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UNION BUDGET 2020-21

IMPACT ANALYSIS

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The Union Budget of 2020-21 has tried to address the aspirations of various parts of the 'New Economy' ranging from the agriculture sector to the requirement of Industry 4.0. It aims at the needs of the industry, markets and the common man alike. Out of the many positives, we find five that are notable. First, the upcoming policy to enable private sector to build 'Data Centre' parks and create a 'National Mission on Quantum Technologies and Applications' would help accelerate the pace of adopting Industry 4.0. Second, enabling NBFCs to extend invoice financing to MSMEs and launching app-based invoice financing loans will boost supply chain finance penetration in India and help create credit history data. Third, the enhanced focus on improving the logistic sector and supply chain, especially in the agriculture sector, will address the disconnect between high agriculture output and low farmer income due to supply chain bottlenecks. Fourth, the disinvestment in LIC and tax exemption to tap on investment from sovereign wealth funds will help in mobilization of funds for infrastructure investment. And finally, the increase in deposit insurance amount to ₹ 0.5 mn from ₹ 0.1 mn initially will address depositors' concerns.

On the concern areas, the disinvestment target for FY21 is an all time high. This needs to be managed carefully as government has already missed the target for current year. Further, the measures outlined in the budget have not clearly addressed the slowdown in consumption demand. It is not certain whether the tax benefits to corporates would be directed towards reduction in debt levels or would be reinvested in capex.

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The enhanced focus of budget on 'Aspirational India' is indicating the fact that government is committed to support and empower the social fabrics of India. The announcement in the budget is ranging from traditional sector to modern sector. From traditional sector perspective, this budget chooses to adopt the path of structural changes in agriculture sector by way of giving input sovereignty, insurance and making provisions for cold storage and transportation of Agri produce; rather than putting money in farmer's bank accounts. On the modern sector perspective, the government took major step towards setting up the 'New India' by giving boost to Industry 4.0, New Age society, Data Centre Parks and Quantum Computing & Technology. Further, the various announcements related to increase in deposit insurance amount, enabling NBFCs to extend invoice financing to MSMEs, enhanced focus on improving the infrastructure sector are expected to have far reaching impact on the sustainable economic growth going forward. Furthermore, the disinvestment target needs to be monitored carefully as government have huge planned expenditure in FY21. Any short fall will impact fiscal deficit target for fiscal year 2020-21.

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BUDGET AT A GLANCE

(₹ bn)	**2019-20** Revised Estimates	**2020-21** Budget Estimates
1) Revenue Receipts	**18,501**	**20,209**
1.1) Tax Revenue (net to centre)	15,046	16,359
1.2) Non-Tax Revenue	3,455	3,850
2) Capital Receipts (2.1+2.2+2.3)	**8,485**	**10,213**
2.1) Recoveries of loans	166	150
2.2) Other receipts	650	2,100
2.3) Borrowings and other liabilities*	7,668	7,963
3) Total Receipts (1+2)	**26,986**	**30,422**
4) Total Expenditure (4.1+4.4)	**26,986**	**30,422**
4.1) On Revenue Account	23,496	26,301
4.2) Of which, Interest Payments	6,251	7,082
4.3) Grants in Aid for creation of capital assets	1,917	2,065
4.4) On Capital Account	3,489	4,121
5) Revenue Deficit (4.1-1)	**4,995**	**6,092**
% of GDP	(2.4)	(2.7)
6) Effective Revenue Deficit (5-4.3)	**3,078**	**4,027**
% of GDP	(1.5)	(1.8)
7) Fiscal Deficit {4-(1+2.1+2.2)}	**7,668**	**7,963**
% of GDP	(3.8)	(3.5)
8) Primary Deficit (7-4.2)	**1,417**	**881**
% of GDP	(0.7)	(0.4)

** Includes draw-down of Cash Balance*

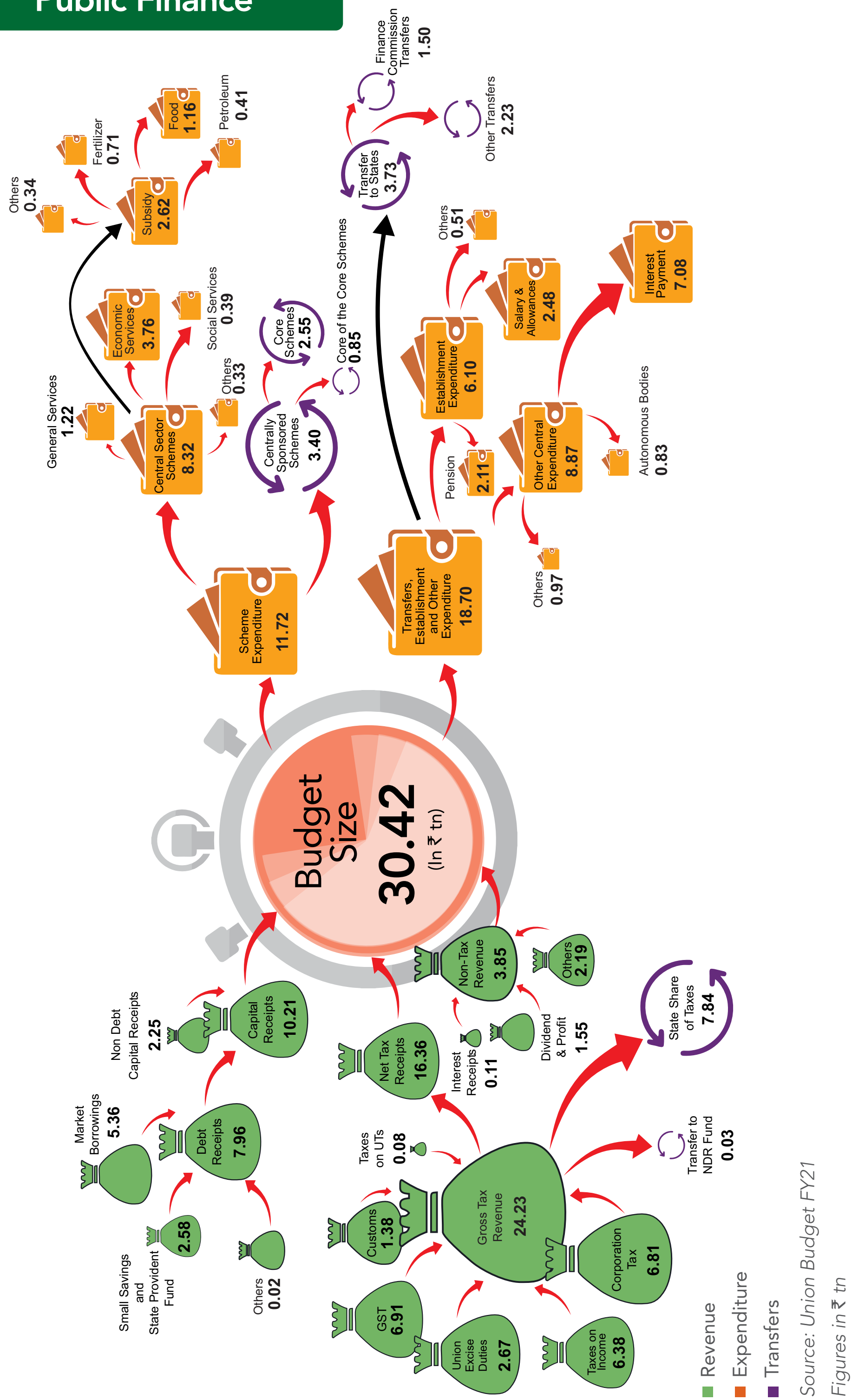
GDP for BE 2020-2021 has been projected at ₹ 224,894.20 bn assuming 10.0 % growth over the estimated GDP of ₹ 204,422.33 bn for 2019-2020 (RE)

Individual items in this document may not sum up to the totals due to rounding off

Figures in parenthesis are as a percentage of GDP

Source: Union Budget FY21

Public Finance



A MACROECONOMIC PERSPECTIVE

The ongoing slowdown in the economy had led to the expectations that government would lay the framework for uplifting the economy to achieve the goal of US$5 tn economy. As the slowdown in the economy is driven by both weak consumption and investment, the government has tried to address both. In this regard the Union Budget has been comprehensive and has attempted to address the aspirations of the 'New Economy' ranging from the agriculture sector to the fundamental requirement of 'Industry 4.0' with enhanced focus on the social sector. The thrust on supply chain and logistics which would improve the efficiency and productivity of the sectors and addressing the major issues in the MSME segment including access to credit can be considered as one of the major impetus to growth. It must be noted that this budget has been announced only after six months from the last Union Budget and in the interim the government has continued to initiate a spate of policy initiatives.

There are many hits and misses of the budget. The upcoming policy to enable private sector to build 'Data Centre' parks and creating a 'National Mission on Quantum Technologies and Applications' would help accelerate the pace of adopting Industry 4.0 in India. Enabling NBFCs to extend invoice financing to MSMEs and launching app-based invoice financing loans will boost supply chain finance penetration and help create credit history data in India. In the absence of detailed and complete credit data, lenders cannot distinguish different shades of borrowers (good borrower vs bad borrower). Lenders often over-charge low risk borrowers and under-charge high risk borrowers - a phenomenon known as 'adverse selection'. It has been found that countries where Private Credit Bureau/ Public Credit Registry covers more than 80% of the adults, domestic credit provided by the financial sector is around 118% of GDP. The comparative statistics for India is: 44% of adults are covered by Private Credit Bureau/ Public Credit Registry and credit provided by financial institutions to GDP is 75%. India's supply chain is fraught with numerous challenges. Disconnect between higher agriculture output and low remuneration of farmers due to bottlenecks in the supply chain and difficulties is one of the major challenges. Thus, the enhanced focus on improving the logistic sector and supply chain especially, in the agriculture sector, creating a National Logistics Policy which entails a single window e-logistics market with a focus on making MSMEs competitive would address the above issues. The disinvestment in Life Insurance Corporation of India (LIC) and tax exemption to tap on investment from Sovereign Wealth Funds (SWF) will help in mobilization of funds for infrastructure investment. Moreover, the increase in deposit insurance amount to ₹ 0.5 mn from ₹ 0.1 mn initially will benefit depositors in India.

On the cautious note, the disinvestment target for FY21 needs to be managed carefully as government has already missed the target for current year. The government has announced a massive investment in the infrastructure sector which requires contribution from Centre, State and the Private sector in the ratio of 39%, 39% and 22% respectively. While initiative to tap Sovereign Wealth Funds for infrastructure investment is a novel initiative, more fine print of revenue mobilization for such a significant scaling up of infrastructure spending is required. Further, direct measures to boost the consumption slowdown have not been taken by the government, except the tax exemptions for the low- income bracket. It is not certain whether the tax benefits to corporates would be directed towards reduction in debt levels or would be reinvested in capex.

The growth supporting measures and deceleration in GDP during 2019 has led to deviation in the fiscal deficit target by 0.5% which is within the FRBM provision. The Fiscal deficit at 3.8%, adding the Extra budgetary resources (EBR) i.e. off-budget borrowing which is 0.7% for FY20, the overall fiscal deficit stands at 4.5%. Although the counter-cyclical fiscal policies were required to support the economic downturn this year, the off-budget borrowing of the government has been steadily increasing over the years as the expected tax buoyancy has not taken place given the significant tax reforms in the indirect and direct taxation.

