

Exports

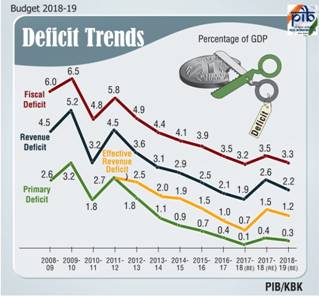
To grow at 15 %

Imports

Economy

India now 7th largest economy

Fiscal and Monetary



to accept key recommendations of the Fiscal Reform and Budget Management (FRBM) Committee relating to adoption of the Debt Rule and to bring down the Central Government’s Debt to GDP ratio to 40%.

The Government has also accepted the recommendation to use Fiscal Deficit target as the key operational parameter.

Central Board of Excise and Customs renamed as Central Board of Indirect Taxes and Customs

Govt NK singh committee report

FD to touch 3.5 % new target is 3.3% old was 3.4%

Disinvestment of 80000cr

MP salary to be refixed every 5 years by law

85lac new tax payers

8cr tax payers

25% corporate tax for firms with 250cr annual turnover

100% tax rebate for farm firms with turnover of 100cr

EPF 8% for women employees without changing employers contribution to appease women

Recapitalization of PSB’s

to abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place impose a Social Welfare Surcharge.

Social Welfare Surcharge at the rate of 10% of the aggregate duties of Customs, on imported goods, will help provide for Social Welfare Schemes of the Government

Goods which were hitherto exempt from Education Cesses on imported goods will, however, be exempt from this Surcharge

Manufacturing

New defence production policy 2018 to focus on make in india

2 defence industrial corridors

a scheme to assign every individual enterprise in India a unique ID,

Services

PSU

The Government has approved listing of 14 Central Public Sector Enterprises (CPSEs), including two insurance companies, on the stock exchanges.

the process of acquisition of Hindustan Petroleum Corporation by the ONGC has been successfully completed.

Three public sector general insurance companies National Insurance Company Ltd., United India Assurance Company Limited and Oriental India Insurance Company Limited will be merged into a single insurance entity and will be subsequently listed.

Agriculture

The budgetary allocation of Agriculture and Farmers Welfare Ministry was Rs. 51,576 crore for the year 2017-18 which has been increased to Rs. 58,080 crore for this year

MSP to be 1.5 times cost of production in Kharif crops

will have a direct impact on inflation. Meanwhile, boosting exports will shrink the supply within India, adding to the price rise.

Create institutional mechanism for Farmers regarding price discovery

Government also proposes to make an institutional mechanism for export and import policy in the long run

A declaration of Model Land Licence Cultivator Act has also been made in this budget through which farmers doing farming on rent and sharing basis will also get the benefit of institutional loan arrangements

Funds

Agriculture market fund of 2000 cr

1300cr bamboo fund,Bamboo green gold

Other funds

Micro irrigation fund Rs. 5,000 crore.

Dairy Processing and Infrastructure Development Fund (DIDF) Rs. 10,881 crore.

Agri Market Infrastructure Fund – Rs. 2,000 crore.

Fishery & Aquaculture Infrastructure Development Fund + Total Rs. 10,000 crore

Animal Husbandry Infrastructure Development Fund

New launches

Operation green to be launched 500cr

Cluster based horticulture

NITI aayog to create mechanism for msp

22000 GRAM(Grameen Agricultural Market) centers to help farmers in direct sale of produce

2000cr to upgrade rural haats so small farmer can sell their produce

Extension of KCC to animal husbandry and fisheries and 10000cr animal husbandry and fishery fund

Special scheme to tackle crop residue burning in Northern states to check delhi air pollution

Surplus power produced by solar-powered generators used by farmers will be bought by state distribution utilities

Gobar Dhan scheme to manage and convert cattle dung and solid water into compost and bio-fuel.Jaitley said the scheme was part of the government's effort to make villages open defecation free and improve the lives of villagers.

The Galvanizing Organic Bio-Agro Resources Dhan (Gobar Dhan)

Women

Organic farming to be encouraged using SHG’s

8 cr LPG connections to be given

The Budget envisages a major jump in loans to self-help women groups and also spending on schemes like Ujwala, Saubhagya and Swachh mission for LPG connection, electricity and toilets. The Budget provision for ₹14.34 lakh crore for rural infrastructure, if spent well, will make a positive difference to our rural folk.

