

Indian Economy: Some Contemporary Perspectives
Professor. Wasim Ahmad
Department of Economic Sciences
Indian Institute of Technology, Kanpur
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Indian Economy - Union Budget (2021-22)

Let us start. So, we are going to talk about the, this is the last lecture of this course, which is Indian Economy Some Contemporary Perspectives, we are going to talk about the current economic outlook and we have just covered the, in the previous session we covered about the India's budget and we got covered about the India economic survey and how the economic survey explained the economic scenarios and we also had compared our economy performance with the global economy.

And we also had a look at how we can understand the, we understand better the V shaped trajectory that we, in that the economic survey emphasizes upon and one of the important areas, where we focused on was the sector analysis that we sector has done well and in that we found that the agriculture sector had done well, but on the 6 monthly analysis, we found that utilities apart from agriculture utilities, then we had the telecommunications services, then we had the other services in the professional, especially in terms of professional services, though the service sector has done well.

So, it reported the growth rate of in the second 6 months, it recorded the growth rate of 7.1 percent. So, that also shows that the whatever we have read in the newspaper about the green shoots, so these were the sectors where we started seeing those and going ahead, it has been, it has been mentioned in the economic survey, chapter 1 of volume 2 that we will have the growth rate of real GDP of around 11 percent.

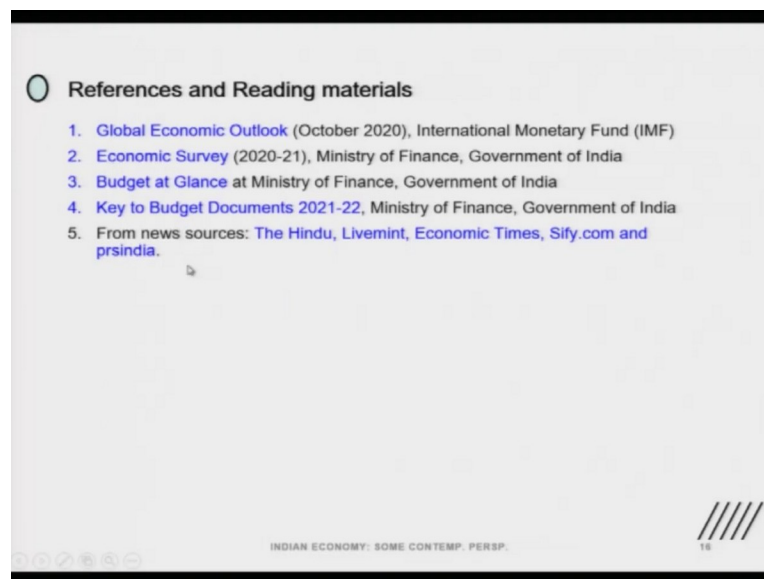
So, this will be one of the areas to be discussed in future and there will be a lot of debate and discussion to for and against about this particular number. But it is also important to note that the unprecedented risk that we had seen in 2020 this will continue for some more time, because the rural economy is completely under distress and though the farming activities have helped to some extent, but the non agri-income that was going to the rural segment, it has started recovering, but the speed it will depend upon how quickly we go for our vaccination drive and how quickly we get back to the momentum that we had earlier.

Unfortunately, India since 2016 has been reeling under the pressure of indigenous shocks and plus a genius shocks also. So indigenous shocks, we had the demonetization then we had the GST implementation and then after that we and we already have having the banking sector

crisis in 2018, we had the (03:08) and then after that, we started incorporating banks into the corporate insolvency resolution process, under the insolvency bankruptcy code and since then, we were still under the phase where we were thinking about focusing more on the manufacturing services.

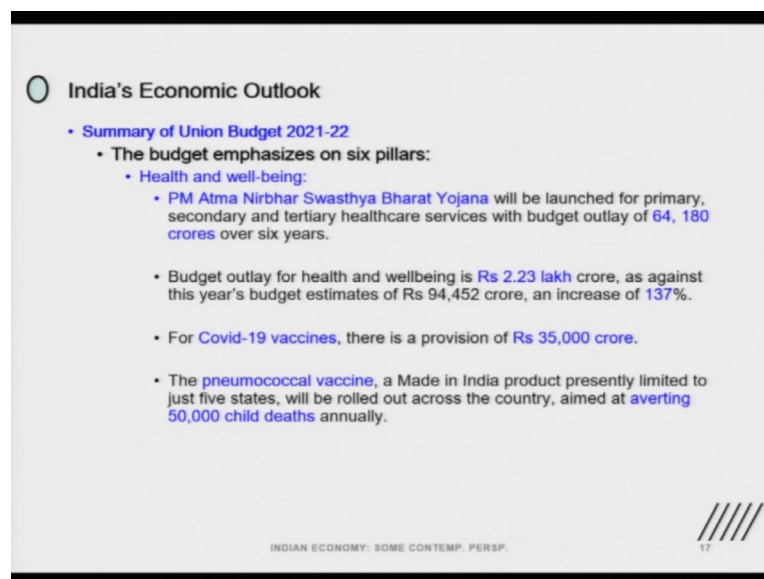
Now that has also given us the idea that to what extent we can cover up and how we can think about. So, this particular session is more about the India's budget, how budget it has done.