SECTORAL IMPACT

Sector	Rating
Agriculture	Positive Plus
Social Sector	Positive Plus
Infrastructure	Positive Plus
Services	
Banking/Insurance/Financial Service and Market	Positive/ Marginally Negative/ Positive/Positive
Hospitality	Marginally Positive
IT - BPM	Positive
Media & Entertainment	Marginally Positive
Retail	Neutral
Telecom	Marginally Positive
Manufacturing	
Automotive	Positive
Capital and Engineering Goods	Marginally Positive
Cement	Positive
Consumer Goods	Positive
Gems and Jewellery	Neutral
Metals & Mining	Marginally Positive
MSMEs	Positive
Oil & Gas and Petrochemicals	Neutral
Pharma & Healthcare	Positive
Power	Marginally Positive
Real Estate and Construction	Positive
Textiles & Garments	Neutral
Personal Budget	Marginally Positive

Ratings:

Positive Plus	Predominantly positive proposals
Positive	Positive proposals
Marginally Positive	Positive proposals but not upto industry expectations
Neutral	Negative proposals offsetting positive proposals
Marginally Negative	Negative proposals having less severe impact on the sector
Negative	Negative proposals impacting the sector

Agriculture

- An allocation of ₹ 1.5 tn has been proposed for agriculture & allied activities for FY21 as compared to ₹ 1.2 tn (RE) for FY20.
- The agriculture credit target for FY21 is set at ₹ 15 tn. It also proposed to expand NABARD re-finance scheme as well as cover all eligible beneficiaries of PM-KISAN under the Kisan Credit Card (KCC) scheme.
- It proposed to encourage those state governments who undertake implementation of model laws already issued by the central government. The model laws are namely a) Model Agricultural and Land Leasing Act, 2016; b) Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017; and c) Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018.
- The government proposed comprehensive measures for 100 water stressed districts.
- The Pradhan Mantri Kisan Urja Suraksha Utthan Mahabhiyan (PM KUSUM) scheme was extended to provide 2 mn farmers for setting up stand-alone solar pumps. Further, it also proposed to help another 1.5 mn farmers solarise their grid-connected pump sets. In addition, a scheme to enable farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid would be operationalized.
- The government to encourage balanced use of all kinds of fertilizers including the traditional organic and other innovative fertilizers.
- The Budget proposed to create warehousing, in line with Warehouse Development and Regulatory Authority (WDRA) norms. It also proposed to provide Viability Gap Funding for setting up such efficient warehouses at the block/taluka level.
- NABARD to take up an exercise of mapping and geo tagging agricultural warehouses, cold storage and other inventory storages.

- A Village Storage scheme is proposed to be run by the Self-Help Groups to provide farmers a good holding capacity and reduce their logistics cost.
- "Kisan Rail" and "Krishi Udaan" to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables.
- The Budget proposed supporting states to focus on "one product one district" so as to provide impetus to horticulture.
- It proposed to expand integrated farming systems in rainfed areas as well as to strengthen the online national organic products portal "Jaivikkheti".
- Negotiable Warehousing Receipts (e-NWR) to be integrated with e-NAM.
- The government intends to eliminate Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat by 2025. Coverage of artificial insemination shall be increased from the present 30% to 70%. MNREGS is proposed to be dovetailed to develop fodder farms. Further, the Budget proposed to facilitate doubling of milk processing capacity from 53.5 mn MT to 108 mn MT by 2025.
- The government proposed to put in place a framework for development, management and conservation of marine fishery.
- The Budget proposed to raise fish production to 20 mn tonnes by 2022-23. Growing of algae, sea-weed and cage culture will also be promoted. The government proposed to involve youth in fishery extension through 3,477 Sagar Mitras and 500 Fish Farmer Producer Organisations. The Budget also proposed to raise fishery exports to ₹ 1 tn by 2024-25.

Positive Plus

The 16-point action plan for agriculture sector points toward the government's commitment to revive the agriculture sector and double farmers' incomes by 2022. Given that Indian agriculture sector has suffered due to lack of efficient market connectivity, the Budget has particularly emphasised on transporting perishable farm produce to domestic and international markets at faster pace through railways and airways. This will enable farmers from remote areas to effectively cater to the national market as well as promote farm exports. Apart from market connectivity, the Budget has also focused on crop storage facilities which is another bane for the Indian agriculture sector. The creation of warehousing and cold storage facilities augurs well as it will improve farmers' holding capacity and they can gain by selling their crop when prices rise.

The Budget has also attempted to look for ways other than farming to increase farmer's income. The proposal to use farmers' barren land for setting up solar power plant will help them earn some extra income, thereby helping to achieve the goal of doubling of farmers' income. Further, the focus on allied activities like livestock and fisheries bodes well as they can play a vital role in employment generation and income enhancement of rural population. The proposals related to increasing the fisheries exports to ₹ 1 tn by 2024-25 and doubling of milk processing capacities are expected to help in realizing India's potential in these segments.

The Budget has proposed to incentivise states for implementing three model laws related to agriculture land leasing, marketing and contract farming. Although the budget hasn't laid any concrete measures about incentivising the states, the proposal indicates that the government desires to carry out meaningful reforms in the agriculture sector.

Social Sector

- An allocation of ₹ 1.23 tn has been proposed for rural development & Panchayati Raj in FY21 as against ₹ 1.25 tn (RE) in FY20.
- The allocation for Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGS) has been reduced to ₹ 615 bn in FY21 from ₹ 710 bn (RE) in FY20.

Health & Sanitation

- An allocation of ₹ 674.84 bn has been proposed for health sector in FY21 as against ₹ 638.3 bn (RE) in FY20.
- An allocation of ₹ 64 bn has been proposed for PM Jan Arogya Yojana – Ayushman Bharat for FY21.
- An allocation of ₹ 123 bn has been proposed for 'Swachh Bharat Mission' in FY21 as against ₹ 96.38 bn (RE) in FY20.
- An allocation of ₹ 356 bn (BE) has been proposed for nutrition-related programs for FY21.
- The Budget proposed to set up Viability Gap Funding window for setting up hospitals under PM Jan Arogya Yojana in the PPP mode. In the first phase, those aspirational districts will be covered, where presently there are no Ayushman empanelled hospitals. The Budget proposed to use proceeds from taxes on medical devices to support this health infrastructure.
- The Budget proposed to strengthen 'TB Harega Desh Jeetega' campaign to end Tuberculosis by 2025.
- Jan Aushadhi Kendra Scheme to be expanded to all districts offering 2,000 medicines and 300 surgicals by 2024.
- The Budget allocated ₹ 115 bn for Jal Jeevan Mission in FY21 as against ₹ 100 bn (RE) in FY20.
- Health cess of 5% to be imposed on imports of medical equipment.

Education

- An allocation of ₹ 993.12 bn has been proposed for education sector in FY21 as against ₹ 948.54 bn (RE) in FY20.
- An allocation of ₹ 30 bn has been proposed for skill development in FY21.
- The Budget proposed to take steps to enable sourcing External Commercial Borrowings (ECBs) and FDI so as to to deliver higher quality education.
- About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021.
- The Budget proposed to start a programme whereby urban local bodies across the country would provide internship opportunities to fresh engineers for a period up to one year.
- It is proposed to start degree level full-fledged online education programme offered by institutions who are ranked within top 100 in the National Institutional Ranking framework. Initially, only a few such institutions would be asked to offer such programmes.
- Ind-SAT is proposed to be held in Asian and African countries for benchmarking foreign candidates who receive scholarships for studying in Indian higher education centres.
- A National Police University and a National Forensic Science University are being proposed in the domain of policing science, forensic science and cyber-forensics etc.
- A medical college is proposed to be attached to an existing district hospital in PPP mode. Those states that fully allow the facilities of the hospital to the medical college and wish to provide land at a concession, would be able to receive Viability Gap Funding.
- The Government will encourage large hospitals with sufficient capacity to offer resident doctors DNB/FNB courses under the National Board of Examinations.

- Special bridge courses are proposed to be designed by the Ministries of Health and Skill Development together with professional bodies to improve skill sets of teachers, nurses, para-medical staff and care-givers.
- An Indian Institute of Heritage and Conservation is proposed to be established under Ministry of Culture; it shall have the status of a deemed University to start with.

Social Security

- The Budget proposed to infuse Universal Pension coverage with auto enrolment.
- Amendments would be carried out in Pension Fund Regulatory Development Authority of India Act (PFRDAI) that will also facilitate separation of NPS trust for government employees from PFRDAI.

Social welfare, Job creation, & Women empowerment

- An allocation of ₹ 538.76 bn has been proposed for social welfare sector in FY21 as against ₹ 482.10 bn (RE) in FY20.
- An allocation of ₹ 286 bn has been proposed in FY21 for programs specific to women.
- An allocation of ₹ 850 bn in FY21 for the welfare of Scheduled Castes and Other Backward Classes and ₹ 537 bn for the welfare of Scheduled Tribes.
- An allocation of ₹ 95 has been proposed for senior citizens and Divyang in FY21.
- The Budget proposed a scheme focussed on encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging for job creation.
- The government also proposed to further expand Self Help Groups for alleviation of poverty.

- Proposed to appoint a task force to provide recommendations regarding lowering of Maternal Mortality Rate (MMR) and improving nutrition levels.

Positive Plus

While the new education policy is expected to be unveiled soon, the Budget has provided booster dose to the higher education sector by opening viable financing options for the sector. The proposal to enable ECB & FDI in higher education segment will help in attracting much needed investment in this segment. This will not only enhance infrastructure but will also improve quality of higher education. Given that India has one of the largest working age population in the world, the Budget has emphasised on skill enhancement and making youths job ready. The proposal to set up medical college in existing district hospital through PPP mode will help in addressing the shortage of doctors.

In health sector, Ayushman Bharat scheme has received major boost through substantial increase in budget allocation as well as through proposal to set up hospitals under Ayushman Bharat through PPP mode. Given that onboarding of hospital for Ayushman Bharat scheme has remained a challenge, opening of new hospitals through PPP mode especially in tier II and III cities will provide much required impetus to the scheme. Further the expansion of Jan Aushadhi store to all districts by 2024 augurs well as it will provide generic medicines at reasonable prices, thereby ensuring widespread access to medication for all.

Under social security, the universal pension coverage with auto enrolment ensures easy mobility while in jobs.

Surprisingly the Budget has reduced allocation for MGNREGS scheme in FY21 when it was expected to be increased to provide boost to the rural purchasing power and demand. The possible reason behind this could be the demand driven nature of the scheme. Hence, there might be rise in funding later under revised estimates as demand arises for MGNREGS work.

Infrastructure

- ₹ 103 tn of National Infrastructure Pipeline projects over the next five years was announced by the government in December 2019. In the Union Budget, the Government proposed to allocate an amount of ₹ 1.7 tn to transport infrastructure.

Roads & Highways

- The Government will undertake accelerated development of highways. It proposed to set up 2,500 km access control highways, 9,000 Km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways.
- To raise funds for National Highways Authority of India (NHAI) using FASTag payments mechanism- an automatic deduction of charges at toll plaza, the Government has proposed to monetise 12 lots of highway bundles spanning over 6,000 km by 2024.
- The Government intends to complete Delhi-Mumbai Expressway by 2023 and will launch Chennai-Bangaluru Expressway.

Railways

- Setting up a large solar power capacity alongside rail tracks, on land owned by railways.
- Four station re-development projects and operation of 150 passenger trains would be done through the Public Private Partnership (PPP) model.
- More Tejas type trains to connect iconic tourist destinations.
- The Mumbai- Ahmedabad High speed train project would be actively pursued.
- 148 km long Bengaluru Suburban transport project at a cost of ₹ 186.0 bn, would have fares on metro model. Central Government would provide 20% of equity and facilitate external assistance up to 60% of the project cost.
- The Government aims to achieve electrification of 27,000 km of rail tracks.

- To build a seamless cold supply chain for 'perishables', the Government proposed to set up a 'Krishi Rail' through Public Private Partnership (PPP) arrangements.

Ports and Waterways

- The Government intends to consider corporatizing at least one major port and subsequently its listing on the stock exchanges.
- The Government has proposed to set up Governance framework in line with the global benchmark.
- It is envisioned that the economic activity along river banks will be energized as per Prime Minister's Arth Ganga concept.
- In case of Inland waterways, the Government intends to complete The Jal Vikas Marg on National Waterway-1. Further, it is proposed to complete the 890 Km Dhubri-Sadiya connectivity by 2022.

Airports

- The Government proposed to develop 100 airports by 2024 to boost tourism.

Connectivity Infrastructure

- The government has proposed to expand the national gas grid from the present 16,200 km to 27,000 km.

Agriculture Infrastructure

- The Government intends to launch the Krishi Rail and Krishi UDAN scheme to assist farmers in transporting agricultural produce.

Water Resources Infrastructure

- The Government approved ₹ 3.6 tn to the Jal Jeevan Mission to provide safe water.
- Under the Jal Jeevan Mission, ₹ 115.0 bn has been allocated for the FY21 for augmenting local water sources, recharging existing sources, and promoting water harvesting and de-salination.

- The Budget allocates ₹ 123.0 bn for Swachh Bharat Mission in FY21 to give more emphasis on liquid and grey water management, Solid-waste collection, source segregation, and processing.

Affordable Housing

- The government plans to extend the additional reduction of ₹ 0.15 mn for interest paid on affordable housing loan by a year to March 2021
- In line with the government's 'Housing for All' initiative, the Union Budget has proposed to extend the tax holiday provided to developers building affordable housing projects by a year to March 2021.