Food processing to grow at 8%

Export Potential of $100 billion compared to today’s $30 billion

500cr Operation green to provide logistic and infrastructure support for TOP(tomato,onion and potato)

Food processing budget increased to 14000cr from 7.5cr to prevent wastage of perishable food products

It will boost non farm employment in rural areas

Finance

3lac cr for MUDRA scheme more fast smoother approval

Loan to SME linked to GSTN

Gold monetization scheme will be revamped to enable people to open a hassle-free Gold Deposit Account

a comprehensive Gold Policy to develop gold as an asset class.

Infrastructure

Se la pass in arunachal Pradesh

Rahstriya railway sanrakshak yojana

All railway station with >25000 footfall will have escalators

36000km to be renewed

Wifi to all stations

Government proposes to develop ten prominent tourist sites as Iconic Tourism destinations through holistic infrastructure and skill development.

In addition, tourist amenities will be upgraded at 100 Adarsh monuments of the Archaeological Survey of India (ASI).

Smart Cities Mission and the AMRUT.

The National Heritage City Development and Augmentation Yojana (HRIDAY) has been taken-up to revitalize heritage cities.

Bharatmala Pariyojana aims to develop about 35,000 km of highways

use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs) for raising funds.

NABH Nirman to expand airport capacity by more than five times to handle a billion trips in a year

Expansion funded using AAI funds

doubling of allocation on Digital India Program to Rs.3073crore

Mission on Cyber Physical Systems to support establishment of centers of excellence for research in training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis and quantum communication.

Employment

Technology

Back blockchain and eliminate cryptocurrency

National programme for development and research in AI

Bharat net

mission on cyber physical systems to be launched

Online monitoring system Pragati helps fast track infra projects

Social

DBT programme eliminated middle men

2cr swachch toilets under swachh bharat

Education

Eklavya schools

Technology to be biggest driver for improving education

2 New architectural schools to be set up for planning and architecture

PM research fellow scheme for 1000 btech students

Health

National health protection scheme World largest health care scheme launched

10cr poor families will get 5lac per family per annum health benefit

The cost of this mega health plan will be shared by Centre and States and is more than covered by the 1% increase in health and education cess.

The precursor of the National Health Protection Scheme (NHPS),

the Rashtriya Swasthya Bima Yojana (RSBY), provided limited coverage of only ₹30,000, usually for secondary care. Though it improved access to health care, it did not reduce out-of-pocket expenditure (OOPE), catastrophic health expenditure or health payment-induced poverty.

out-of-pocket expenditure on healthcare is nearly 63% of the country’s total healthcare expenditure (one of the highest in the world — it’s 32% in China, 11% in the U.S. and the world average is 18.2%), and “catastrophic expenditure” on healthcare pushes millions back into poverty every year in India, an insurance scheme which provides up to a ₹5 lakh cover sounds like a great idea

There is one crucial difference between Medicare assistance (even of the Obamacare variety) and actual healthcare services. The former is a financial product which focuses on enabling beneficiaries to access existing healthcare facilities. It does not in itself ensure the creation of healthcare infrastructure — somebody will still have to build clinics/hospitals, staff them with doctors, nurses, medicines and equipment, and provide these at a cost which falls within the limits of the healthcare insurance policy

For instance, it had only about 1,800 hospitals in rural areas, according to the government’s rural health statistics for 2017. The shortfall in percentage terms vis-à-vis the population (based on the 2011 Census) is 19% in terms of sub-centres, 22% in terms of primary health centres and 30% in terms of community health centres. As of March 2017, the number of buildings required to be constructed to meet requirements had crossed 40,000.

According to the Niti Aayog’s latest State-wise healthcare index,

the proportion of vacant specialist positions (medicine, surgery, obstetrics and gynaecology, paediatrics, anaesthesia, ophthalmology, radiology, pathology, ear-nose-throat, dental, psychiatry) ranged from a low of 16.7% in Tamil Nadu (among the larger States clustering) to a staggering 77.7% in Chhattisgarh as of 2015-16.

