/- from one person.
- Political parties will be entitled to receive donations by cheque or digital mode from their donors.
- Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.
- The ***electoral bonds,*** which will be issued by notified banks, can be redeemed by recognized political parties within a prescribed time-limit.
- Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act.
- Existing exemption to the political parties from payment of income-tax would be available only subject to the fulfillment of these conditions.

Notes

Important Terms

- ***Electoral Bond -*** Electoral Bond is a financial instrument for making donations to political parties. These are issued by Scheduled Commercial banks upon authorisation from the Central Government to intending donors, but only against cheque and digital payments (it cannot be purchased by paying cash). These bonds shall be redeemable in the designated account of a registered political party within the prescribed time limit from issuance of bond.

What is the need of transparency in funding of political parties?

- When unknown sources fund political parties, it becomes difficult to assess who is influencing policy and other decisions taken by political parties in power at the Centre and various states.
- Anonymous funding to political parties has been said to be the den of black money and reason for corruption in the government.

Announcements and its Implications

- Limiting the cash donations to Rs. 2000, will reduce the anonymous donations and fudging of cash receipts by political parties. As now it will be cumbersome to reduce a given amount into small donations of Rs. 2000 instead of Rs. 20,000 earlier.
- Also the use of electoral bonds will provide necessary mechanism for business houses to provide fund to parties and keep it anonymous to ensure that they are not hounded by political parties.
- Government directed that these bonds can be purchased by digital or cheque payment. It cannot be fictitious. It will be only through a KYC-compliant account. Therefore, the money cannot be illegal and will be white and keep the black money out.
- As these bonds will have to deposited within limited time window, these will not become parallel economy or will not be used to lock wealth.
- But there are loopholes to electoral bonds too. While the identity of the donor is captured, it is not revealed to the party or public. So, transparency is not enhanced for the voter.

Notes

EASE OF DOING BUSINESS

Introduction

- The government's focus on ease of doing business reflects in Budget 2017 too.
- India is ranked 130 out of 190 countries in World Bank Group's annual report 'Doing Business 2017: Equal Opportunity for All'.
- India moved up only one rank on the World Bank's ease of doing business ranking last year which is a disappointing result for the Government that made several initiatives and has set itself a target to break into the top 50.

Budget 2017-18 Announcements

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deduction
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF (Hindu Undivided Family) increased from turnover of 10 lakhs to 25 Lakhs or income from 1.2 Lakhs to 2.5 Lakhs
- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India
- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit
- Under scheme for presumptive taxation for professionals with receipt upto 50 lakhs p.a. advance tax can be paid in one instalment instead of four
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return.
- Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter

Important Terms

- ***Presumptive taxation -*** Presumptive taxation involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts. In India for calculating presumptive tax deemed income is calculated. 8% of the total turnover or gross receipts of the

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assessee or any higher amount voluntarily declared by him shall be deemed to be his income chargeable to tax. Now on this deemed income tax is charged at a fixed rate.

- Presumptive tax has following benefits:
  - It reduces burden of compliance.
  - Combats tax avoidance and tax evasion.
  - More equitable distribution of tax burden.
- ***Presumptive taxation scheme -*** For taxation purpose, most businesses and professionals have to maintain books of accounts, which are then evaluated at end of each financial year. A profit and loss statement is prepared and tax on income, if any, is paid accordingly. However, there is a special scheme—Presumptive Taxation Scheme (PTS)—under which one can file the return and pay tax on the basis of 'presumed' income. Under PTS, eligible professionals and businesses can compute income on an estimated basis under section 44ADA and 44AD of the Income Tax Act, 1961, respectively, at a minimum prescribed rate.
- ***Foreign Portfolio Investors (FPI)*** stands for those investors who hold a short term view on the company, in contrast to Foreign Direct Investors (FDI). FPIs generally participate through the stock markets and gets in and out of a particular stock at much faster frequencies. Short term view is associated often with lower stake in companies. Hence, globally FPIs are defined as those who hold less than 10% in a company. Portfolio Investment by any single investor or investor group cannot exceed 10% of the equity of an Indian company, beyond which it will now be treated as FDI
- ***Transfer Pricing*** – Transfer pricing is the setting of the price for goods and services sold between controlled (or related) legal entities within an enterprise. For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price. Transfer pricing can be used as a tool for corporate tax avoidance, also referred to as base erosion and profit shifting (BEPS).
- ***Related party transaction*** A related-party transaction is a business deal or arrangement between two parties who are joined by a special relationship prior to the deal. For example, a business transaction between a major shareholder and the corporation, such as a contract for the shareholder's company to perform renovations to the corporation's offices, would be deemed a related-party transaction. Related-party transactions are a common occurrence in the business marketplace. Companies often seek business deals with entities to which they are familiar with or have been referred to through past relationships. While these types of transactions are legal and ethical, the special relationship inherent between the involved parties creates potential conflicts of interest, which must be regulated because they can result in actions that benefit the people involved as opposed to the shareholders.

