

Union Budget 2017-18

The Union Budget 2017-18 was announced amidst a lot of expectations especially in wake of the uncertainty created by demonetization move of the Government. The Budget carries forward the vision of the Government to assure that the fruits of development reach all segments of the society. It is a Budget that focuses on growth and development, while keeping the focus on strengthening the governance fabric of the nation. Some Major Announcements in Union Budget 2017-18 are as under:-

Sr. No.	Theme	Objective	Key Announcements	Comments/Analysis
1	Farmers	To double the income in 5 years	<ul style="list-style-type: none"> ❖ Target for agricultural credit fixed at a record level of Rs 10 lakh crore for 2017-18. ❖ Farmers to benefit from 60 days' interest waiver announced on 31st Dec 2016. ❖ Government to link Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. ❖ Coverage under Fasal Bima Yojana scheme to be expanded. Higher allocation towards Long Term Irrigation Fund. 	Agricultural sector remains a critical sector for Indian economy. The Budget takes a further step to promote productivity and production. Also, it is of utmost importance to cushion the sector from seasonal effects and steps taken in the budget will help achieve this.
2	Rural Population	Providing employment & basic infrastructure	<ul style="list-style-type: none"> ❖ Aim to make one crore households poverty free and also make 50,000 Gram Panchayats poverty free by 2019. ❖ MGNREGA allocation to be the highest ever at Rs 48,000 crores in 2017-18 ❖ As part of a sub mission of the National Rural Drinking Water Programme, proposal to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in next four years. 	Basic infrastructure and amenities are important for all citizens. The announcements are in line with 'Sabka Saath Sabka Vikas mission. This segment is going to be a major demand driver going ahead.
3	Youth	Energising youth through education, skills and jobs	<ul style="list-style-type: none"> ❖ Introduce a system of measuring annual learning outcomes in our schools. ❖ SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. ❖ Extend Pradhan Mantri Kaushal Kendras to more than 600 districts. 100 India International Skills Centres to be established across country. ❖ Launch Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to provide market relevant training to 3.5 crore youth. ❖ Launch of new scheme for creating employment in leather and footwear industries. ❖ Launch Incredible India 2.0 Campaign 	Huge gaps remain in the skill ecosystem of the country. FICCI has been harping to focus on firming up the pillars of viability, quality and capacity. Budget announcements lays emphasis on these three pillars.
4	The Poor and the Underprivileged	Strengthening the systems of social security, health care and	<ul style="list-style-type: none"> ❖ Affordable housing to be given infrastructure status. ❖ National Housing Bank to refinance 	The need for labour reforms has been a long standing demand of the industry and the Government has indicated

		affordable housing	<p>individual housing loans of about Rs 20,000 crore in 2017-18.</p> <ul style="list-style-type: none"> ❖ Prepare Action plan to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020. ❖ Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat. ❖ To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions. 	steps in this direction. Infrastructure status to affordable housing is a welcome step and will enable higher investments.
5	Infrastructure	For efficiency, productivity and quality of life	<ul style="list-style-type: none"> ❖ Allocation of Rs 2, 41,387 crores made for transport sector in 2017- 18. ❖ Railway lines of 3,500 kms to be commissioned in 2017-18. At least 25 stations expected to be awarded for station redevelopment. ❖ New Metro Rail Policy to be announced. ❖ 2,000 kms of coastal connectivity roads identified for construction and development. ❖ Select airports in Tier 2 cities to be taken up for operation and maintenance in PPP mode. ❖ By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats. Launch of DigiGaon initiative to provide tele-medicine, education and skills through digital technology. ❖ Proposal to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. 	The announcements indicate a holistic view and plan of the Government to develop infrastructure sector. Emphasis on multi modal transport system will bring efficiency gains. The proposal to expand oil strategic reserves is welcome. It should be priority for the country to have sufficient reserves as we remain import dependent.
6	Financial Sector	Growth stability & stronger institutions	<ul style="list-style-type: none"> ❖ Foreign Investment Promotion Board to be abolished in 2017-18. ❖ Bill relating to curtailing the menace of illicit deposit schemes to be introduced. A bill relating to resolution of financial firms to be introduced in current Budget Session. ❖ A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996. ❖ Government to put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. ❖ Proposal to create an integrated public sector 'oil major' to match the performance of international and domestic private sector oil and gas companies. 	The Government further builds on the reforms initiated in the financial sector. Decision to abolish FIPB is noteworthy. This will give a push to investments.