Digital Infrastructure

- To take advantage of new technologies, the Government has announced that it will bring out a policy to enable private sector to build data center parks throughout the country.
- The Government proposed to link 100,000 Gram Panchayats this year with Fibre to the Home (FTTH) connections through Bharatnet. This will fulfill the vision of providing digital connectivity to all public institutions like Anganwadis, health and wellness centres, government schools, etc. at Gram Panchayat level. It is proposed to provide ₹ 60 bn to Bharatnet programme in FY21.

Infrastructure Financing

- To support the funding to the ₹ 103 tn Infrastructure Pipeline Projects that were announced earlier, the Government has provided ₹ 220 bn to cater the equity support to Infrastructure Finance Companies such as India Infrastructure Finance Company Ltd (IIFCL) and a Subsidiary of National Investment and Infrastructure Fund (NIIF).
- With the approval of the regulator, the Government proposed to set up an international bullion exchange at IFSC in GIFT city to set up a centre of international finance as well as a centre for high end data processing.

- In order to incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, the government proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum locking period of 3 years.
- The Government intends to provide Viability Gap Funding for setting up efficient warehouses at the block/taluka level.

Positive Plus

The Budget allocation of ₹ 103 tn to infrastructure development for the next five years shows the Government's determination to develop country's infrastructure. Special attention has been given to develop transport infrastructure by launching various schemes and allocating ₹ 1.7 tn for FY20. Specifically, the Government is striving to improve operational efficiency, transparency and need for funds of ports through corporatization of major ports, encourage Public Private Partnership in railways, and accelerated development of highways. Further, various major initiatives have been taken to improve agricultural infrastructure, water resources infrastructure and digital infrastructure. Lastly, although the Government stayed committed to develop affordable housing by extending the tax holiday by a year, it did not offer strong measures to resolve the liquidity crunch facing by the housing sector.

₹ 220 bn allocated for equity funds to specified infrastructure finance companies who would leverage it, as permissible, to create infrastructure financing pipeline of more than ₹ 1 tn – a much needed move for long term infrastructure financing. While initiative to tap Sovereign Wealth Funds for infrastructure investment is a novel initiative, more fine print of revenue mobilization for such a significant scaling up of infrastructure spending is required.

Services

Banking, Insurance, Financial Services and Markets

- The budgetary allocation for the Banking, Insurance, Financial Market and Infrastructure Finance sectors has significantly increased to ₹ 404.3 bn in FY21 from ₹ 236.9 bn (RE) in FY20.

Banking

- Government to follow up capital infusion of Public Sector Banks (PSBs) done over the past few years with governance reforms to make them more competitive.
- Public sector banks encouraged to raise additional capital from the capital markets.
- Deposit Insurance Coverage for bank depositors to be increased to ₹ 0.5 mn per depositor from the existing ₹ 0.1 mn.
- Proposal to amend the Banking Regulation Act to strengthen cooperative banks in terms of increased professionalism, better access to capital, improved governance and sound banking practices.
- Measures to be taken to bring in transparency and greater professionalism in public sector banks.
- Proposal to make necessary amendments to provisions of the Income Tax Act to allow amalgamated public sector banks to get the benefit of unabsorbed losses and depreciation.
- Proposal to sell the balance Government holding in IDBI Bank over the stock exchange.

Positive

The banking sector found one of the prominent places in the budget announcements. The Budget proposed several reforms aimed at making banks, particularly public sector and cooperative banks, more competitive, transparent and professional. In the aftermath of the consolidation of *public sector banks and their recapitalization over the past few years, the move to make them eligible for the benefit of unabsorbed losses and depreciation will help them recover faster. The encouragement to public sector banks to approach capital markets to raise additional capital, and the proposal to sell a stake in IDBI Bank are aimed at unlocking private capital and making the banking system more robust.*

Insurance

- Proposal to sell a part of the Government holding in LIC by Initial Public Offering (IPO).
- Proposal to introduce a new income tax regime, which is optional, with lower tax rates but which would not allow the availing of exemptions.
- Proposal to make amalgamated insurance companies eligible for the benefit of unabsorbed losses and depreciation.
- Proposal to provide that expenses that have been disallowed in the hands of insurance companies for late payment of statutory dues shall be allowed in the year of actual payment.
- Announcement of the Niryat Rin Vikas Yojana (NIRVIK) scheme which will help exporters by providing enhanced insurance cover to banks, while offering lower premiums and simplified claim settlement procedures for small exporters.

Marginally Negative

The Union Budget had very few announcements with respect to the insurance sector. A minor positive was the proposal to sell a partial stake in LIC, which could help the Government to raise some funds. However, the new tax regime was not welcomed by the insurance sector due to concerns that the non-availability of exemptions could discourage tax payers from investing in insurance products. Overall, the Budget failed to provide any stimulus to the sector.

Financial Services

Reforms for NBFCs

- Proposal to reduce the limit for Non-Banking Financial Companies (NBFCs) to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 from asset size of ₹ 5 bn to ₹ 1 bn, or from loan size of ₹ 10 mn to ₹ 5 mn.
- NABARD re-finance scheme to be further expanded to cover NBFCs and cooperatives that are active in agricultural lending.
- Mechanism to be devised to enhance the liquidity-generating capabilities of the Partial Credit Guarantee Scheme for NBFCs which had been launched in FY20; Government to offer support by guaranteeing securities so floated.
- Proposal to make amendments to the Factor Regulation Act 2011, to enable NBFCs to extend invoice financing to MSMEs through Trade Receivables electronic Discount System (TReDS).

Reforms with respect to Pension Schemes

- Proposal to make amendments in Pension Fund Regulatory Development Authority of India Act (PFRDAI Act) to facilitate separation of NPS trust for government employees from PFRDAI; the move will enable the establishment of a Pension Trust by non-Government employees.
- Proposal to infuse into the Universal Pension coverage with auto-enrolment, to help ease in mobility while in jobs.
- Proposal to place mechanisms in National Pension Scheme to enable inter-operability and provide safeguards for the accumulated corpus.

Positive

The Budget proposes a slew of measures that can significantly ease the liquidity crunch of NBFCs. The proposal to enhance the debt-recovery mechanism under the SARFAESI Act can help NBFCs unlock a big chunk *of blocked cash flows. The proposal to allow NBFCs to extend invoice financing to MSMEs will create a new revenue stream. Furthermore, the proposal to guarantee securities floated under the Partial Credit Guarantee Scheme and announcement of covering NBFCs under the NABARD re-finance scheme are also moves in the right direction and reflect the Government's intent to treat NBFCs at par with banks.*

Markets

Reforms for Retail Investors

- Proposal to abolish Dividend Distribution Tax (DDT) and revert to the classical system of taxing dividend in the hands of shareholders.
- Proposal to expand the recently-floated Debt-based Exchange Traded Fund (ETF) by floating a new Debt-ETF consisting primarily of government securities. The move is expected to give retail investors access to government securities, while also providing an attractive investment option to pension funds and long-term investors.

International Bullion Exchange

- Proposal to set up an international bullion exchange at Gujarat International Finance Tec-City (GIFT City), Ahmedabad.

Credit Default Swaps

- Proposal to formulate a legislation for laying down mechanism for netting of financial contracts to improve investors' confidence and expand the scope of credit default swaps.

Reforms to boost Foreign Investment

- Proposal to reduce the withholding tax rate on interest payment on bonds listed on recognized stock exchanges located in any International Financial Service Centre (IFSC) to 4% from the existing 5%.
- Proposal to extend concessional 5% rate of withholding tax on interest payments on overseas borrowings for three years; specified municipal bonds to also be made eligible for this concession.

- In order to promote investment by the Sovereign Wealth Fund of foreign governments in priority sectors, proposal to grant 100% tax exemption to their interest, dividend and capital gains income with respect to investment made in the infrastructure sector or other notified sectors before 31st March, 2024 and with a minimum lock-in period of three years.
- Certain specified categories of Government securities that were previously only made available to domestic investors to be opened fully for non-resident investors.
- Limit for Foreign Portfolio Investment (FPI) in corporate bonds to be enhanced from currently existing 9% of outstanding stock to 15%.
- Proposal to align exemption from the provision of indirect transfer to FPIs in line with the new SEBI FPI regulations.

Financial Support to MSMEs and Mid-Sized Companies

- Proposal to introduce a scheme to allow banks to provide subordinate debt to entrepreneurs of MSMEs. This subordinate debt would be considered as quasi-equity and would be guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE); the corpus of CGTMSE would be augmented by the Government.
- Proposal to extend the existing debt restructuring window for MSMEs which is due to end on March 31, 2020 by another year.
- Proposal to launch an app-based invoice financing loan product, to alleviate the problem of delayed payments and resulting cash flow mismatches for MSMEs.
- Proposal to extend handholding support (for technology upgradations, R&D, business strategy, etc.) for mid-sized companies from selected sectors such as pharmaceuticals, auto components, etc., through a ₹ 10 bn scheme. The scheme will be anchored by EXIM Bank together with SIDBI, with both contributing ₹ 500 mn each towards equity and technical assistance, while the remaining ₹ 9 bn of debt funding would be sourced from banks.

- Proposal to make amendments to the Factor Regulation Act 2011, to enable NBFCs to extend invoice financing to MSMEs through Trade Receivables electronic Discount System (TReDS).

Incentives for Start-ups

- Proposal to provide early life funding, including seed funding, to support ideation and development of early stage start-ups.
- Proposal to defer the tax payment on Employee Stock Option Plans (ESOPs) of start-up employees by five years, or till they left the company or till the time they sold their shares, whichever is earliest.
- The Government proposed to revise the turnover limit of the startups from ₹ 250 mn to ₹ 1000 mn for availing tax deduction of 100% of their profits for three consecutive assessment years. Further, the period of eligibility for claim of deduction was proposed to be raised from 7 years to 10 years.

Positive

The Budget was positive with respect to its proposals for financial markets. It sought to enhance investor's confidence in the markets, boost foreign investment inflows and provide financial support to MSMEs and mid-sized companies. The withholding tax-related concessions are likely to attract more international investors. The removal of the Dividend Distribution Tax (DDT) is another positive move, since it was leading to cascading taxation. The abolishing of DDT is also likely to benefit small investors and non-resident taxpayers who were not able to claim credit in their home jurisdictions. Furthermore, the Budget also had a slew of reforms to help MSMEs with new channels for financing and debt-recovery, and much-needed incentives to support start-ups, especially in their early stages.

Hospitality

- The budgetary allocation for Ministry of Culture increased to ₹ 31.5 bn in FY21 as against ₹ 25.5 bn (RE) in FY20.
- The budgetary allocation for Ministry of Tourism increased to ₹ 25.0 bn in FY21 as against ₹ 14.2 bn (RE) in FY20.
- The government is planning to establish an Indian Institute of Heritage and Conservation under the Ministry of Culture which will initially have the status of a Deemed University.
- Five archaeological sites to be developed as iconic sites with on-site Museums. These are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- The government proposes to build a museum on Numismatics and Trade in the historic Old Mint building Kolkata.
- Renovation and re-curation of four more museums from across the country.
- Proposal to set up a Tribal Museum in Ranchi (Jharkhand).
- The Ministry of Shipping will set up a maritime museum at Lothal- the Harrapan age maritime site near Ahmedabad, Gujarat.

Marginally positive

The sector stands to benefit in various areas related to development of archeological sites, building and renovation of museums and building of an academic institute for heritage development. Improving accessibility through additional Tejas type trains to iconic tourist destinations would help in promoting tourism in the years to come. Initiatives such as developing 100 more airports by 2024 will provide a major thrust for tourism through greater regional connectivity in future. Allocation of ₹ 1.7 tn for transport infrastructure can also help in improving the travel experience leading to incremental benefits to the sector. The role of states in promoting tourism is also expected to be accentuated by developing *a roadmap for certain selected tourist destinations and formulating the financial plans for which the government will provide specified grants. Overall, the Union Budget, has covered a wide spectrum of areas that can help India to further move up the Travel & Tourism Competitive Index in the coming years.*

IT - BPM

- The Budget acknowledges the role of proliferation of technologies, specially analytics, machine learning, robotics, bio-informatics and artificial intelligence.
- The Budget proposes use of Machine Learning (ML) and Artificial Intelligence (AI), in the Ayushman Bharat scheme, so that health authorities and the medical fraternity can target diseases with an appropriately designed preventive regime.
- The Budget aims to monetize at least 12 lots of highway bundles of over 6,000 km using FASTag before 2024.
- The Budget proposes to digitally refund to exporters duties and taxes levied at the Central, State and local levels, such as electricity duties and value added tax on fuel used for transportation, which are not getting exempted or refunded under any other existing mechanism. This scheme for reversion of duties and taxes on exported products will be launched this year.
- The Budget aims to bring out a policy to enable private sector to build Data Centre Parks throughout the country.
- The Budget proposes Fibre to the Home (FTTH) connections through Bharatnet, which will link 100,000 gram panchayats this year. It is proposed to provide ₹ 60 bn to Bharatnet programme in FY21.
- For the benefit of startups, the budget proposes to promote a digital platform that would facilitate seamless application and capture of Intellectual Property Rights (IPRs). Also, an Institute of Excellence, would be established that would work on the complexity and innovation in the field of intellectual property.