Announcements and its Implications

- As an anti-avoidance measure, the provision of domestic transfer pricing in respect of related entities was brought in the Finance Act of 2012. Since then the number of entities being covered under domestic pricing has gone up substantially necessitating a longer scrutiny, which causes hardship to domestic companies. In order to reduce the compliance burden due to domestic transfer pricing provisions, Govt proposed to restrict the scope of domestic transfer pricing only if one of the entities involved in related party transaction enjoys specified profit-linked deduction.
- In 2012, Income-tax Act was amended to provide for taxation of those transactions of transfer of shares or interest in a foreign entity deriving its value substantially from Indian assets. Apprehensions have been raised about some difficulties which arise because of this provision in case of transfer of

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stake of investors of India-based funds located abroad but investing in India-based companies. In order to remove this difficulty, Govt proposed to exempt Foreign Portfolio Investor (FPI) Category I & II from indirect transfer provision.

- Threshold limit for audit of business entities who opt for presumptive income scheme from Rs. 1 crore to Rs. 2 crore. These steps will significantly ease tax rules for small business and HUF.
- It has also been proposed to issue a clarification that indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.
- As on today, a TDS of 5% is being deducted from commission payable to individual insurance agents even if the income of some of them may be below taxable limit. To resolve this Gove proposed to exempt them from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.
- Last year, a new scheme for presumptive taxation for professionals with receipt upto '50 Lakhs p.a. In respect of such assesses, Govt has now given further benefit in terms of paying advance tax in one installment instead of four.
- In order to allow the people to claim the refund expeditiously, the time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

Notes

RAPID

Introduction

- In the Annual Conclave of Tax officers called 'Rajaswa Gyan Sangam' held in June 2016, the PM had expressed his plan to bring reforms in tax administration in the form of an approach of RAPID which stands for Revenue, Accountability, Probity, Information and Digitization.

Budget 2017-18 - Announcements

- Maximize efforts for e-assessment in the coming yea.
- Enforcing greater accountability of officers of Tax Department for specific act of commission and omission.

Announcements and its Implications

- This approach reflects the strategy of Tax Department which is now formulated. While revenue considerations always remain the focus of Revenue Department, Government is trying to bring in maximum use of Information Technology to remove human contact with assesses as well as to plug tax avoidance.
- Government is planning to maximize its efforts for e-assessment in the coming year. Government is using a lot of data mining capability, both in-house and outsourced.
- Government is planning to enforce greater accountability of officers of Tax Department for specific act of commission and omission.

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BUDGET 2017-18 CRITICISM - A 'DEVELOPMENT' OR A 'DOLE' BUDGET

About 32 months after the current Government assumed the office it left the economy with some positives and negatives.

Positives

- Economic growth remains around 7%.
- Foreign direct investment in 2016 was a record $25 billion.
- Public investment was strong.
- Foreign exchange reserves are at a comfortable 12 months of imports.
- Inflation stable at 3.4%.

Negatives

- Economic growth is middling and unbalanced.
- Jobless Growth – Lack of Employment opportunities.
- But private investment expenditures are weak.
- Domestic demand poor
- Exports are down
- Capital formation has slowed to a crawl.
- Banks are flush with cash but they are reluctant to lend.
- Banks and much of the private sector is in heavy debt
- Farmer in weal financial position - Two successive droughts left the farmers in weak financial position, and with no funds for investment.
- Demonetization- It came as a rude shock, severely hurting the informal sector, small and medium industries, domestic demand, while farmers suffered poor prices for perishables like vegetables and fruits, and poor sales of other crops due to cash shortage.
- India's Economic Policy Uncertainty Index too had climbed steeply.