When it came to the availability of a doctor at primary health centres, even the best-performing States like Kerala and Tamil Nadu had 5.9% and 7.6% respectively, while over 41% of the primary health centres in West Bengal, Chhattisgarh and Jharkhand didn’t have a doctor available; this was 63.6% in Bihar.

About half the primary and community health centres in Rajasthan, Haryana and Bihar did not even have a staff nurse; in Jharkhand it was 74.9%

Given this dismal scenario, merely providing the amount is not enough. True, creating a potential addressable medical services consumer base worth ₹50 lakh crore will work as a tremendous incentive to the creation of such infrastructure in the private sector, but this will take time. Besides, the private sector will face the same challenges of getting trained medical professionals to work in remote and rural locations. It can, of course, pay more money to such people as incentive, but that again will push up costs

The real challenge then remains unchanged: to create the physical healthcare infrastructure on the ground, equip it, staff it, and run it. The last is important. About a quarter of primary health centres in the country, for instance, do not have access to 24-hour power supply, and nearly a fifth don’t have water supply. After that comes the issue of meeting the costs

The NHPS addresses those concerns by sharply raising the coverage cap, but shares with the RSBY the weakness of not covering outpatient care which accounts for the largest fraction of OOPE.

The NHPS too remains disconnected from primary care.

the rate of hospitalisation for those covered under some kind of health expenditure support is higher than those without any cover, for the bottom 40% as well as the entire population. If the new health scheme announced in the Budget brings more people under insurance, then the rate of hospitalisation will show significant improvement

Therefore, over and above the money needed for insurance premium, adequate medical infrastructure needs to be created for the scheme to work; given that there has not been much allocation for it in the Budget. In the absence of such allocation, private health-care demand will rise, possibly leading to an increase in the cost of private health care.

Second, reimbursement as a percentage of medical cost of hospitalisation in government schemes is abysmally low, especially for the bottom 40% of the population. Only 4.5% of total hospitalisation expenses are reimbursed to the bottom 40% and 11.9% for the entire population.

This raises questions about the efficacy of government schemes. Even with the meagre coverage of ₹30,000 (RSBY), the proportion of hospitalisation cost reimbursed is low. There is no guarantee that increasing coverage will improve this.

This calls for a well-defined list of conditions that will be covered, adoption of standard clinical guidelines for diagnostic tests and treatments suitable for different disorders, setting and monitoring of cost and quality standards, and measuring health outcomes and cost-effectiveness **Otherwise, hospitals may undertake unnecessary tests and treatments to tap the generous coverage**

Reduced allocation for the National Health Mission and sidelining of its urban component raise concerns about primary care. If primary health services are not strong enough to reduce the need for advanced care and act as efficient gatekeepers, there is great danger of an overloaded NHPS disproportionately draining resources from the health budget.

That will lead to further neglect of primary care and public hospitals, which even now are not adequately equipped to compete with corporate hospitals in the strategic purchasing arena.

That will lead to decay of the public sector as a care provider.

This must be prevented by proactively strengthening primary health services and public hospitals.

India's private healthcare system is largely unregulated, opaque and often unscrupulous. It also overcharges patients with impunity,

it is easy to forget that State governments have the main responsibility of health service delivery (**Mentioned in state list**) and also need to bear the major share of the public expenditure on health.

The National Health Policy (NHP) asks the States to raise their allocation for health to over 8% of the total State budget by 2020, requiring many States to double their health spending

The NHPS needs a buy-in from the States, which have to contribute 40% of the funding. Even with the low cost coverage of the RSBY, several States opted out.

Some decided to fund their own State-specific health insurance programmes, with distinctive political branding.

Will they agree to merge their programmes with the NHPS, with co-branding? Will other States, who will also contribute 40% to the NHPS, demand similar co-branding?