- There is proposal in the Budget to set up Knowledge Translation Clusters across different technology sectors including new and emerging areas.
- The Budget proposes to provide an outlay of ₹ 80 bn over a period of five years for the National Mission on Quantum Technologies and Applications.
- The Budget aims to introduce an app-based invoice financing loans product. This will obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.
- The Budget proposes to introduce Faceless appeal on the lines of Faceless assessment for income tax.
- The Budget aims to introduce SMS based filing for nil return for GST with effect from April 01, 2020. It further proposes to introduce electronic invoice to enable GST filing.
- The Budget proposes to introduce dynamic QR-code for consumer invoices in which GST parameters will be captured when payment for purchases is made through the QR-code.

Positive

The government has proposed a series of direct and indirect measures in this budget to encourage IT and ITBPM sector. Usage of technology in healthcare, taxation, roadways, building of data parks, app-based invoice finance loan products and promotion of digital economy are likely to provide much required boost to the sector. Proposal to build Data Centre Parks will enable Indian firms to skillfully incorporate data in every step of their value chain. Expansion of Bharatnet and focus on quantum technologies and applications are initiative which will help in expansion of IT and ITBPM sector in India.

Media & Entertainment

- Reduction of basic customs duty on imports of news print and light-weight coated paper from 10% to 5%.

- Allocation of ₹ 60 bn to Bharatnet programme in FY21.
- Withdrawal of exemption/ concessional rates on instant print film and exposed cinematographic films.

Marginally Positive

The reduction of customs duty on imports of news print and light-weight coated paper will provide some respite to publishers of newspapers and magazines who are currently mired by lower advertisement revenues, higher costs and increasing share of digital media. The trust on creating a digital India through measures such as the Bharatnet will lead to a proliferation of content streaming in regional language. While the Bharatnet programme is a positive announcement for the over-the-top (OTT) platforms, it is a negative announcement for cable TV operators.

Retail

- The Union Budget attempts to activate multiple levers like rural, infrastructure, entrepreneurship and financial sectors to stimulate growth. This is likely to boost retail sector indirectly.
- Customs duty for imported footwear is proposed to be increased to 30% from existing 25%.

Neutral

There are no specific announcements in the Budget directly related to retail sector. However, some inferences can be made about the impact on the retail sector based on the other announcements on personal taxes, initiatives to boost 'Make in India', incentives to MSMEs, handholding support to exporters and its impact on the consumption levels.

The rate cuts in the Personal Income Tax would increase disposable income in the hands of the lower middle class and middle class which will enhance consumption through improved purchasing power.

Telecom

- The Government has announced to come up with a new policy that will enable private sector to build Data Centre parks throughout the country.
- Fiber to the Home (FTTH) connections through BharatNet will link 100,000 gram panchayats this year. For this, ₹ 60 bn to BharatNet programme was allocated for FY21.
- The Budget proposed an outlay of ₹ 80 bn over a period of 5 years for the National Mission on Quantum Technologies and Applications.

Marginally Positive

The allocation of ₹ 60 bn for BharatNet project of FTTH connections reinforces the Governments agenda to provide high speed broadband connectivity to 100,000 Gram Panchayats. This will enable digital connectivity in public institutions, uncovered villages, national highways, internet bandwidth and dark fiber network utilization at Gram Panchayat level which will result in increasing internet related services like e-commerce etc, will boost telecom infrastructure and provide employment opportunities. However, government's BharatNet project is behind schedule after a delay in the first phase of its implementation.

The Government's intention to bring out a policy to enable the private sector to build Data Centre Parks and focus on new economy will open new frontiers in computing and communication, boost cybersecurity, and allow seamless delivery of services through digital governance.

With the abolishment of Dividend Distribution Tax, corporates will find some relief in taxation and this will attract more investors.

Manufacturing

Automotive

- The Budget has proposed a focused scheme to boost mobile, electronic manufacturing and semi-conductor packaging.
- Under the "Zero Defect – Zero Effect" manufacturing initiative, all the ministries will be issuing quality standard orders during FY21.
- To help mid-sized companies successfully operate in export markets, selected sectors such as pharmaceuticals, auto components and others will be given handholding support for technology upgradations, R&D, business strategy etc. A scheme of ₹ 10 bn will be anchored by EXIM Bank together with SIDBI with contribution of ₹ 500 mn from each towards equity and technical assistance. Debt funding of remaining ₹ 9 bn from banks would be made available.
- Customs duty on imported CBUs of commercial EVs (buses and trucks) to be increased to 40% from of 25% currently.
- Customs duty on SKD forms of passenger EVs and three-wheelers to be increased to 30% from 15%.
- Customs duty on SKD forms of electric buses, trucks and two-wheelers to 25% from 15%.
- Customs duty on CKD forms of passenger EVs, three-wheelers, two-wheelers, bus and trucks has been proposed to be increased to 15% from the current 10%.
- Customs duty on CBUs of traditional commercial vehicles (other than EVs) to be increased to 40% from current rate of 30%.
- Increase in customs duty from 10% to 15% on catalytic converters
- Increase in customs duty from 5% to 7.5% on parts used to manufacture catalytic converters.
- Increase in customs duty from 5% to 10% on Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its parts

- Increase in customs duty from 5% to applicable rates on Platinum or Palladium used in manufacturing of catalytic converter and its parts.

Positive

The focus to boost domestic manufacturing will help electric vehicle manufacturing and will encourage newer technologies adoption like connected platforms in the Indian auto sector. This will also attract the foreign investments in the automotive sector in India. Specific initiative to provide handholding for exporter with equity and debt funding through EXIM Bank, SIDBI and other banks will help auto component manufacturers meet their financial challenges. With the government pushing for green mobility, various car makers have launched EVs in the country in the past few years. Majority of the auto manufacturers have introduced electric models in their existing range of products. With increased customs duty on SKD forms, such vehicles are expected to cost more.

Capital and Engineering Goods

- Increased allocation to the Ministry of Electronics and Information Technology from ₹ 58.39 bn in FY20 to ₹ 68.99 bn in FY21.
- The Government proposed a scheme focussed on encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging.
- The Customs duty exemption on machinery imported for specific electricity generation projects, specific metro projects & specific construction projects has been removed.
- Customs duty has been increased for specific goods used in high voltage power transmission project from 5% to 7.5%.
- Customs duty on compressor of refrigerators and air conditioners raised from 10% to 12.5%.
- Customs duty on commercial freezers increased from 7.5% to 12%.
- Customs duty on Welding and plasma cutting machine increased from 7.5% to 10%.

- Customs duty on Rotary tillers/weeder increased from 2.5% to 7.5%.
- Customs duty on electrical appliances such as fans, cooker, toasters, heaters and iron has been raised from 10% to 20%.
- Increase in custom duty under phased manufacturing programme for electrical vehicles such as semi knocked down unit of bus, trucks and two wheelers has been raised.
- Increase in custom duty in Auto parts such as catalytic converters have been increased.
- Reduction in Customs duty on raw materials and inputs imported for microphones by Domestic Manufacturers has been reduced to zero.
- The government proposes setting up a large solar power capacity alongside the rail tracks.

Marginally Positive

The budget has increased the customs duty for promoting domestic manufacturers, especially MSMEs, under Make in India. Given the government thrust on infrastructure projects related to transport, creating warehouse infrastructure, expansion of national gas grid, affordable housing and smart cities will create demand for heavy machinery and equipment. Although, the direct budgetary intervention in the capital and engineering goods sector is limited, the indirect benefit expected to accrue from the proposed infrastructure development is immense. The massive infrastructure spending has already been approved by the Government and will create demand for capital and engineering goods.

Cement

- The government proposes creating warehousing, in line with Warehouse Development and Regulatory Authority (WDRA) norms.
- The government also proposes Village Storage scheme to be run by the SHGs.
- The government proposes to provide ₹ 1.70 tn for transport infrastructure in FY21.

- Accelerated development of highways will be undertaken. This will include development of 2,500 Km access control highways, 9,000 Km of economic corridors, 2,000 Km of coastal and land port roads and 2,000 Km of strategic highways.
- 100 more airports would be developed by 2024 to support Udaan scheme.
- Proposal to develop 148 km long Bengaluru Suburban transport project at a cost of ₹ 186 bn, would have fares on metro model.
- The government proposed to expand the national gas grid from the present 16,200 km to 27,000 km.
- The government proposes 4 stations (Gwalior, Nagpur, Amritsar and Sabarmati stations) re-development projects in railways via PPP models. The process of inviting private participations is underway.
- It is proposed to develop five new smart cities in collaboration with States in PPP mode.
- The government also proposes tax holiday for affordable housing projects extended by another year.

Positive

Increased thrust on infrastructure sector including creation of warehousing in the agriculture sector will translate to higher demand for cement. In order to meet the goal of "Housing for all", government extended the tax holidays for affordable housing, which will encourage further investment in this segment This will have a positive impact on the cement sector. The allocation of ₹ 1.23 tn for rural development and Panchayti Raj will increase the demand for cement sector.

Consumer Goods

- Capital allocation to the Ministry of Food Processing has increased to ₹ 12.33 bn in FY21 compared to ₹ 10.43 bn in FY20.

- The government has proposed a scheme focused on encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging, the details of which would be announced later.
- Customs duty on consumer goods like household goods and appliances, Electrical Appliances, Stationery items and other miscellaneous items is doubled from 10% to 20%.
- Customs duty on furniture goods is increased from 20% to 25%.
- Customs duty on footwear from 25% to 35%, parts of footwears from 15% to 20%.
- Eliminated custom duty on Sports goods which was earlier levied on applicable rate.
- Revision of custom duty on food processing of Walnuts and Shelled from 30% to 100%.
- Abolished custom duty on Machinery and Electronic Goods which was 10% earlier.
- Increase in custom duties for electric goods and machines
  - Specified goods used in high voltage power transmission project from 5% to 7.5%.
  - Compressors of refrigerators and air conditioners 10% to 12.5%
  - Commercial freezers from 7.5% to 15% .
  - Welding and plasma cutting machine from 7.5% to 10%.
  - Rotary tillers/weeder custom duty tripled from 2.5% to 7.5%.
- Increase in custom duties on Toys from 20% to 60%
- Customs duty on news print and lightweight coated paper is reduced from 10% to 5%.
- National Calamity Contingent duty (NCCD) imposed on Cigarettes and tobacco products:
  - On cigarettes, NCCD is being increased ranging from ₹ 200 – 735 per thousand, depending upon length of cigarette and on filter/ non-filter basis.

- On smoking mixtures for pipes and cigarettes, NCCD is being increased from 45% to 60%.
- On other forms of smoking tobacco (other than smoking mixtures for pipes and cigarettes) and forms of chewing tobacco, NCCD is being increased from 10% to 25%.
- NCCD on Bidis remains unchanged.

➢ Basic Customs Duty on Wall fans is being increased from 7.5% to 20%.

➢ Basic Customs Duty will remain unchanged to 15% for Open Cell of television set

➢ Basic Customs Duty will remain unchanged to 20% for Solar Cells, not assembled

➢ Government has withdrawn exemption and concession of customs duty on consumer goods like goods Tuna bait, skimmed milk and certain milk products, sugar beet seeds, raw sugar, certain alcoholic beverages, whey and isolated soya protein, soya fiber, etc. and raw materials of electronic products like printers, CD Writers, MP3 or MP4 or MPEG 4 players, pre-recorded cassettes, audio cassettes, color television tubes, etc.

➢ Changes in Customs duty to promote Make in India under Phased Manufacturing Program (PMP) for Electric Vehicles

- Completely Built Units of Bus and Trucks increased from 25% to 40%.
- Semi Knocked Down (SKD) units of bus, trucks and two wheelers increased from 15% to 25%.
- Semi Knocked Down (SKD) units of passenger vehicles and three wheelers increased from 15% to 30%.
- Completely Knocked Down (CKD) units of passenger vehicles, three wheelers, two wheelers, bus and trucks increased from 10% to 15%.

➢ Changes in Customs duty to promote Make in India under Phased Manufacturing Program (PMP) for Cellular Mobile Phones

- Printed Circuit Board (PCBA) of Mobile phones doubled from 10% to 20%.
- Vibrator/Ringer of Mobile phones, Display Panel and Touch Assembly from 0% to 10%.