Therefore the key Targets before the current Budget was to address these factors -

- Create jobs
- Accelerate demand
- Promote investment
- Improve indebtedness of enterprises and assets of banks, and

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- Promote domestic and export demand.

Analysis and Criticism

The Budget speech addressed many of these, but in many cases was not whole in approach.

Experts feel that the Budget is a "feel-good, with something for everyone". Govt has played it too safe in all the four budgets 2014-17. Budget started with the declaration that Budget itself contained three reforms but in reality it falls short of making any instrumental changes. Therefore we can say that Reforms are SYMBOLIC Rather than SUBSTANTIVE.

Budget 2017 proposals pivot around elimination of black money, promotion of a digital economy and easing norms for attracting foreign investment in India.

The spirit of the Budget proposals for 2017-18 are to ensure better consolidation and smooth implementation of government's developmental and various social schemes though in some sense it may not be high-sounding. The Budget has provided much higher allocations for infrastructure, Pradhan Mantri Gram Sadak Yojana, rural housing, Digital India and host of other sectors as its focus has been to ensure timely implementation of all developmental programmes of the government. But a larger plan to create jobs on a sustainable basis and overcome the demand constraint is missing.

Sectoral Analysis

Farmers and Rural Population

- ***Doubling of farmers' income in five years -*** Incidentally, Govt reiterated the last budget's commitment to double farmers' income within five years. Here, Govt need to clarify whether it is nominal or real incomes and what is the base year over which these are sought to be doubled. The last year for which a survey of farmers' income is available is 2012-13. What we need to know is the level and structure of farmers' income in FY16, which can act as a base year to judge the progress of promises from the current fiscal onwards.
- In the first three years of the current government, average Agri-GDP growth in real terms has been just 1.7%. This does not inspire confidence on the goal of doubling farmers' incomes in five years with business-as-usual policies. Coming budgets, therefore, must focus on massive infusion of investment to spur agriculture growth on a sustainable basis to 4%-plus per annum.
- The largest allocation within agriculture, food and rural-related sectors goes to food subsidy (Rs 145,339 crore) and MGNREGA (Rs 48,000 crore), both of which are essentially safety-nets for the poor. For farmers, the largest chunk is reserved for subsidies on fertiliser (Rs 70,000 crore), credit (Rs 15,000 crore) and crop insurance (Rs 9,000 crore), totalling Rs 94,000 crore.
- In contrast, the budgetary resources for investment through schemes like the Pradhan Mantri Gram Sadak Yojna (PMGSY), Pradhan Mantri Krishi Sichayee Yojna (PMKSY), Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY), Sub-Mission on Agri-Extension, and farm research and education adds up to just R38,903 crore.
- With almost 88% of the funds earmarked for agri, food and rural sectors going towards safety-nets and farm subsidies—and only 12% for productivity-boosting investments— policymakers have clearly missed the vision. It is difficult to imagine how such a model of budgetary allocations can spur agricultural growth on a sustainable basis to ensure doubling of farmers' income in five years.
- ***Boosting Investments -*** The Budget has also sought to boost public investment in agriculture through borrowings by NABARD. But even after adding such funds to be raised via the non-budget route, the

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overall picture does not change fundamentally. The policy framework remains a dole model with an overt pro-consumer bias.

- The marginal returns—whether in terms of agri-GDP growth or poverty alleviation—are five to 15 times more from investments in agri-R&D, rural roads, and irrigation than from fertilizer subsidies. Subsidies on food and fertilisers and also MGNREGA expenditures, needed major rationalization.
- These programmes are resource sinks and their implementation is ridden by inefficiency and corruption. Unfortunately, this Budget has not attempted any fundamental reforms in them.
- The recent decline in real capital formation in agriculture from 18.3% of Agri-GDP in FY12 to 16.2% in FY15 is a wakeup call. But neither the Budget nor the latest Economic Survey raises any alarm bells on this account.
- The target of Rs10 lakh crore credits to the farm sector wouldn't alter the situation, as about 80% of it will go for short-term crop loans and not for investments. So, the big picture that emerges is that policy is still heavily pro-consumer and dole-oriented, even while the farm sector is in dire need of investments.
- Better targeting and rationalization of subsidies could free up resources for investment in agriculture.
- It is high time policymakers realize that a strategy of offering freebies in spite of starving investment will not deliver high Agri-Growth in a sustainable manner. Agriculture will keep limping and so will the fate of farmers, unless major structural reforms are undertaken quickly.