In a federal polity with multiple political parties sharing governance, an all-India alignment around the NHPS **requires a high level of cooperative federalism, both to make the scheme viable and to ensure portability of coverage as people cross State borders.**

1200cr to health wellness centers

Ayushman bharat programme

Nutritional support for TB patients 600cr

24 new govt colleges and hospitals

Jeevan jyoti bima yojana extended to all house holds

**Health and Wellness Centre**:-

The National Health Policy, 2017 has envisioned Health and Wellness Centres as the foundation of India’s health system. Under this 1.5 lakh centres will bring health care system closer to the homes of people. These centres will provide comprehensive health care, including for non-communicable diseases and maternal and child health services. These centres will also provide free essential drugs and diagnostic services. The Budget has allocated Rs.1200 crore for this flagship programme. Contribution of private sector through CSR and philanthropic institutions in adopting these centres is also envisage

**National Health Protection Scheme**:-

The second flagship programme under Ayushman Bharat is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. This will be the world’s largest government funded health care programme. Adequate funds will be provided for smooth implementation of this programme.

Minority

56000cr for SC’s and 39000cr for ST’s development is a good step

115 districts for development prabhari officers

Sanitation

Swacch bharat

AMRUT programme-water connection in 500 cities

Housing

One crore houses to be built under Pradhan Mantri Awas Yojana in rural areas

Government to establish a dedicated affordable housing fund under National Housing Bank for priority sector lending in Budget 2018.

Government to substantially increase allocation under national livelihood mission to Rs 5,750 crore in next fiscal year

Focus of the government will be to provide maximum livelihood projects in rural areas

New/upgraded schemes

KCC to fisheries and animal husbandry

Agriculture market fund of 2000 cr

1300cr bamboo fund,Bamboo green gold

Operation green to be launched 500cr

Swacch bharat 2cr toilets

Amrut

Namami Gange project

Eklavya school

PM reserch fellowship

National health protection scheme

Ayyushman yoajana

Ujjawala scheme -electric connections to all 16000 cr

Rahstriya railway sanrakshak yojana

Bharatnet

Gold monetization scheme

Mudra

national livelihood mission

**Analysis of budget:**

**Rural Sector**

This year’s budget was like a rainfall in desert after years of draught for the much needed rural development**.**

MSP will be increased 1.5 times

Mechanism for that will be provided by NIT AAYOG

It can have a -ve impact on inflation as with rise in food prices inflation will increase as it is already touching 5% surely there will be changes in policy interest rates.

Another step that could have been taken to increase farmer income could have came in the form of regulation of APMC and intermediators that could have helped in increasing their income

Opening of GRAM centers is a welcome step,

It will provide

Another step taken is setting up of fund for developing infrastructure for perishable products like tomato, onion and potatoes .It can help in checking erratic inflation that happens during season changes and help in combating wastage of agricultural product

Doubling the investment in food processing sector and wavier of 100% tax on farm companies will help in setting up of small and medium enterprise in this sector in rural areas which will boost rural employment, increase in farmer income, checking food wastage, check the rural urban migration.

Provision of kissan credit card and boost in finance in fisheries and animal husbandry sector will provide new avenues for economic diversification in rural areas and help in increasing farm income

Bamboo fund introduction after it was delisted from the forest act earlier will have a positive impact on the development of North eastern states. viewed as green gold it will help in generating employment and will help in growth of Indian exports as well.

 the amendment has exempted the bamboo grown in the non-forest land from the Forest Act

Targets for rural electrification and gas cylinder connection have been upgraded.

Railways

Highest ever allocation to Railway .

Mostly for capacity expansion

Addition of about 13000 wagons and 700 locomotives apart from renewing the tracks will help in improving the quality of infrastructure.

Last year was not a very cheerful for railways if we consider it’s safety record. So renewed focus on modernization and technological advancement is a welcome step.

Education

Opening of Eklavya schools in each block with majority tribal population will help in upliftment of tribal children and will go long way in ensuring that they don’t get left behind due to inaccessibility to education.

They will be on par with navodya vidhalyas and will have special focus on preserving tribal art and craft

Government also mooted for improving quality of education via technological intervention.

Manufacturing:

Focus was on MSME development

to allow 100% deduction to companies registered as Farmer Producer Companies and having annual turnover up to Rs.100 crores in respect of their profit derived from such activities for a period of five years

100% deduction is allowed in respect of profit of co-operative societies which provide assistance to its members engaged in primary agricultural activities

Mudra loans to be linked with GSTN

Reduction in tax to 25% for enterprises with annual turnover of 250cr will help in boosting the sector. also help in bringing more and more people under formal employment.

IDS:

The Union Budget has reinforced the correction of the inverted duty structure (IDS) which has adversely impacted manufacturing for decades.