Positive

The proposed new manufacturing policy for electronics goods will encourage manufacturers of mobile phones semiconductors. This move will aim to attract investments and boost Make in India initiative. The increase in customs duties for a range of consumer goods from electronic goods to sports goods will support domestic manufacturers. Tax Rebates to reduce the tax burden on the low-income bracket, is expected to boost the demand for consumer goods.

Gems & Jewellery

- With the approval of the regulator, Gujarat International Finance Tec-City (GIFT) would set up an International Bullion exchange(s) in GIFT-IFSC as an additional option for gold trade by global market participants.
- Customs duty on cut and polished colored gemstones, diamonds including lab grown semi processed diamonds, half cut or broken and non-industrial diamonds including lab-grown diamonds and cut and polished diamonds remain unchanged.
- Government will comprehensively be reviewing custom duty exemptions by September, 2020 for taking a view on their relevance.

Neutral

There has been no major announcement for this sector in the Budget. However, the proposal to establish International Bullion Exchange in the GIFT city of Gujarat will enable a robust ecosystem around trading and delivery and better price discovery of gold, enable financialization of gold, increase greater usability of gold thereby reducing imports of gold. The *various initiatives taken for the MSME sector is expected to benefit the players in the Gems & Jewellery sector. Further, increase in the threshold for audit mandate for MSMEs is expected to drive cashless transactions in this sector and bring transparency in gold transactions.*

Metals & Mining

- Customs exemptions are being withdrawn on metal items such as lead bars, rods and wire, zinc tubes, pipes and tubes, tin plates, sheets and strips.
- Customs exemptions are being withdrawn on copper and its alloys used in manufacturing of specific electronic items such as parts for manufacture of printers, CD, Writers, MP3 or MP4 or MPEG 4 players, pre-recorded cassettes, audio cassettes, color television tubes, etc.
- Customs duty is increased on household goods and appliances such as tableware and kitchenware of iron, steel, copper and aluminium from 10% to 20%.
- Reduction in customs duty from 12.5% to 7.5% for platinum or palladium used in manufacture of colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals, catalyst with precious metal or precious metal compounds as the active substance.

Marginally Positive

The sector might be impacted negatively by removing custom exemptions on metals used as input material and increasing the customs duty on household finished metal items. However, given the government's thrust on infrastructure and smart cities, demand could go up for metals used in construction such as copper, steel, aluminium etc. Ferrous and non-ferrous metals, especially those used in real estate construction will benefit as the government proposes to extend the date of approval of affordable housing projects for availing the tax holiday by one more year till March 31, 2021.

The sector can also benefit from the government's announcement of ₹ 1.7 tn for building transport infrastructure such as roads, railways, ports, airports etc. Proposed initiatives such as building of 100 airports by 2024 and electrification of 27,000 km of tracks can also help the sector. Further, the proposed allocation of ₹ 220 bn to power and renewable sector can help the sector in generating demand. The proposed International Bullion exchange(s) in Gujarat International Finance Tec-City (GIFT) - International Financial Services Centre (IFSC) can also lead to better price discovery of gold.

MSMEs

- The Government proposed to set up an Investment Clearance Cell, which will work through a portal, to provide 'end to end' facilitation and support, including pre-investment advisory, and facilitate clearances at Centre and State level.
- Proposal to launch 'NIRVIK', a scheme to achieve higher export credit disbursement, which provides higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlement.
- The government proposed to create a Centre in an Institute of Excellence, which would work on the complexity and innovation in the field of Intellectual Property.
- Proposal to set up Knowledge Translation Clusters across different technology sectors including new and emerging areas; Establishment of Test Beds and Small Scale Manufacturing Facilities for designing, fabrication and validation of proof of concept, and further scaling up Technology Clusters.
- Proposal to amend Factor Regulation Act, 2011 to extend invoice financing to MSMEs via NBFCs to enhance their economic and financial sustainability; Recommendations made for app-based invoice financing loan products.

- Proposal to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. The subordinate debt provided by banks would be considered as quasi-equity and be fully guaranteed by Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE).
- Government will release the National Logistics Policy which will create a single window e-logistics market, and clarify the roles of the Union Government, State Government and key regulators.
- The Government has asked the RBI to consider extending the debt restructuring window till March 31, 2021
- Proposal to extend handholding support - for technology upgradation, R&D, business strategy, etc. - to MSMEs, anchored by EXIM Bank and SIDBI; Allocation for the same is ₹ 10 bn. Both institutions will provide ₹ 500 mn each and the remaining would be made available via debt funding from banks.
- Proposal to defer tax payment on Employee Stock Option Plan (ESOP) for startups by five years or till employees leave the company or when employees sell the shares, whichever is earliest.
- Proposal to raise the turnover threshold for mandatory audit by five times to ₹ 50 mn from ₹ 10 mn. Further, the increased limit shall apply only to those businesses which carry out less than 5% of their business transactions in cash.
- The Government proposed to revise the turnover limit of the startups from ₹ 250 mn to ₹ 1000 mn for availing tax deduction of 100% of their profits for three consecutive assessment years. Further, the period of eligibility for claim of deduction was proposed to be raised from 7 years to 10 years.
- For promoting Make in India, the Government proposed to increase duty on household goods and appliances such as tableware and kitchenware, electrical appliances such as fans, food grinders, hair appliances, oven, coffee/tea maker, stationary and other miscellaneous items from 10% to 20% and Furniture goods from 20% to 25%.

Positive

Several proposals were made to boost the MSME sector, especially start-ups, aimed at easing the tax compliance, improving the availability of working capital and providing technological support. These measures will provide much required impetus to boost the startup environment and the MSME sector in India. Tax deferment on ESOP will improve the cashflow condition for the startups meanwhile increasing the turnover limit for the startups to avail the benefits of deductions will support sector. Handholding provided by EXIM Bank and SIDBI will increase the presence of MSME in the international market. The thrust provided to app-based invoice financing of loan products, extending invoice financing to MSMEs via NBFCs and the availability of subordinate debt in the form of quasi-equity will boost supply chain finance penetration in India providing a credit trail. With the proposed change in customs duty, MSMEs are offered a level playing field which is positive for Make in India. Increase in the restructuring window for the MSME will provide adequate time to the stressed MSMEs to manage their books and obviate the problem of delayed payment and consequential cashflow mismatches. Apart from these benefits, the sector would further gain from the other measures which are targeted at improving the overall business environment and through increased allocation towards farm, infrastructure and social sector. Furthermore, the provision for removal of mandatory audit for MSME having 95% of their transactions cashless will lead to a formalization of MSME and increased transparency going forward.

Oil & Gas and Petrochemicals

- Total Budgetary allocation to the Ministry of Petroleum and Natural Gas remained almost the same at ₹ 429.01 bn in FY21.
- Expansion of National Gas Grid from the present 16,200 KM to 27,000 KM.
- Basic customs duty on Very Low Sulphur Fuel Oil reduced from 10% to Nil.
- Basic customs duty on Naphta imported for electricity generation raised to 5%.
- Basic customs duty on Calcined Pet Coke reduced from 10% to 7.5%.
- Saubhagya scheme for allocating LPG connection to poor households allocation slashed to ₹ 11.18 bn in FY21 from ₹ 37.24 bn in FY20.
- Government has announced that further reforms will be undertaken to deepen gas markets in India, to facilitate transparent price discovery and ease of transactions.
- Allocation towards Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India (FAME - India) increased to ₹ 6.9 bn in FY21 from ₹ 5.0 bn in FY20.
- Allocation of ₹ 7 bn towards Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM).

Neutral

Except for the expansion of National Gas Grid from existing 16,200 Kms to 27,000 Kms, the Oil & Gas sector had no direct announcements in the Budget. Increased allocations towards schemes such as FAME, and KUSUM are likely to reduce India's import dependency on fossil fuels such as petrol, diesel, kerosene, and natural gas. The government's thrust on renewable energy sources for power generation and shift from excessive use of chemical fertilizers to balanced use for all kinds of fertilizers including traditional organic fertilizers are also likely to indirectly reduce the demand for fossil fuels including crude oil and natural gas.

Pharmaceuticals & Healthcare

- Mission Indradhanush, the Government's immunization program, expanded to cover 12 new diseases including five new vaccines.
- Proposal to set up a Viability Gap Funding window for setting up hospitals through Public Private Partnership (PPP) model under Ayushman Bharat Scheme. These hospitals will be coming up in aspirational districts where currently there are no Ayushman empaneled hospitals. The focus is to improve healthcare delivery infrastructure in Tier-2 and Tier-3 cities.
- The Government proposes to strengthen the "TB Harega Desh Jeetega" campaign – launched in September 2019 – to eliminate Tuberculosis by 2025.
- Proposal to expand Jan Aushadhi Kendra Scheme to all districts to offer 2,000 medicines and 300 surgicals by 2024.
- Allocation of ₹ 690 bn to health sectors, nearly 10% higher than previous year. This includes an allocation of ₹ 64 bn to Pradhan Mantri Jan Arogya Yojana (PMJAY).
- Proposal to attach a medical collage to an existing district hospital, through PPP mode.
- Encourage large hospitals to offer resident doctors Diploma and fellow of National Board (DNB/FNB) courses under National Board of Examination, so as to increase the pool of specialized medical professionals.
- Proposal to launch special bridge course to augment the skill set of nurses, para-medical staff, teachers, and care-givers. The courses will be designed by the Ministry of Health in collaboration with eminent professional bodies.
- Proposal to impose 5% health cess on import of medical devices. However medical devices that are currently exempted from BCD as well as inputs /parts used in medical device manufacturing shall be exempted from this health cess. The proceeds from this health cess will be channeled to set up healthcare infrastructure.

- Proposal to initiate two national level science schemes to map the genetic landscape of India and create a comprehensive genetic database.
- Allocation towards Pradhan Mantri Jan Arogya Yojana (PMJAY) – Ayushman Bharat scheme increased to ₹ 64.29 bn in FY21, up from ₹ 33.14 bn in FY20.
- The allocation towards Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) increased from ₹ 47.33 bn in FY20 to ₹ 60.20 bn in FY21.
- Allocation of ₹ 356 bn for nutrition-related programmes in FY21.

Positive

There is an enhanced focus on Healthcare in the Budget and found place in the two out of three broad sections of the budget i.e. "Aspirational India" and "Caring Society". This indicate the government's commitment to improve healthcare in India. The proposals outlined in budget point towards a multi-pronged strategy to develop the healthcare sector. On one hand the Budget have initiated measures to increase the coverage of affordable healthcare infrastructure as well as access to affordable medicines. Expanding Ayushman Bharat scheme as well as Jan Aushadhi Kendra Scheme are designed to meet this objective.

On the other hand, the budget has outlined measures to augment the pool of healthcare professionals in the country. There are several proposals to encourage skill development in healthcare sector to plug the massive gap in availability of skilled healthcare professionals.

These measures are expected to improve the healthcare infrastructure as well as healthcare service delivery in aspirational districts, which trails rest of the countries in all key healthcare indices, including doctor patient ratio.

The Government has been trying to bring down the Countries import dependency on medical devices. The newly proposed health cess on *medical device import would further enhance domestic manufacturing of medical devices.*

The proposal to abolish the dividend distribution tax is expected to benefit the corporate sector in healthcare industries, i.e. pharmaceutical companies and medical device manufacturers. Although the Government would suffer a revenue loss of ₹ 250 bn, this proposal would increase the attractiveness on investments.

The measures announced in this year's budget could be viewed as an extension of the measures that were announced in last year's budget. While in FY20, the Government focused on improving the access to affordable healthcare infrastructure, this year there is an additional focus on solving the vexing problem of lack of health professionals.

Power

- Total Budgetary allocation to the Ministry of Power remained unchanged at ₹. 158.75 bn in FY21 as compared to FY20.
- Total Budgetary allocation to the Ministry of New and Renewable Energy (MNRE) increased to ₹ 57.53 bn in FY21 from ₹ 38.92 bn in FY20.
- Allocation to Solar Power increased to ₹ 21.50 bn in FY21 from ₹ 17.89 bn in FY20.
- Allocation to Wind Power increased to ₹ 6.02 bn in FY21 from ₹ 5.82 bn in FY20.
- Expansion, of KUSUM scheme, to include 2 mn standalone solar pump installations, and solarization of 1.5 mn grid connected pump sets.
- Proposal of a scheme enabling farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid.
- Concessional corporate tax rate of 15% extended to new domestic companies engaged in the generation of electricity.