Infrastructure

- Budget announcement on Infra status for Affordable Housing will increase funds flow as well as reduce interest cost is expected. The real estate sector is hopeful that the infrastructure status for affordable housing will lead to simplification in the approval process for such projects and enhanced transparency. Improved accountability could further attract debt and pension funds in the segment.
- ***Road to rural development*** - Pace of rural road construction has shot up from 73 km/day in 2011-14 to 133 km/day. The government has made an allocation of R19,000 crore for the Pradhan Mantri Gram Sadak Yojana. Along with the spending by state governments, this will result in a total capital expenditure of R27,000 crore for rural roads. 133 km/day of rural roads construction laudable as Budget provides for further R27,000 crs to complete PMGSY by 2019.
- ***Budget boost for public private partnerships*** - Select airports in Tier II towns are to be taken up for operation and maintenance in the public-private partnership mode. The Airports Authority of India Act will be amended to facilitate effective monetization of assets while a new Metro Rail Act will enable rationalization of existing laws. After huge issues faced by Hyderabad Metro, the new Metro Rail Act, proposed in the Budget to foster PPP, will really have to be path breaking.
- ***Opening up commercial mining*** - For the first time in more than four decades, four coal mines are to be auctioned to both private and state-run companies starting April 1. A total of 23 mines are to be sold this year.
- ***Railways - Green signal for solar energy at stations*** - Work has already begun to power up 300 railway stations with solar energy. The proposal to feed at least 7,000 stations in the medium term will go a long way in reducing dependence on fossil fuels.
- ***Smart City Progress*** – It would be useful if Urban Ministry put out a quarterly update on the 100 Smart City progress. Seems to have fallen off the public radar. US to collaborate in building smart

cities. The US is exploring new opportunities for partnering in India's efforts to create smart cities. The two countries have signed MoUs to develop three smart cities in Allahabad, Ajmer and Vishakhapatnam.

- Substantial public expenditures on highways, roads, railways, ports, shipping and other infrastructure might stimulate other industries and lead to job growth, as expenditures proceed.

Digital Economy Demonetization

- Budget has stayed away from any further shocks after the demonetization that happened in November. Demonetization has been the biggest impact on the Budget making process this year. Govts low-key budget has given a miss to the demonetization scheme. Therefore Government lost an opportunity to distribute the demonetization windfall to Jan Dhan account holders.
- Government has promised us the political grandstanding – the promise that demonetization will increase the tax base and tax revenues, and the claim that his party intends to clean up political financing.

Fiscal Consolidation

- The six consecutive years of fiscal consolidation by successive governments add up to a visible and credible commitment to macro-economic stability in India. The budget makes it clear that the government is in no mood to deliver the much required fiscal and monetary boost to make good for the slowdown, layoffs and halting of supply networks that the demonetization has resulted in.
- The Government has deviated from the path of fiscal consolidation slightly for the next year by projecting a fiscal deficit target of 3.2 percent and shrunk it to 3 percent for 2018-19. The government had stuck to the path of fiscal rectitude.
- Further, the Budget had introduced some welcome progressive taxation reforms in the form of lower tax rates, particularly for lower-income people.
- It can be interpreted that the message of the Budget was fiscal discipline.

TAX Proposals

- Tax cuts to MSMEs will help their revival, but banks must be generous in restoring their liquidity, damaged by demonetization. Consumer demand will improve slowly as money flows back into the economy, but revival of industrial output will take time.
- While the budget speech expects exports to revive, protectionism by the US as it spreads to other countries may come in the way. The Budget may not signal a speedy industrial revival.
- Similarly the modest amount for recapitalizing nationalized banks will not improve their balance sheets.
- The Budget has not followed up the discussion in the Economic Survey about a universal basic income scheme. This could help plug the leakage in the many subsidy schemes.
- In the absence of reforms in the way subsidies work, the additional amounts for MNREGA and other subsidy schemes, will help the poor but with considerable waste.

Youth

- The 10% jump in allocation for the education sector, holds great promise for education, especially higher education, because of the reforms path it projects.