An IDS means higher duty on intermediate as opposed to final/finished goods, with the latter often enjoying concessional custom duty under some schemes

have ceded ground to China as the ‘factory of Asia and the world’, a process that must be reversed urgently if we are to realise the ‘Make in India’ dream.

especially the IGST or Integrated GST component, has begun to erode the advantage that the IDS was giving to foreign exporters in Indian markets

India’s policy structure failed to utilise its labour advantage to grow labour-intensive manufacturing exports.

The result: while China reduced the absolute numbers and percentage of the poor in the population by absorbing surplus labour in manufacturing, India’s poverty reduction was much slower.

While India grew construction jobs very fast since 2000, all the way to 2011-12, manufacturing output and employment growth left much to be desired.

Moreover, analysis shows that between 2004-05 and 2011-12, but much more between 2011-12 and 2015-16,

the growth of manufacturing jobs not only first slowed after 2011-12 but also became negative.

The most labour-intensive manufacturing sectors which account for over half of total manufacturing employment in India (60 million in 2011-12 to 2015-16) could get a fillip now due to raised customs duties, thanks to the Budget.

Customs duties have been raised on capital goods and electronics, and silica for use in manufacture of telecom grade optical fibre. These have been among the sectors adversely impacted by the IDS in the past 10 years or so. Duties have also been raised on labour-intensive manufactures such as food processing, footwear, jewellery, furniture, toys and games.

Some have seen this as a return to pre-1991 ‘protectionism’.

This reading is misplaced for two reasons.

Reduction of tariffs (1991-1998) was precipitous, from an average rate of 150% to 40% by 1999, and to 10% in 2007-08, especially in manufacturing.

Indian manufacturers, unreasonably protected till 1990, were suddenly exposed to competition.

A slower reduction would have enabled them to adjust to import competition, upgrade technology, and compete.

The sudden onslaught of lower-priced imports decimated many domestic enterprises, although it benefited domestic consumers with an array of consumer products. Domestic traders gained too.

Unfortunately, this overexposure gathered momentum as from the early 2000s, free trade agreements with much of East/South-east Asia reduced tariffs further, flooding Indian markets with Chinese and other country products – consumer (durable and non-durable) and capital goods

Two fortuitous, though policy-induced, developments have saved the day since 2004-05, reducing sharply the number of entrants to the labour force. First, as population growth fell from 1990 onwards, entrants to the labour force fell. Second, as school education access grew rapidly, post-Sarva Shiksha Abhiyaan, children remained in school.

However, these entrants, much better educated than the earlier cohort, are now entering the labour force. Where will they be absorbed? Not in agriculture. The hard labour of construction work is also not attractive to them. They want either white-collar jobs in the private or preferably public sector, or in industry or in modern services. But are such jobs growing fast enough?

the government’s Annual Labour Bureau survey, with a sample size larger than the NSS, and the Centre for Monitoring Indian Economy indicate that job growth is lower than entrants to the labour force. The youthful labour force, between 15 and 29 years, saw a very sharp increase of 40 million, from 147 million to 187 million between 2011-12 and 2015-16.

The share of the workforce in agriculture has been falling steadily, from 60% in 1999-2000 to 49% in 2011-12, but the fall has slowed sharply after 2011-12, when the pace of non-agricultural job growth slowed along with GDP growth.

Between 2004-05 and 2011-12, the numbers in agriculture had been at a rate of 5 million per year. Since 2012, the numbers leaving agriculture over 2011-12 to 2015-16 fell to 1 million per year, as non-agriculture jobs grew slowly since 2011-12.

More worrying is that while the number of youth in agriculture fell between 2004-05 and 2011-12 — from 87 million to 61 million — after 2011-12 there was a significant increase of youth in agriculture.

Between 2011-12 and 2015-16, there was a 24 million increase, from 61 million to 85 million, in youth in agriculture, a retrogressive development since education levels have risen, while the aspiration of such youth is for non-agricultural jobs.

How slow job growth has been since 2011-12 is demonstrated by the manufacturing workforce (organised and unorganised) declining overall and for youth as well.

It appears that as GDP growth slowed after 2011-12, youth who had benefited significantly from jobs in manufacturing have suffered disproportionately.