7	Digital Economy	For speed, accountability and transparency	<ul style="list-style-type: none"> ❖ Launch Aadhar Pay, a merchant version of Aadhar Enabled Payment System. ❖ A Mission to be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. ❖ Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017. ❖ Proposal to create a Payments Regulatory Board in Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. 	Emphasis on Digitization was expected. India is at the cusp of an important transformation which will be enabled through digitization.
8	Public Service	Effective governance and efficient service delivery through people's participation	<ul style="list-style-type: none"> ❖ To utilise the Head Post Offices as front offices for rendering passport services. ❖ Web based interactive Pension Disbursement System for Defence Pensioners will be established. ❖ To rationalise the number of tribunals and merge tribunals wherever appropriate. 	Maximum governance and minimum government has been the moto and it is heartening to see the Government constantly striving to move in that direction.
9	Prudent Fiscal Management	Ensure optimal deployment of resources and preserve fiscal stability	<ul style="list-style-type: none"> ❖ Fiscal deficit for 2017-18 targeted at 3.2% of GDP. 	Government remains committed to walk on the path of fiscal prudence. Focus should remain on undertaking quality expenditure.
10	Tax Administration	Simplifying the Tax Regime and Honouring the honest	<ul style="list-style-type: none"> ❖ Maximise efforts for e-assessment in the coming year ❖ Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds. ❖ For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years. ❖ MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present. ❖ In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs 50 crore is reduced to 25% 	The reduction in corporate tax for MSMEs with an annual turnover under 50 crore is a positive announcement. The Government is earnestly attempting to widen the ambit of the formal economy.

Analysis of Some Key Sectors in the budget:-

Sr. No.	Sector	Budget Announcements	Implications	
1	Agriculture	Agriculture Credit: <ul style="list-style-type: none"> ❖ Target for agricultural credit in 2017-18 has been fixed at a record level of Rs.10 lakh crore ❖ Efforts would be taken to ensure adequate flow of credit to the under serviced areas, the Eastern States and Jammu & Kashmir. ❖ Farmers will also benefit from 60 days' interest waiver announced on 31 Dec 2016. ❖ Government will support NABARD for computerization and integration of all 63,000 functional Primary Agriculture Credit Societies (PACS) with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of Rs. 1,900 crore. 	Integration of all 63,000 functional PACS with the Core Banking System will not only improve efficiency of delivery and recovery of credit, but will also reduce losses of PACS, and will help improve their viability.	
		Crop Insurance: <ul style="list-style-type: none"> ❖ Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made ❖ The sum insured under this Yojana has more than doubled from Rs. 69,000 crore in Kharif 2015 to Rs.1,41,625 crore in Kharif 2016 		Increasing the budget allocation under the Fasal Bima Yojana Scheme is a positive step. The focus however now should be on the implementation of the scheme and technology adoption.
		Irrigation: <ul style="list-style-type: none"> ❖ As announced by the Honourable Prime Minister, the Long Term Irrigation Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to Rs. 40,000 crore. ❖ Dedicated Micro Irrigation Fund will be set up in NABARD to achieve the goal of 'per drop more crop' with an initial corpus of Rs. 5,000 crore 		This is a welcome effort, but the focus should be on timely disbursal of funds.
2	Banking	<ul style="list-style-type: none"> ❖ The bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. 	This will contribute to stability and resilience of our financial system and will also protect the consumers of various financial institutions. Together with the Insolvency and Bankruptcy Code, a resolution mechanism for financial firms will ensure comprehensiveness of the resolution system in our country	
		<ul style="list-style-type: none"> ❖ Setting up of a Computer Emergency Response Team for the Financial Sector (CERT-Fin) which will work in close coordination with all financial sector regulators and other stakeholders. 	Setting up of CERT-Fin at a time when India is promoting digitisation in a big way will ensure cyber security that is critical for safeguarding the integrity and stability of our financial sector.	
		<ul style="list-style-type: none"> ❖ In line with the 'Indradhanush' roadmap, Rs. 10,000 crore has been provided for recapitalisation of Banks in 2017-18. Additional allocation will be provided, as may be required. 	The amount is not sufficient and we hope that in due course the government will enhance the allocation for recapitalisation of banks. This is important as the NPA levels in the banks are quite high.	

