

General Studies-3; Topic: Indian economy and issues relating to planning, mobilization of resources, growth, development and employment.

Highlights of Union Budget 2018-2019

1) Introduction

- Union Finance Minister presented the annual budget for 2018-2019 in the Parliament.
- This is the first budget after big-ticket economic reforms like the GST, dynamic fuel pricing, mega PSU bank recapitalisation etc.

2) Key Highlights

- Fiscal Deficit for 2017-18 at 3.5%, projected at 3.3% for 2018-19.
- Free power connections to 4 crore homes under Saubhagya Yojana.
- Eight crore free gas connections for poor women through Ujjwala Yojana.
- Disinvestment target for this year set at ₹80,000 crore.
- To strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors.
- Ten prominent sites to be developed as Iconic tourist destinations.
- Comprehensive Gold Policy on the anvil to develop yellow metal as an asset class.
- Extend Pradhan Mantri Vaya Vandana Yojana up to March, 2020.
- Tax on Long Term Capital Gains exceeding Rs 1 lakh at the rate of 10%, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be grandfathered.
- The government will pay 12% towards the Employee Provident Fund for new employees in all sectors for the next three years.
- Target of Rs. 3 lakh crore for lending under the MUDRA scheme for MSMEs.
- More concessions for International Financial Services Centre (IFSC), to promote trade in stock exchanges located in IFSC.
- To roll out E-assessment across the country to eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.

3) New Initiatives

- Two major initiatives in health sector, as part of Ayushman Bharat programme: Health and Wellness Centre and National Health Protection Scheme
- Under National Health Protection Scheme, providing a health insurance cover of ₹5 lakh per family per year announced.
- Setting up 1.5 lakh Health and Wellness centres to provide health facilities with an allocation of Rs 1,200 crore.
- “Operation Green” launched to address price fluctuations in potato, tomato and onion for benefit of farmers and consumers.
- Two New Funds of Rs 10,000 crore announced for Fisheries and Animal Husbandry sectors, Re-structured National Bamboo Mission gets Rs 1290 crore.
- NITI Aayog to initiate a national programme on Artificial Intelligence (AI) and centres of excellence will be set up on robotics, AI, Internet of things etc.

4) Agriculture and Rural Economy

- Govt. to implement minimum support price for all crops; It is hiked to 1.5 times of production costs.

- Cluster development model of agricultural commodities, emphasis to encourage for organic farming.
- To ensure agriculture received boost, agricultural products will now be in futures markets.
- 22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets to protect the interests of small and marginal farmers.
- “Agricultural Market and Infra Fund” with a corpus of Rs 2,000 crore will be created for 22,000 gram in agricultural markets and 585 APMCs.

5) Health, Education and Social Protection

- Aim to move from black board to digital board with push for digital technology and e-education.
- By 2022, every block with over 20,000 tribals and over 50 per cent STs will have a special Eklavya school.
- To address brain drain, a new scheme to identify students studying B Tech in top engineering schools and allow them to study and do research in IITs and IISC.
- “Revitalising of Infrastructure and Systems in Education (RISE)” scheme to promote research in Higher education institutes.

6) Likely Impact

- Higher targets for Ujjwala, Saubhagya and Swachh Mission to cater to lower and middle class in providing free LPG connections, electricity and toilets.
- Changes in customs duty to promote creation of more jobs in the country and 'Make in India' in sectors such as food processing, electronics, auto components, footwear and furniture.

7) Concerns / Challenges

- With oil prices projected to be \$10-\$12 higher in the coming year, growth could be adversely impacted by 0.3%.
- Many analysts had expected tax concessions to the salaried classes and measures such as loan waivers which was absent in the budget.
- Instead of providing basic health care through government hospitals, budget is providing insurance for care at private hospitals.
- We are going down the American route to health care instead of, the Canadian route.
- Fiscal policy is not being used to stimulate growth.
- With inflation running at 5%, the scope for monetary easing too is limited.
- Majority of the borrowing are going towards revenue expenditure, without creating capital assets.
- The resource constraints have forced the govt to rely on extra budgetary resources and external agencies. If they fail it may lead to gap between the promise and delivery.

8) Some Facts

- Direct Taxes: Corporation Tax > Income Tax > Securities Transaction Tax (STT)
- Indirect Taxes: CGST > Union Excise > Customs > GST compensation Cess > IGST.
- Subsidies: Food > Fertilizer (Urea) > LPG > Kerosene. (Major subsidies~1.4% of GDP)
- Deficits Targets for 2018-19: Revenue Deficit: 2.2%, Fiscal Deficit: 3.3%; Primary Deficit: 0.3% of the GDP. Debt to GDP: 40%