Of all youth employed, those in manufacturing had risen between 2004-05 and 2011-12, from 14.5% to 16%. This dropped precipitously to 10.8%, just as the share of all employment in manufacturing fell, between 2011-12 and 2015-16. The only sector with a significant increase in labour absorption, especially the young, has been services, where employment rose from 36 million in 2011-12 to nearly 52 million in 2015-16 for them, and for all labour from 127 million to 141 million.

Incidentally, sheer formalisation of erstwhile informal jobs/enterprises, thanks partly to demonetisation and then GST, is not the same as new job creation (unlike what has been claimed, based on some ill-informed research).

The GST, especially its inter-State component, has resulted in a neutralisation of the IDS, which had come to prevail. It has also, as the Economic Survey 2018 has rightly claimed, led to a formalisation of some informal firms, and hence workers (by registration in the Employees’ Provident Fund Organisation).

The resolution of the twin balance sheet problems (of companies being over-leveraged and banks unable to lend due to mounting non-performing assets), together with the Insolvency and Bankruptcy Code, should now open the floodgates for new manufacturing investment.

Of course, manufacturing exports (labour or capital intensive ones) are unlikely to take-off if the rupee continues to strengthen against major foreign currencies. Exports are today well below what they were a decade ago

Finally, policy must attempt to close the loop between rising demand and supply through consumer demand, which the Budget attempts through its agriculture and rural infrastructure focus.

As GDP growth rate boomed between 2003-4 and 2013-14 to 7.9% per annum because of rising demand, real wages rose because agricultural growth revived and the rural labour market tightened.

This is because non-agriculture jobs grew faster than entrants to the labour force. That sweet phase is long past.

Without closing the loop of consumer demand and supply, neither GDP growth nor job growth will quicken. More manufacturing policy initiatives, such as an early announcement of an Industrial Policy by the Department of Industrial Policy and Promotion, must be sustained over 2018.

Textiles:

Technological upgradation for improving efficiency and lowering of production costs in textiles was focused.

Rebate on state levies to boost export

Power Tex India and Comprehensive Powerloom Cluster Development Programme

The Integrated Processing Development Scheme which will support the textile processing sector comply with environment norms

Scheme for Integrated Textile Parks

National handloom development scheme

set up 31 new block-level clusters, covering 2,000 weavers for loom upgradation.

Customs on silk increased to protect domestic market

Fiscal deficit

Targets have been breached this year and same trend will follow in following year

3.3% of FD has been targeted against 3.2% in last FY.

A 30-basis point overshoot in the deficit means a ₹50,000 crore hole in the Budget.

India’s fiscal deficit in the past ten years (based on actuals) has hovered between 3.5% and 6.4% of nominal GDP.

Like your typical householder, when the Centre ends up spending more than it earns, it takes recourse to market borrowings to bridge the gap

The borrowing target for the year is closely watched by the bond market because the larger the government’s loan-taking, the less room for other borrowers — companies, small businesses, individuals — to raise funds from India’s relatively shallow bond market

Many years of such profligacy had led to the Indian government sitting on a significant stockpile of debt. By end-March 2018, the outstanding loans of the Central government are estimated to hit ₹82.32 lakh crore. That’s up from ₹57 lakh crore five years ago and amounts to 49.3% of the nominal GDP. The saving grace is that the bulk of those loans are from domestic sources, with just ₹2.4 lakh crore owed to foreign lenders.

In the FY18 revised estimates, for instance, interest payments (by far the largest item of expense) were expected to absorb ₹5.3 lakh crore, pensions ₹1.5 lakh crore and subsidies ₹2.3 lakh crore.

In short, servicing interest payouts alone will take up 32% of the Centre’s earnings this year, while pensions and subsidies absorb another 23%.

With 23% allocated to State grants and 16% to defence expenditure, these repetitive expenses will effectively mop up 95% of the total Budget receipts.

This makes it evident why there’s so little room in the annual Budget for allocations to new ideas or schemes

the bulk of the Budget spending goes into consumption or maintenance expenses, with very little spent on creating new assets.

In FY18, just 12% of the budget was defrayed in capital spending.