		<ul style="list-style-type: none"> ❖ The government proposes to increase the lending target to INR 2.44 lakh crores from INR 1.22 lakh crores under Pradhan Mantri Mudra Yojana (PMMY). 	<p>The scheme has contributed immensely in providing funds to the unfunded. Increasing the lending target will enable small business units to meet their funding needs adequately.</p>
3	Defence	<ul style="list-style-type: none"> ❖ For Defence expenditure excluding pensions, a sum of Rs. 2,74,114 crore including Rs. 86,488 crore for Defence capital has been provided. The total revenue expenditure budgeted is Rs 1, 86, 626 crore which is an absolute increase of Rs 24, 867 crore from last year 	<p>While there has been an overall increase in the revenue budget pertaining to defence, this number includes the OFB and DRDO expenses which is Rs 26, 629 crore. So therefore the overall budget outlay for defence procurement under the revenue budget has gone down to Rs 1, 60, 996 crore. Given the force modernization programme and the committed liabilities of the previous year the actual budget outlay for the armed forces will be much less. In addition, GST and Custom Duties may erode about 16% of the allocation by way of taxes.</p>
4	E-commerce	<ul style="list-style-type: none"> ❖ The Government will launch two new schemes to promote the usage of BHIM; these are - Referral Bonus Scheme for individuals and a Cashback Scheme for merchants. 	<p>The move would strengthen the digital payment interface system of the country. The BHIM app will unleash the power of mobile phones for digital payments and financial inclusion. 125 lakh people have adopted the BHIM app so far.</p>
		<ul style="list-style-type: none"> ❖ Aadhar Pay will be launched shortly. Increased digital transactions will enable small and micro enterprises to access formal credit. 	<p>The digital payment infrastructure will be strengthened. E-commerce will receive further boost with increase in digital transactions</p>
		<ul style="list-style-type: none"> ❖ Reduction in the Corporate Tax for MSMEs and increase in the Pradhan Mantri Mudra Yojana 	<p>The move would encourage SMEs to evaluate new entrepreneurial opportunities including in the e-commerce space.</p>
5	Higher Education	<ul style="list-style-type: none"> ❖ Plans to establish a National Testing Agency as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions. This would free CBSE, AICTE and other premier institutions from these administrative responsibilities so that they can focus more on academics 	<p>This is a welcome announcement; however, it could lead to more government control over admissions. Clarity is also needed on whether the multitude of exams for students to prepare for and write will continue to be there or will be consolidated.</p>
		<ul style="list-style-type: none"> ❖ To undertake reforms in the UGC. Good quality institutions would be enabled to have greater administrative and academic autonomy. Colleges will be identified based on accreditation and ranking, and given autonomous status. A revised framework will be put in place for outcome based accreditation and credit based programmes. 	<p>It is a positive step towards recognizing the efforts of independent institutions, however there shall be transparency in selecting the agencies which will assess the "outcomes". UGC "reforms" have been discussed for a long time; there is a need for a well-defined roadmap for this. The Government's plans to incentivize or recognize the Indian institutions delivering world class quality education needs to be mentioned. Clarity is also needed on how the Government would be attracting Global Universities to set up campuses in India. Budget has remained silent on scholarship schemes especially for students aspiring to study abroad.</p>