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- A Group of Secretaries (GoS) had recommended in its recently submitted report that other national-level entrance/qualifying exams such as CAT, GATE, etc, too be conducted by the NTA.
- The Govts move to create a National Testing Agency (NTA) that will be responsible for carrying out various central level entrance tests will relieve the Central Board of Secondary Education (CBSE) of the burden of having to juggle both regulating affiliated schools and conducting four major entrance tests—the JEE for engineering, NEET-UG for medical, UGC-NET for entry-level teaching jobs in universities & colleges and UGC-funded research fellowships, and CTET for school-level teaching jobs.
- Also, Doing this will leave the respective administrators of these exams—the IIMs in the case of CAT and the IISc and the IITs in the case of GATE—free to concentrate on academic matters.
- ***Overhauling UGC Framework*** - The problem with the UGC framework has been that it held back good institutions and also it has failed to ensure quality in many of the institutes it has approved over the years. It has side-stepped its function of being a sentinel of excellence and embraced the relatively easier function of funding education". The bigger reform proposed has to be overhauling the UGC framework and give top-billed varsities and institutions "greater academic and administrative autonomy".
- The government's proposal to give top-ranked colleges' autonomous status, too, is a step in the right direction.

Poor and the Underprivileged

- Health and education have received little concentrated attention, badly needed to stop their continued decline in quality. Govts scheme for pregnant women, however, was imaginative and timely.

Rural Population

- The support to rural housing, and schemes for scheduled castes, tribes and minorities, are again timely but perhaps the latter may be inadequately funded.

Transparency in Electoral Funding

- The problem is that up to 75%-80% of all declared income of political parties on average across all major parties has been coming from unknown sources. The last major report on this issue said that 69% of the income of six national parties and 51 regional parties, over 11 year period (Financial Years 2004-'05 to 2014-'15), was from unknown sources.
- Many have argued that the proposed steps will not bring the much hyped transparency in the electoral funding process. The proposed amendments to the Income Tax Act mean that political parties will *not be required* to disclose information about the "electoral bonds" even to the Income Tax department, and that they will continue to enjoy 100% exemption from income tax.
- The electoral bonds will be bearer bonds and will keep the donors anonymous. Even those donations which till now were declared may become anonymous through these bonds.

Health (Women, Children and Senior Citizen)

- India has one of the lowest health expenditure ratios in the world in terms of the government spending on health as a percent of GDP. India is a lower middle income country as per the World Bank classification.

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- The setting-up of Mahila Shakti Kendras in 14 lakh ICDS Anganwadi Centres with an allocation of Rs.500 crores to impart a holistic package covering skills, digital literacy, health, nutrition etc. will enhance the employability of rural women and improve the labour force participation rates.
- DBT of Rs. 6000 will encourage the institutional deliveries and vaccination of children especially in rural areas thus it will reduce the MMR and IMR significantly. It will also provide significant help to have good nutritious food to poor women after their delivery.
- To eliminate Kala-Azar, Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 in a time bound manner is a much required step, as India is one of the largest victims of communicable and non communicable diseases. However the action plan on line of India's Polio eradication programme needs to be redrawn.
- Primary health centres and community health centres are in dilapidated condition. They need the immediate upgaradation; however this aspect is missed in the budget.
- There are only few government secondary and Tertiary care hospitals that too only in major cities. The number of specialist is also very less. This lead to private hospitalization and high out of pocket expense. This perpetuates poverty especially among marginalised. Thus increasing seat in post graduate and opening up of new AIIMs would help to overcome these challenges, however it is seen that adequate funds, faculty and equipments is not provided in already newly opened AIIMs.
- More than 60% of total medical expenditure is on medicines, thus providing drugs at reasonable cost can reduce this burden. Generic drugs are way out but most of the doctors recommend only branded drugs to get benefits from pharma companies. Government's step to regulate this aspect through legal mean would provide significant help to poor.
- The plan to issue Aadhar-based health smart cards to senior citizens has the potential to be the starting block in building a comprehensive health information system for the country.
- Overall while ambitious targets have been set, the allocated resources in budget 2017 seem inadequate for gearing up the health systems across the country in time

SC & ST:

- The allocation for Scheduled Castes has been increased by 35% compared to BE 2016-17. The allocation for Scheduled Tribes has been increased to 31,920 crores and for Minority Affairs to 4,195 crores.
- The Union Budget 2017-18 marks a paradigm shift in budgeting for the development of SCs and STs communities, not only with the merger of plan and non-plan categories but also by moving away from the sub-plan policy of a targeted budget.