- Proposed commitment of ₹ 220 bn to power and renewable energy sector in FY21. States and UTs urged to replace conventional energy meters by prepaid smart meters in the next 3 years.
- Electrification of 27,000 km of tracks. Proposal to set up a large solar power capacity alongside the rail tracks, on the land owned by the railways.
- Allocation of ₹ 7 bn towards Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM).
- Allocation towards Deen Dayal Upadhyay Gram Jyoti Yojna (DDUGJY) increased to ₹ 45.00 bn in FY21 from ₹ 40.66 bn in FY20.
- Allocation towards Integrated Power Development Scheme (IPDS) reduced to ₹ 53 bn in FY21 from ₹ 56.63 bn in FY20.
- Thermal Power Plants with carbon emission above the pre-set norms advised to be closed, and the land to be vacated for alternative use.

Marginally Positive

The measures announced by the government for increasing solar power generation at the grassroot level under the Krishi Urja Suraksha evam Utthaan Mahabhiyan (KUSUM) scheme is likely to boost the country's solar power generation capacity, especially in the hinterlands. The KUSUM scheme to solarise agriculture pumps is intended to reduce cost of irrigation to one-fourth or one-fifth of the present costs along with imparting self-sufficiency to the farm sector. The proposal to convert fallow/barren lands into solar power generating fields is particularly positive for both, farmers, as well as Solar power project developers as this will help them combine resources, reduce costs, and share profits. A few such projects are already operational in states such as Karnataka and Gujarat wherein barren land parcels have been converted into solar power generation sites, and power is produced and supplied to the grid based on a revenue sharing model.

The Government has urged all states and Union Territories to replace all conventional energy meters by prepaid smart meters, in the next 3 years, whereby consumers will have the freedom to choose the supplier and rate as per their requirements. This is likely to foster competition amongst the DISCOMS, improve efficiency of the country's power T&D infrastructure, help reduce AT & C losses, and consequently improve financial health of DISCOMS.

Extending concessional corporate tax rate of 15% to include new domestic companies engaged in the generation of electricity will likely attract new investments in the sector thus accelerating India's push towards becoming a power surplus country. Higher allocations to core schemes such as Integrated Power Development Scheme (IPDS), Deen Dayal Upadhyay Gram Jyoti Yojna (DDUGJY), and Krishi Urja Suraksha evam Utthaan Mahabhiyan (KUSUM) are likely to have a positive impact on the power sector, in the long run.

Real Estate & Construction

- Extension of additional ₹ 0.15 mn tax benefit on interest paid on affordable housing loans by one year. Accordingly, the deduction will be applicable for affordable housing loans availed till March 31, 2021.
- Tax holiday benefit for affordable housing project developers, under Section 80IBA to be extended by one more year, till March 31,2021.
- Proposal to develop five more smart cities through public private partnership (PPP) mode.
- Proposal to increase the difference in consideration value and circle rate, in a real estate transaction, from prevailing 5% to 10%.
- Allocation of ₹ 275 bn to Pradhan Mantri Awas Yojana in FY21, an increase of 8.6% over previous year.
- Allocation for Urban Rejuvenation Mission: AMRUT and Smart Cities mission increased by 39.7% over previous year to ₹ 137.5 bn.

- The allocation to Swachh Bharat Mission – Urban increased by 76.9% over previous year to ₹ 23 bn.
- Proposal to develop 100 more airports by 2024 to support the UDAN scheme.
- Proposal to expand the national gas grid from the present 16,200 km to 27,000 km.
- Proposal to set up 148 km long Bengaluru suburban transport project at the cost of ₹ 186 bn.
- Proposal to increase private participation in railway infrastructure development, by means of operating 150 passenger trains and re-developing of four stations through public private partnership (PPP) model.
- Focus on completing Delhi-Mumbai expressway by 2023 as well as initiating work on Chennai-Bengaluru expressway.

Positive

The theme of affordable housing for all, which is one of the flagship policies of this Government, continues to find resonance in the budget. The twin instruments of tax break under Section 80IBA and deduction on affordable housing loan is used to stimulate both demand and supply in affordable housing sector.

The proposal to extend benefits under Section 80IBA by one more year is designed to continue the supply of affordable real estate units in the market. Meanwhile the proposal to extend tax benefit on affordable housing loan as well as concession on real estate transaction is designed to encourage demand in the stressed real estate sector.

Additionally, the commitment to urban development remains firm, as indicated by the proposal to develop five additional smart cities, as well as the significant increase in allocation to urban development programs.

Furthermore, the construction sector is expected to benefit by the execution of projects under the National Infrastructure Pipeline, addition of 100 more airports and the proposed ₹ 1.7 tn allocation to improve transport infrastructure.

Textiles & Garments

- Budgetary allocation to Ministry of Textile reduced to ₹ 35.15 bn in FY21 (BE) from ₹ 48.31 bn in FY20 (RE).
- National Technical Textile Mission to be introduced with four-year implementation period, with an outlay of ₹ 14.80 bn.
- Abolishment of anti-dumping duty on Purified Terephthalic Acid (PTA).
- Proposal to launch 'NIRVIK', a scheme to achieve higher export credit disbursement, which provides higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlement.

Neutral

The budget allocation to the Ministry of Textile has reduced for the second consecutive year. While the government has launched National Technical Textile Mission with four-year implementation period, with an outlay of ₹ 14.8 bn, there have been no major sector specific announcements in the budget. The removal of anti-dumping duty on Purified Terephthalic Acid (PTA) which is a critical input for the textile fiber and yarns will help the textile manufactures positively. However, this affects the margins of polyester producers domestically. The textile and garment industry comprise majorly of MSMEs. Thus, all initiatives related to MSMEs announced in this Budget will impact the sector positively. However, from a sectoral announcement perspective, the impact will be neutral.

Personal Budget Impact Analysis

- There is a proposal of new personal income tax regime with different tax rate and income slab.
- The existing and proposed income tax rates and income slabs are as under.

Taxable Income Slab	Existing Tax Rates	New Tax Rates
0-0.25 mn	Exempt	Exempt
0.25-0.5 mn	5%	5%
0.5-0.75 mn	20%	10%
0.75-1 mn	20%	15%
1-1.25 mn	30%	20%
1.25-1.5 mn	30%	25%
Above 1.5 mn	30%	30%

Source: Prominent Themes of the Budget document

- There is an option for the taxpayer to select between the existing and new tax regime. If a taxpayer opts under the new regime, he/she will not be able to avail certain specified deductions and exemptions.
- The Finance Minister has proposed to remove the Dividend Distribution Tax (DDT) and adopt the classical system of dividend taxation under which the companies would not be required to pay DDT. The dividend shall be taxed only in the hands of the recipients at their applicable rate.
- The Budget proposes that income above ₹ 5,000 from mutual funds units will attract TDS at 10%.
- The Budget proposes that an Indian citizen now has to stay abroad for 240 days, against 182 previously for non-resident status.
- It is also proposed that if a non-resident individual is not liable to pay tax in any other country due to domicile or residential or similar

reasons, then such individuals will be considered as Indian residents and will become taxable in India.

- For affordable housing, the Budget proposes extension of one year for the additional tax deduction of ₹ 0.15 mn as interest paid on housing loans sanctioned for the purchase of an affordable home to March 31, 2021.
- It is also proposed that the Employer's contribution for Provident Fund, NPS and Superannuation with more than ₹ 0.75 mn a year will be taxable.

Marginally Positive

With the new proposed personal tax regime, the government is aiming to simplify the tax calculations for individual taxpayers. This will provide relief to taxpayers who are not claiming significant deductions and exemptions. However, taxpayers across income slabs enjoying various deductions and exemptions are unlikely to get maximum benefit. The taxation of dividend in the hands of the investors will benefit to taxpayers which are in the lower tax brackets. The taxability of Employer's contribution for Provident Fund, NPS and Superannuation with more than ₹ 0.75 mn a year will result in higher tax outgo for the taxpayers having higher basic salary.

EXPENDITURE OF MINISTRIES AND DEPARTMENTS

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Department of Agriculture, Cooperation and Farmers' Welfare	1,019.0	1,344.0	31.9
Department of Agricultural Research and Education	78.5	83.6	6.6
Atomic Energy	174.3	182.3	4.6
Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)	18.6	21.2	14.3
Department of Chemicals and Petrochemicals	3.7	2.2	-41.0
Department of Fertilisers	800.4	713.5	-10.9
Department of Pharmaceuticals	5.6	3.3	-40.7
Ministry of Civil Aviation	37.0	38.0	2.6
Ministry of Coal	9.3	8.8	-5.5
Department of Commerce	72.2	62.2	-13.9
Department for Promotion of Industry and Internal Trade	64.9	66.1	1.8
Department of Posts	124.0	155.3	25.2
Department of Telecommunications	233.5	664.3	184.5
Department of Consumer Affairs	20.5	23.0	12.2
Department of Food and Public Distribution	1,152.4	1,222.4	6.1
Ministry of Corporate Affairs	5.8	7.3	26.3
Ministry of Culture	25.5	31.5	23.7
Ministry of Defence (Civil)	147.1	145.0	-1.5
Defence Services (Revenue)	2,059.0	2,093.2	1.7
Capital Outlay on Defence Services	1,103.9	1,137.3	3.0
Defence Pensions	1,178.1	1,338.3	13.6
Ministry of Development of North Eastern Region	26.7	30.5	14.2
Ministry of Earth Sciences	18.1	20.7	14.4
Ministry of Electronics and Information Technology	58.4	69.0	18.1
Ministry of Environment, Forests and Climate Change	26.6	31.0	16.6
Ministry of External Affairs	173.7	173.5	-0.1

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Department of Economic Affairs	159.5	293.1	83.7
Department of Expenditure	4.9	5.4	10.3
Department of Financial Services	77.3	111.3	43.8
Department of Investment and Public Asset Management (DIPAM)	1.3	1.3	0.0
Department of Revenue	1,220.7	1,366.4	11.9
Direct Taxes	73.4	80.6	9.8
Indirect Taxes	79.0	82.6	4.5
Indian Audit and Accounts Department	47.9	50.5	5.5
Interest Payments	6,251.1	7,082.0	13.3
Pensions	505.7	611.7	21.0
Transfers to States	1,554.5	2,004.5	28.9
Department of Fisheries	7.0	8.3	17.9
Department of Animal Husbandry and Dairying	27.9	32.9	17.9
Ministry of Food Processing Industries	10.4	12.3	18.2
Department of Health and Family Welfare	626.6	650.1	3.8
Department of Health Research	19.5	21.0	7.7
Department of Heavy Industry	13.1	14.9	13.9
Department of Public Enterprises	0.2	0.2	6.7
Ministry of Home Affairs	199.6	80.0	-59.9
Cabinet	9.3	11.4	23.2
Police	1,032.0	1,052.4	2.0
Andaman and Nicobar Islands	49.6	51.6	4.1
Chandigarh	41.9	46.4	10.7
Dadra and Nagar Haveli and Daman and Diu	19.4	21.8	12.2
Ladakh	0.0	59.6	0.0
Lakshadweep	13.0	13.5	4.0
Transfers to Delhi	10.4	11.2	7.6
Transfers to Jammu and Kashmir	0.00	307.6	0.0
Transfers to Puducherry	16.0	17.0	6.4

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Ministry of Housing and Urban Affairs	422.7	500.4	18.4
Department of School Education and Literacy	565.4	598.5	5.9
Department of Higher Education	383.2	394.7	3.0
Ministry of Information and Broadcasting	40.6	43.8	7.6
Department of Water Resources, River Development and Ganga Rejuvenation	75.2	89.6	19.2
Department of Drinking Water and Sanitation	183.6	215.2	17.2
Ministry of Labour and Employment	111.8	120.7	7.9
Law and Justice	31.7	22.0	-30.7
Election Commission	2.9	2.7	-5.8
Supreme Court of India	3.0	3.1	4.1
Ministry of Micro, Small and Medium Enterprises	70.1	75.7	8.0
Ministry of Mines	15.3	17.0	11.3
Ministry of Minority Affairs	47.0	50.3	7.0
Ministry of New and Renewable Energy	38.9	57.5	47.8
Ministry of Panchayati Raj	5.0	9.0	80.2
Ministry of Parliamentary Affairs	0.4	0.5	18.5
Ministry of Personnel, Public Grievances and Pensions	17.1	17.5	2.9
Central Vigilance Commission	0.4	0.4	6.4
Ministry of Petroleum and Natural Gas	429.0	429.0	0.0
Ministry of Planning	5.8	6.5	12.1
Ministry of Power	158.7	158.7	0.0
Staff, Household and Allowances of the President	0.7	0.8	8.8
Lok Sabha	7.7	8.1	5.8
Rajya Sabha	4.2	4.4	3.4
Secretariat of the Vice-President	0.1	0.1	-9.9
Union Public Service Commission	3.0	3.1	2.4
Ministry of Railways	699.7	722.2	3.2
Ministry of Road Transport and Highways	830.2	918.2	10.6