This is indeed why there’s a Fiscal Responsibility and Budget Management (FRBM) Act which enjoins the government to steadily tighten its fiscal and revenue deficits over the years, while reining in its debt-GDP ratio.

for India’s government to be really able to launch bold new schemes or make a difference to citizens’ welfare, it needs to clean up its finances first — pare down debt, save on interest payouts, reduce pensions and subsidies and raise asset creation

Therefore, the success or failure of the annual Budget exercise really has to be measured on the progress in these parameters over the years

Good news:

in the four fiscal years between FY14 (the last Budget by the UPA government) and FY18, the Centre’s receipts have grown at a faster pace than its expenditure.

spending on interest, pensions and subsidies rose by a much lower 30%, thus freeing up room for other expenditure

This is why it is so critical for this government to stick to its path of fiscal consolidation in the last year of its five-year term and not give in to populist temptations

This years FD was about 3.5%

Tax revenues were higher 15% up from expected 13%

Capital receipts expected to increase with 10000cr of disinvestment

On expenditure side Revenue expenditure grew by 15% compared to budget estimate of 6%

Capital expenditure lower than previous year by 3.9% this is being set to modest 10.7% higher

Revenue Deficit is 2.6% way above expected 1.9%

Growth in public investment is tepid.

There are no big tax giveaways either in the Budget.

Clearly, fiscal policy is not being used to stimulate growth.

With inflation running at 5%, the scope for monetary easing too is limited. The government is leaving it to market forces to drive growth in the coming year

The Economic Survey hopes that the bankruptcy process put in place will resolve the twin balance sheet problem.

The Budget has introduced a tax of 10% on long-term capital gains

On the positive side, the ratio of gross tax revenues to GDP, which had been stagnating at around 10% since 2008,

has risen to 11.6% in 2017-18 and is projected to rise further to 12.1% in 2018-19,

This shows that demonetisation and GST are beginning to pay off by widening the tax base and increasing the buoyancy of tax revenues

Bond markets responded immediately. Yields on India’s 10-year government security shot up 18 basis points after the budget was presented. Reflecting a growing lack of confidence in India’s macroeconomic trajectory, sovereign bond yields have risen every month of the past six — the longest such streak since 2000.

For decades, in budget after budget, Indian governments have lowered the country’s once-formidable tariff barriers. On Thursday, Jaitley sharply raised an entire swathe of customs duties on products as disparate as silk, iPhones, kites, televisions, shoes and Ikea furniture. The reason was straight out of the 1980s: unabashed protection of local industry.

The move was especially jarring after Modi, just a fortnight ago in Davos, had declared that protectionism was as great a threat as terrorism or climate change..

Social

Health

The budget has introduced national health insurance for 10cr poor families

Good model but implementing it can be aissue

Financial aspect :

to cost about 1 lac crore per year recurrently.

Implementation:

Cover all 10cr families

Just like the farm insurance scheme which promises a lot but covers very few farmers, access to this grandiose scheme would be limited as most would be excluded

Aadhaar and Direct Benefit Transfer are definitely structures created to ensure better delivery

Claim settlement can be an issue

But if we can crack this one, then we should be able to extend this to education too where we dispense with government schools and open the doors of private schools to the poor, where the state finances quality education and the poor really stand a chance in life.

MSME

National Manufacturing Competitiveness Program:Upgradtion in MSME

Minister Employment Generation Programme has gone up from Rs. 1024.49 crore in BE 2017-18 to Rs. 1,800 crore in BE 2018-19 for generating self employment opportunities through establishment of about 88,000 micro enterprises in the non-farm sector, providing employment to around 7 lakh people.

The Credit Guarantee Fund

Khadi Grant

Solar Charkha Mission has also been proposed to harness non-conventional solar energy to further employment generation

 Scheme for Fund for Regeneration of Traditional Industries (SFURTI),

Boost to employment in Traditional and rural industry

ASPIRE (A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship)

aim to set up 100 livelihood business incubators and 20 technology business incubators. This will accelerate entrepreneurship and employment generation

reduced rate of 25 percent currently available for companies with turnover of less than 50 crore to companies reporting turnover up to Rs. 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises

Contribution of 8.33% of Employee Provident Fund (EPF) for new employees by the Government for three years.

Contribution of 12% to EPF for new employees for three years by the Government in sectors employing large number of people like textile, leather and footwear.