Promoting Affordable Housing and Real Estate Sector

- Under Pradhan Mantri Awas Yojana (PMAY) (Housing for All), the government aims to construct about two crore houses by the year 2022. Each house provided under the scheme will involve a central grant of about INR 1 lakh which may go up to INR 2.3 lakhs. This will come as part of a 6.5 percent interest rate subsidy scheme.
- This programme of the government is thought to be one of the major economic boosters and expected to attract the major investment in real estate sector. Pukka houses for marginalised and low income people is also expected to curb the expansion of slums in major cities.
- Real estate sector is facing big challenges on financing part and new investments. Many of the constructed houses are not sold due to crash in prices. Liabilities on builders are increasing. In this scenario governments' announcement came as a big relief for both the consumers and builders.

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APPENDIX

Budget Definition

- Budget is an Annual Financial Statement of yearly estimated receipts and expenditures of the government in respect of every financial year. Budgeting is the process of estimating the availability of resources and then allocating them to various activities according to a predetermined priority. Budgetary process involves all the departments of government. So, it helps in bringing various departments together and hence achieves co-ordination among them.

Terms associated terms with Budget

- **Performance Budgeting -** A performance budget reflects the goal/objectives of the organization and spells out performance targets. These targets are sought to be achieved through a strategy. Unit costs are associated with the strategy and allocations are accordingly made for achievement of the objectives. A Performance Budget gives an indication of how the funds spent are expected to give outputs and ultimately the outcomes. However, performance budgeting has a limitation - it is not easy to arrive at standard unit costs especially in social programmes, which require a multi-pronged approach.
- **Zero-based Budgeting** – In the zero-based budgeting every budgeting cycle starts from scratch. Unlike the other systems where only incremental changes are made in the allocation, in zero-based budgeting every activity is evaluated each time a budget is made. And only if it is established that the activity is necessary, are funds allocated to it. The basic purpose of ZBB is phasing out of programmes/activities, which do not have relevance anymore.
- **Programme Budgeting and Performance Budgeting -** Programme budgeting aimed at a system in which expenditure would be planned and controlled by the objective. The basic building block of the system was classification of expenditure into programmes, which meant objective-oriented classification so that programmes with common objectives are considered together.

Budgeting in INDIA

- There is a constitutional requirement in India (Article 112) to present before the Parliament a statement of estimated receipts and expenditures of the government in respect of every financial year which runs from 1 April to 31 March.
- This 'Annual Financial Statement' constitutes the main budget document.
- The budget is prepared by the budget division in Department of Economic Affairs, Ministry of Finance.

Budgeting Process in India

- The process of budget making passes through various stages. The budget for a particular financial year let's say 2017-18 comprises of budget estimates of 2017-18, revised estimates for 2016-17 and actual expenditure of 2015-16.
- Budget is passed through 4 different phases:

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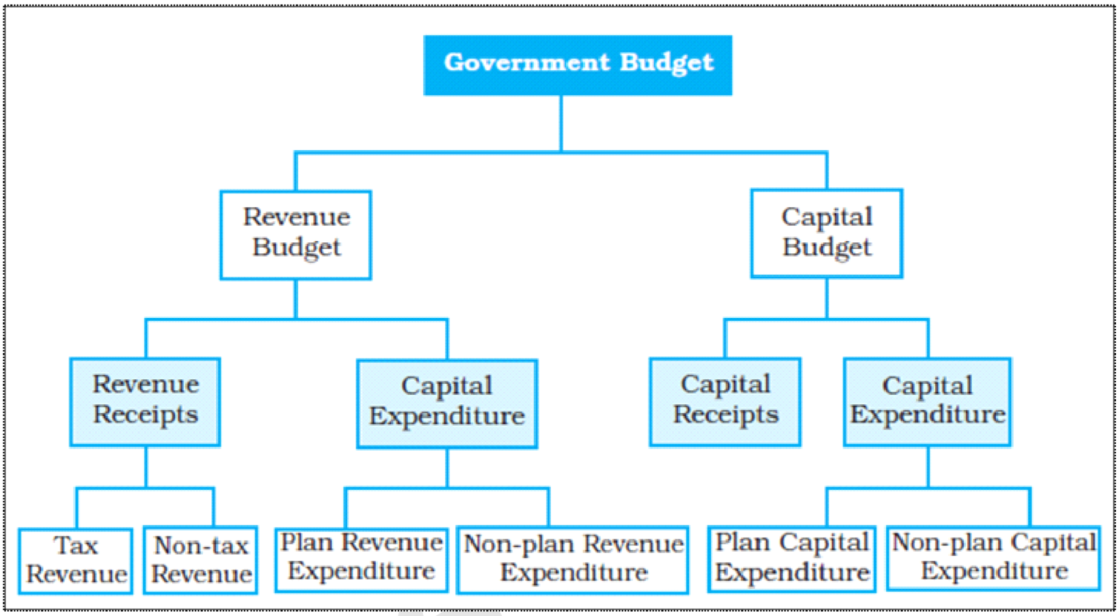
- Formulation of Budget
- Budget enactment or approval by the legislature
- Budget execution, and
- Auditing of the implementation on behalf of the legislatures.