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Department of Rural Development	1,226.5	1,201.5	-2.0
Department of Land Resources	19.0	22.5	18.5
Department of Science and Technology	54.8	63.0	15.0
Department of Biotechnology	23.8	27.9	17.0
Department of Scientific and Industrial Research	48.8	53.9	10.3
Ministry of Shipping	15.2	18.0	18.2
Ministry of Skill Development and Entrepreneurship	25.3	30.0	18.6
Department of Social Justice and Empowerment	88.9	101.0	13.7
Department of Empowerment of Persons with Disabilities	11.0	13.3	20.5
Department of Space	131.4	134.8	2.6
Ministry of Statistics and Programme Implementation	52.3	54.4	4.1
Ministry of Steel	2.0	1.0	-49.0
Ministry of Textiles	48.3	35.1	-27.3
Ministry of Tourism	14.2	25.0	76.5
Ministry of Tribal Affairs	73.4	74.1	1.0
Ministry of Women and Child Development	261.8	300.1	14.6
Ministry of Youth Affairs and Sports	27.8	28.3	1.8
Grand Total	**26,985.5**	**30,422.3**	**12.7**
Central Sector Schemes/Projects	7,732.0	8,318.3	7.6
Centrally Sponsored Schemes	3,168.2	3,398.9	7.3
Establishment Expenditure of the Centre	5,671.3	6,095.8	7.5
Finance Commission Grants	1,237.1	1,499.2	21.2
Other Central Sector Expenditure	7,415.5	8,875.7	19.7
Other Grants/Loans/Transfers	1,761.4	2,234.3	26.8

Source: Union Budget FY21

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Core of the Core Schemes			
National Social Assistance Program	92.0	92.0	0.0
Mahatma Gandhi National Rural Employment Guarantee Program	710.0	615.0	-13.4
Umbrella Scheme for Development of Scheduled Castes	55.7	62.4	12.1
Umbrella Programme for Development of Scheduled Tribes	41.9	41.9	-0.1
Umbrella Programme for Development of Minorities	17.1	18.2	6.5
Umbrella Programme for Development of Other Vulnerable Groups	18.5	22.1	19.7
Core Schemes			
Green Revolution	99.7	133.2	33.7
White Revolution	18.0	18.1	0.3
Blue Revolution	4.6	5.7	25.3
Pradhan Mantri Krishi Sinchai Yojna	79.0	111.3	40.9
Pradhan Mantri Gram Sadak Yojna	140.7	195.0	38.6
Pradhan Mantri Awas Yojna (PMAY)	253.3	275.0	8.6
Jal Jeevan Mission (JJM)	100.0	115.0	15.0
Swachh Bharat Mission (Urban)	13.0	23.0	76.9
Swachh Bharat Mission (Gramin)	83.4	99.9	19.9
National Health Mission	342.9	341.2	-0.5
National Education Mission	376.7	391.6	4.0
National Programme of Mid Day Meal in Schools	99.1	110.0	11.0
Umbrella ICDS	249.6	285.6	14.4
Mission for Protection and Empowerment for Women	9.6	11.6	21.0
National Livelihood Mission - Ajeevika	97.7	100.1	2.4
Jobs and Skill Development	57.5	53.7	-6.6
Environment, Forestry and Wildlife	7.9	9.3	17.7

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	98.4	137.5	39.7
Modernisation of Police Forces	41.6	31.6	-23.9
Infrastructure Facilities for Judiciary	9.9	7.6	-23.0
Border Area Development Programme	8.3	7.8	-5.0
Shyama Prasad Mukherjee Rurban Mission	3.0	6.0	100.0
Rashtriya Gram Swaraj Abhiyan (RGSA)	4.7	8.6	84.5
PMJAY-Ayushman Bharat	33.1	64.3	94.0
Major Central Sector Schemes			
Market Intervention Scheme and Price Support Scheme (MIS-PSS)	20.1	20.0	-0.5
Crop Insurance Scheme	136.4	157.0	15.1
Interest Subsidy for Short Term Credit to Farmers	178.6	211.8	18.5
Promotion of Agricultural Mechanization for in-situ Management of Crop Residue	5.9	6.0	1.0
Distribution of Pulses to State /Union Territories for Welfare Scheme	3.7	8.0	116.2
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	543.7	750.0	37.9
Crop Science	6.4	7.2	12.8
R and D Basic Science and Engineering	11.7	12.5	6.8
Air India Asset Holding Limited (SPV)	26.0	22.1	-15.2
Exploration of Coal and Lignite	7.6	7.0	-7.3
Investment in ECGC (Export Credit Guarantee Corporation)	8.0	6.5	-18.8
Interest Equalisation Scheme	28.7	23.0	-19.8
National Industrial Corridor Development and Implementation Trust (NICDIT)	9.5	12.0	26.3
Fund of Funds	4.3	10.6	144.8
Refund of Central and Integrated GST to Industrial Units in North Eastern Region and Himalayan States	21.0	17.2	-18.3

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Optical Fibre Cable based network for Defence Services	47.3	50.0	5.8
Compensation to Service Providers for creation and augmentation of telecom infrastructure (Bharat Net)	30.0	80.0	166.7
Price Stabilisation Fund	18.2	20.0	9.9
Schemes of North East Council	3.9	6.1	57.4
Central Pool of Resources for North East and Sikkim	5.8	5.5	-4.2
North East Road Sector Development Scheme	6.6	8.0	20.8
North East Special Infrastructure Development Scheme (NESIDS)	5.6	6.7	20.8
Ocean services, Modelling, Application, Resources and Technology (O-SMART)	4.5	5.7	27.4
Promotion of Electronics and IT HW Manufacturing (MSIPS, EDF and Manufacturing Clusters)	6.9	9.8	42.0
R and D in IT/Electronics/CCBT	4.4	7.6	75.4
Exim Bank	11.5	7.8	-32.4
National Investment and Infrastructure Fund (NIIF)	20.0	5.0	-74.9
Subscription to Share Captial of National Bank for Agricultural and Rural Development (NABARD)	15.0	10.0	-33.3
Re-capitalization of Insurance Companies	25.0	69.5	178.0
Subscription to the Share Capital of Export-Import Bank of India	9.5	13.0	36.8
National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis	8.1	13.0	60.3
Pradhan Mantri Kisan Sampada Yojana	8.9	10.8	21.6
National AIDS and STD Control Programme	29.6	29.0	-1.9
Family Welfare Schemes	5.1	6.0	16.7
Pardhan Mantri Swasthya Suraksha Yojana	47.3	60.2	27.2
Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India - (FAME - India)	5.0	6.9	38.6

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Schemes for Safety of Women	0.5	8.6	1610.0
Metro Projects	176.1	174.8	-0.7
National Capital Region Transport Corporation	8.2	24.9	201.8
Higher Education Financing Agency (HEFA)	21.0	22.0	4.8
Interest Subsidy and contribution for Guarantee Funds	19.0	19.0	0.0
National Ganga Plan and Ghat Works	3.5	8.0	126.6
National River Conservation Plan	12.0	8.4	-30.0
Employees Pension Scheme, 1995	60.8	74.6	22.7
Prime Minister Employment Generation Programme (PMEGP)	24.6	25.0	1.5
Infrastructure Development and Capacity Building	4.7	8.0	70.3
Education Empowerment	22.5	25.3	12.5
Skill Development and Livelihoods	5.8	6.0	3.4
Wind Power	10.3	13.0	26.6
Solar Power	17.9	21.5	20.2
Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM)	-	7.0	-
Phulpur Dhamra Haldia Pipeline Project	15.5	7.3	-53.1
Payment to Indian Strategic Petroleum Reserve Limited (ISPRL) for Crude Oil Reserve	0.0	6.9	68900.0
LPG Connection to Poor Households (Saubhagya)	37.2	11.2	-70.0
Deen Dayal Upadhyaya Gram Jyoti Yojna	40.7	45.0	10.7
Integrated Power Development Scheme	56.6	53.0	-6.4
Strengthening of Power Systems	18.6	18.4	-0.9
Power System Development Fund	5.7	5.7	0.0
Bridge Works	7.5	7.8	3.2
Metropolitan Transportation Projects	15.8	14.0	-11.4
Road Works	458.9	487.6	6.3
National Highways Authority of India	366.9	425.0	15.8

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates	% Change
Science and Technology Institutional and Human Capacity Building	10.8	11.6	8.1
Research and Development	5.9	7.2	21.9
Innovation, Technology Development and Deployment	8.1	10.5	29.4
Biotechnology Research and Development	13.2	15.8	20.2
Space Technology	89.9	97.6	8.6
Space Applications	18.6	18.1	-2.8
INSAT Satellite Systems	10.1	7.5	-25.6
Capacity Development (CD)	5.3	7.1	33.5
Member of Parliament Local Area Development Scheme (MPLAD)	39.6	39.6	0.0
Amended Technology Upgradation Fund Scheme (ATUFS)	4.9	7.6	54.3
Central Silk Board	7.7	8.0	4.6
Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan)	5.7	12.0	112.0
Eklavya Model Residential School (EMRS)	0.2	13.1	8106.3
Khelo India	5.8	8.9	54.0
Freedom Fighters (pension and other benefits)	9.5	7.8	-18.7
Border Infrastructure and Management	21.3	20.0	-6.2
Police Infrastructure	44.8	41.4	-7.7
Credit Linked Capital Subsidy and Technology Upgradation Scheme	8.1	6.5	-18.9
Budgetary Support to Schemes of Ministry of Railways	699.7	722.2	3.2
Sagarmala	3.8	3.0	-22.0
Centenaries and Anniversaries, Celebrations and Schemes	1.0	1.6	53.8
Support to Infrastructure Pipeline	-	125.0	-
Pradhan Mantri Mudra Yojana	5.0	5.0	0.0
Stimulus Package for Export Credit-NIRVIK Yojna	-	1.0	-

Source: Union Budget FY21

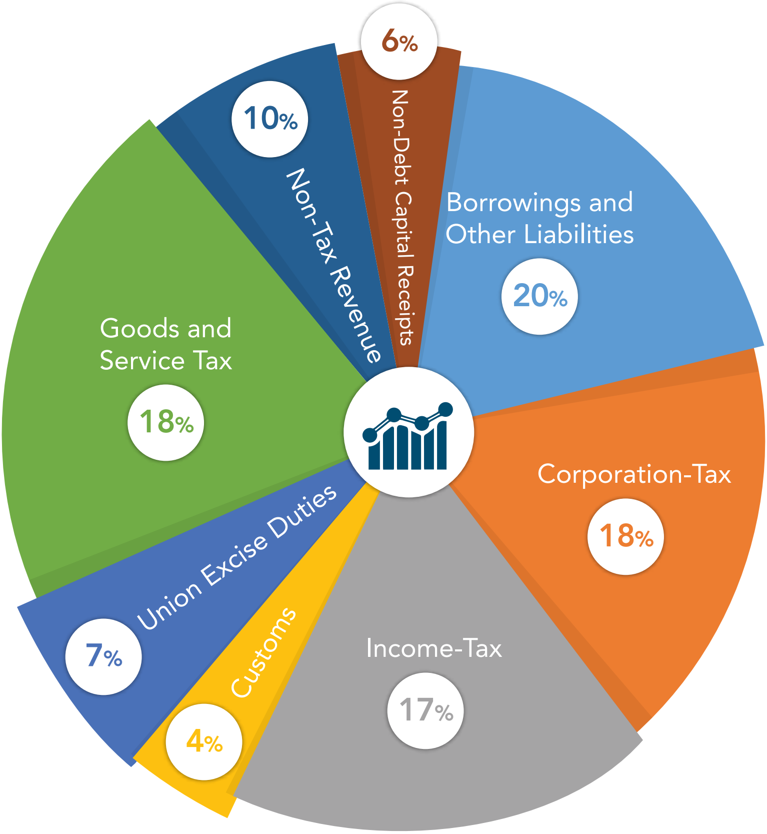
RECEIPTS

(₹ bn)	2018-19 Revised Estimates	2019-20 Budget Estimates
A. REVENUE RECEIPTS		
1. Tax Revenue		
Gross Tax Revenue	21,634	24,230
Corporation Tax	6,105	6,810
Taxes on Income	5,595	6,380
Wealth Tax	-	-
Customs	1,250	1,380
Union Excise Duties	2,480	2,670
Service Tax	12	10
Goods and Services Tax (GST)	6,123	6,905
CGST	5,140	5,800
IGST	-	-
GST Compensation Cess	983	1,105
Taxes on Union Territories	69	75
Less - NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund	28	29
Less - State's share	6,560	7,842
1.a Centre's Net Tax Revenue	15,046	16,359
2. Non-Tax Revenue	**3,455**	**3,850**
Interest receipts	110	110
Dividend and Profits	1,999	1,554
External Grants	10	8
Other Non Tax Revenue	1,315	2,155
Receipts of Union Territories	21	23
Total Revenue Receipts (1.a + 2)	**18,501**	**20,209**
3. Capital Receipts		
A. Non-debt Receipts	816	2,250
(i) Recoveries of loans and advances@	166	150
(ii) Disinvestment Receipts	650	2,100
B. Debt Receipts*	**7,668**	**8,493**
Total Capital Receipts (A+B)	**8,485**	**10,743**
Total Receipts (1.a+2+3)	**26,986**	**30,952**
4. DRAW-DOWN OF CASH BALANCE	**-**	**(530)**
Receipts under MSS (Net)	-	-

Note: '@ Excludes recoveries of short-term loans and advances; * The receipts are net of payment.

Source: Union Budget FY21

Major Items of Revenue - 2020-21 (% of total revenue)



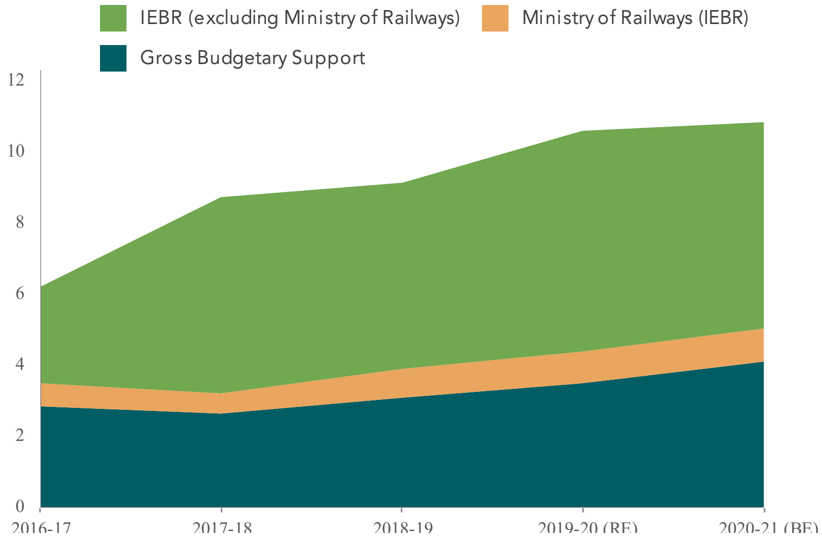
Source: Union Budget FY21

EXPENDITURE

(₹ bn)	2019-20 Revised Estimates	2020-21 Budget Estimates
A. Centre's Expenditure		
I. Establishment Expenditure of Centre	5,671	6,096
II. Central Sector Schemes/Projects	7,732	8,318
III. Other Central Sector Expenditure	7,416	8,876
"of which Interest Payments "	6,251	7,082
B. Transfers		
IV. Centrally Sponsored Schemes	3,168	3,399
V. Finance Commission Grants	1,237	1,499
VI. Other Grants/Loans/Transfers	1,761	2,234
Grand Total	**26,986**	**30,422**

Source: Union Budget FY21

Capital Expenditure of the Government - 2020-21 (in ₹ tn)



Source: Union Budget FY21

Major Items of Expenditure (% of total expenditure)

Source: Union Budget FY21

KEY ECONOMIC INDICATORS
(Absolute Values)

	2017-18	2018-19	2019-20
Gross Domestic Product at factor cost (₹ tn)			
At current market prices	171	190	204[a]
At 2011-12 prices	132	141	148[a]
Output			
Foodgrains (mn tonnes)	285	285	141[b]
Power generation (by utilities) (bn units)	1,206	1,249	950[c]
Prices (Average)			
Wholesale Price Index (All commodities)	115	120	122[c]
CPI-Combined (Rural & Urban) (Base 2012)	135	140	145[c]
External Sector (US$ bn)			
Export	303	330	239[c]
Import	465	514	362[c]
Current Account Balance (net)	-49	-57	-21[d]
Foreign Direct Investment (net)	30	31	21[d]
Monetary and Finance			
Money Supply (M3) (₹ tn)*	140	154	163[e]
Foreign Exchange Reserves (US$ bn)*	425	413	462[f]
Exchange rate (₹/US$) (Average)	64.45	69.92	70.49[g]

Note - a: 1st Advance Estimates; b: 1st Advance Estimates for Kharif foodgrains only; c: Apr-Dec FY20; d: Q1 and Q2 FY19; e: As of 3 Jan, 2019; f: Upto 17 Jan, 2019; g: Apr-Jan FY19;*: Outstanding till date

Source: RBI, CSO, Ministry of Commerce, Ministry of Power, Ministry of Agriculture & Farmers Welfare

KEY ECONOMIC INDICATORS
(Percentage Change Over Previous Year)

(%)	2017-18	2018-19	2019-20
Gross Domestic Product at factor cost			
At current market prices	11.3	11.2	7.5[a]
At 2011-12 prices	7.2	6.8	5.0[a]
Sectoral Growth Rates at Constant (2011-12) prices			
Agriculture & allied	5.0	2.9	2.8[a]
Industry	5.9	6.9	2.5[a]
Services	8.1	7.5	6.9[a]
Prices (Average)			
Wholesale Price Index (All commodities)	2.9	4.3	1.5[c]
CPI-Combined (Rural & Urban)	3.6	3.4	4.1[c]
External Sector			
Export	10.0	8.8	-2.0[c]
Import	20.9	10.6	-7.7[c]
Foreign Direct Investment (net)	-15.0	1.4	25.6[d]
Monetary and Finance			
Money Supply (M3)*	9.2	10.5	10.1[e]
Foreign Exchange Reserves*	14.8	-2.7	16.5[f]
Exchange rate (₹/US$) (Average)	-3.9	8.5	0.9[g]

Note - Footnotes - a: 1st Advance Estimates; c: Apr-Dec FY20; d: Q1 and Q2 FY19; e: As of 3 Jan, 2019; f: Upto 17 Jan, 2019; g: Apr-Jan FY19;*: Outstanding till date

Source: RBI, CSO, Ministry of Commerce, Ministry of Power, Ministry of Agriculture & Farmers Welfare

KEY ECONOMIC INDICATORS
(Percentage Change Over Previous Year)

Industry-wise Deployment of Bank Credit*	2017-18	2018-19	2019-20
Industries	0.7	6.9	2.4
Mining & Quarrying (incl. Coal)	19.7	1.1	-3.8
Food Processing	6.8	1.1	-2.7
Beverage & Tobacco	-9.7	-5.9	0.5
Textiles	6.9	-3.0	-6.1
Leather & Leather Products	5.7	-2.1	-2.4
Wood & Wood Products	3.3	10.2	5.1
Paper & Paper Products	-6.1	-1.0	-0.3
Petroleum, Coal Products & Nuclear Fuels	9.4	-3.1	-2.1
Chemicals & Chemical Products	-5.5	17.5	2.4
Rubber, Plastic & their Products	8.2	8.1	7.8
Glass & Glassware	6.5	17.0	-14.7
Cement & Cement Products	-3.1	5.9	6.7
Basic Metal & Metal Product	-1.2	-10.7	-8.2
All Engineering	3.8	8.6	3.0
Vehicles, Vehicle Parts & Transport Equipment	7.0	1.4	3.8
Gems & Jewellery	5.3	-0.9	-9.8
Construction	9.5	10.4	7.6
Infrastructure	-1.7	18.5	7.0
Other Industries	-4.2	6.8	14.7

Note - *: end period data; #: Outstanding as on Nov 2019

Source: RBI

GLOSSARY

Appropriation Bill: This Bill entails the Parliament's approval for withdrawal of money from the Consolidated Fund to pay off expenses. After the Demands for Grants are voted by the Lok Sabha, the Parliament approves this bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by the Parliament.

Capital Expenditure: It is the expenditure incurred on acquisition of assets like land, buildings, machinery, equipment etc and also loans and advances granted by the Central Government to State and Union territories, Public sector enterprises and other parties. This expenditure is also categorised as plan and non-plan capital expenditure.

Capital Receipts: Capital receipts include loans raised by the Government from public which are called Market Loans, borrowings by the Government from the Reserve Bank of India and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties.

Consolidated Fund: All revenues received by the Government, loans raised by it, and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of the Government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from the Parliament.

Contingency Fund: It is an imprest from the Consolidated Fund, and may be used by the Government without waiting for an appropriation bill to be passed by the Parliament. If it becomes necessary for the Government to incur expenditure not included in the budget, it can do so from the Contingency Fund.

Customs Duties: Customs duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India.

Effective Revenue Deficit: Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets.

Exceptional Grant: Through the Exceptional Grant the House of People can make provision for an exceptional grant that does not form part of the current service of any financial year.

Excise Duties: Central excise duty is an indirect tax levied on those goods which are manufactured in India and are meant for home consumption.

Extra Budgetary Resources: Extra-budgetary resources are the sum of domestic and foreign loans raised directly by CPSUs. The extra-budgetary resources consist of receipts from the issue of bonds, debentures, external commercial borrowing (ECB), suppliers' credit, deposit receipts and term loans from financial institutions.

Finance Bill: At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110(1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.

Fiscal Deficit: The difference between the total expenditure of the Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of the Government and capital receipts which are not in the nature of borrowing but which finally accrue to the Government on the other, constitutes fiscal deficit.

Non-Plan Expenditure: It includes expenses that do not form a part of the Government's five year plan. These expenses consist of revenue and capital expenditure on defense, subsidies, interest payments, postal deficit, pensions, police, loans to public sector enterprises, economic services and loans as well as grants to State Governments, Union Territories and foreign Governments.

Non-Tax Revenues: Revenues earned by the Government from sources other than taxes are termed as non-tax revenues. The sources of non-tax revenues may include; dividends and profits received from public sector companies, interest receipts, fines, penalties and fees for various services rendered by the Government.

Plan Expenditure: It consists of both revenue expenditure and capital expenditure of the Centre on the Central Plan and Central Assistance to States and Union Territories. Plan expenditure reflects the Government's investment in enhancing the economy's productive aptitude. It arises out of schemes freshly introduced in an ongoing Five Year Plan (FYP) period.

Plan Outlay: Plan Outlay refers to the amount sanctioned for expenditure on projects, schemes and programmes announced in the Plan. The provision for this amount is made through extra budgetary resources and from provisions in the Demands for Grants. The budgetary support is also reflected as plan expenditure in Government accounts.

Primary Deficit: The amount by which the Government's total expenditure exceeds its total revenue generated, excluding the interest payments on debt.

It is primarily the difference between the gross fiscal deficit and gross interest payments.

Public Account: Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which the Government acts more as a banker. For example, transactions relating to provident funds, small savings collections, other deposits, etc. The money thus received is kept in the Public Account and the connected disbursements are also made therefrom.

Public Debt: It refers to the total debt of the central and the State Governments. Public debt can be classified into internal debt (comprising of money borrowed within the country) and external debt (comprising of funds borrowed from non-Indian sources). The net accretion to public debt is the difference in borrowing and repayments during a fiscal year.

Revenue Deficit: Revenue Deficit is the excess of Government's revenue expenditure over revenue receipts.

Revenue Expenditure: It is the expenditure incurred by the Government for running of Government departments and conducting various economic, social and general services, interest payments, subsidies, grants and assistance to State and Union territories etc. This expenditure is also categorised as plan and non-plan revenue expenditure.

Revenue Receipts: It includes revenues garnered by the Government through taxes and other non-tax sources. Other receipts of the Government mainly consist of interest and dividend on investments made by the Government, fees, and other receipts for services rendered by it.

Tax Revenues: It comprises of revenue receipts through taxes and other duties levied by the Government. Tax revenue includes revenue generated through both direct taxes (personal income tax, corporate tax, capital gain tax and wealth tax) and indirect taxes (central excise duty, customs duty, service tax and VAT).

Vote on Account: It means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act.

Vote of Credit: Through the Vote of Credit the House of People can approve grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in an annual financial statement.

UNION BUDGET 2020-21
IMPACT ANALYSIS

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