- **Components of the Government Budget -** The budget must distinguish expenditure on the revenue account from other expenditures. Therefore, the budget comprises of



A. The Revenue Budget

The Revenue Budget shows the current receipts of the government and the expenditure that can be met from these receipts.

Revenue Receipts

- Revenue receipts are divided into tax and non-tax revenues.
- Tax revenues **consist of the proceeds of taxes and other duties levied by the central government. Tax revenues, an important component of revenue receipts, comprise of Direct Taxes and indirect Taxes.**
- **Direct Taxes** - Taxes which fall directly on individuals (personal income tax) and firms (corporation tax).
- **Indirect taxes** like excise taxes (duties levied on goods produced within the country), customs duties (taxes imposed on goods imported into and exported out of India) and service tax.

Revenue Expenditure

- Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets.
- It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to state

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governments and other parties (even though some of the grants may be meant for creation of assets).

- Budget documents classify total revenue expenditure into **Plan and Non-plan expenditure**
- **Plan revenue expend**iture relates to central Plans (the Five-Year Plans) and central assistance for State and Union Territory Plans.
- **Non-plan expenditure**, the more important component of revenue expenditure, covers a vast range of general, economic and social services of the government.

B. The Capital Budget

The Capital Budget is an account of the assets as well as liabilities of the central government, which takes into consideration changes in capital. It consists of capital receipts and capital expenditure of the government. This shows the capital requirements of the government and the pattern of their financing.

Capital Receipts

- The main items of capital receipts are loans raised by the government from the public which are called market borrowings, borrowing by the government from the Reserve Bank and commercial banks and other financial institutions through the sale of treasury bills, loans received from foreign governments and international organizations, and recoveries of loans granted by the central government.
- Other items include small savings (Post-Office Savings Accounts, National Savings Certificates, etc), provident funds and net receipts obtained from the sale of shares in Public Sector Undertakings (PSUs).

Capital Expenditure

- This includes expenditure on the acquisition of land, building, machinery, and equipment, investment in shares, and loans and advances by the central government to state and union territory governments, PSUs and other parties.
- Capital expenditure is also categorized as **plan and non-plan** in the budget documents.
- **Plan capital expenditure**, like its revenue counterpart, relates to central plan and central assistance for state and union territory plans.
- **Non-plan capital expenditure** covers various general, social and economic services provided by the government.

C. Measures of Government Deficit

When a government spends more than it collects by way of revenue, it incurs a budget deficit. There are various measures that capture government deficit and they have their own implications for the economy.

Revenue Deficit

- The revenue deficit refers to the excess of government's revenue expenditure over revenue receipts
- ***Revenue deficit = Revenue expenditure – Revenue receipts***
- The revenue deficit includes only such transactions that affect the current income and expenditure of the government.

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- When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure.
- This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements.
- This will lead to a buildup of stock of debt and interest liabilities and force the government, eventually, to cut expenditure. Since a major part of revenue expenditure is committed expenditure, it cannot be reduced. Often the government reduces productive capital expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.

Fiscal Deficit

- Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing
- ***Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)***
- Non-debt creating capital receipts are those receipts which are not borrowings and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources.
- From the financing side –

  Gross fiscal deficit = Net borrowing at home + Borrowing from RBI + Borrowing from abroad
- Net borrowing at home includes that directly borrowed from the public through debt instruments (for example, the various small savings schemes) and indirectly from commercial banks through Statutory Liquidity Ratio (SLR).

Primary Deficit

- The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate what has been called the primary deficit. It is simply the fiscal deficit minus the interest payments
- ***Gross primary deficit = Gross fiscal deficit – net interest liabilities***
- Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.