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So, the references are same again, the Hindu, Livemint and Economic Times and I have referred all this global economic outlook others will be for the previous lecture.

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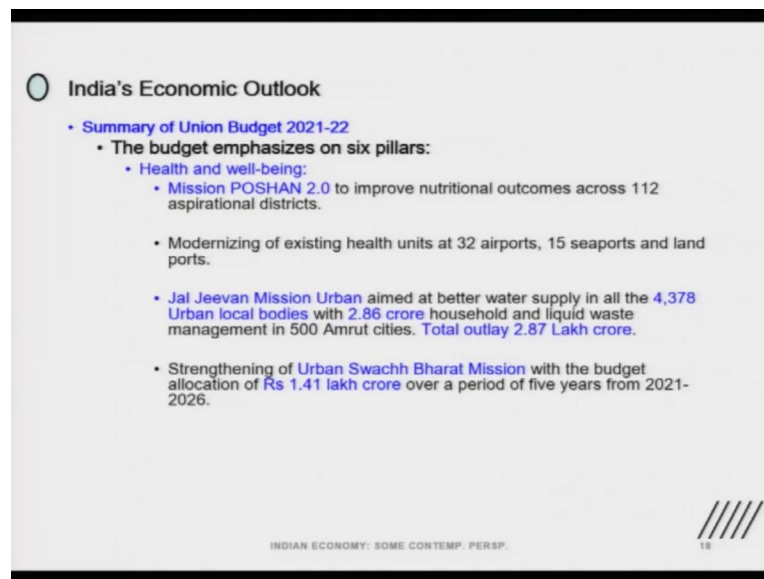
So, let us just start, so the finance minister has divided the budget that was introduced in the Lok Sabha on first February, it has high, it has divided the budget into 6 pillars. So, I will be discussing each pillar here and whatever it has been incorporated in each pillar. So, there is a focus, especial focus and the pandemic has created a space for the agriculture sector to be or to become one of the focused sectors in the country.

So, this is, so the budget mentions about PM Atma Nirbhar Swathya Bharat Yogna it is about the health and it has, it the intention to support or provide support to the primary, secondary and tertiary sectors and it has the budget outlay of 64,180 crore and it has to be spent over 6 years. Budget outlay for a health, health and well-being is about 2.23, so this 64,000 crore is for the Atma Nirbhar Swathya Bharat Yogna. but the overall health expenditure in the budget it is about 2.23 lakh or and it is much higher because last year we had the share of only, we had located only 94,452 crores. So, which is a jump of around 137 percent which is a really a big jump and it is, it can be called as one of the largest jump we have seen in recent periods.

For COVID-19 vaccine, there is going to be the provision of rupees 35,000 crore to in terms of in terms of going for procurement of these vaccines and then we have the pneumococcal vaccine, it is also being used and just to make sure that we do not have most child deaths, it will be a spread across a country and this will also have the budgetary allocation. So, for the first time after so many years, we have been we have focused so much on health and we are going to have the excess budget allocation for the health expenditure.

So, going here I hope this will change the overall health outlook of the country. We also have the well-being plan, for example Mission Poshan 2.2 is going to be a spread across 112 districts. There is also provision to have some kind of in terms of promotion of the localized medical practices. So, community medicine will be also seeking attention. So, there is a whole lot of emphasis to talk about this particular aspect.

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So, as I mentioned that Mission Poshan 2.0 to improve the nutritional outcomes around 112 districts, then we have the modernization of existing health units at airports, 32 airports have been chosen and the 15 sea ports and land ports have also been chosen, there is a special provision under the Jal Jeevan Mission Urban Yojna and this this scheme also gives a lot of emphasis on the urban local bodies municipal corporation that we have and it is going to be across India whatever we have 4378 and it has the, it has the capacity to cover around 2.86 crore household especially in terms of liquid waste management.

So, the budget for this is around 2.87 lakh crore, the government has given a special emphasis on these Swach Bharat scheme which is continuing and there is a whole lot of emphasis on the Urban Swach Bharat scheme, Swach Bharat mission and it has the budget allocation of 1.41 lakhs crore and it is also going to be spent over 5 years. So, what is more important is that, there is a focus on the health and after that there is a focus on hygiene and well-being. So, this is also a very important thing to discuss.

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India's Economic Outlook

- **Summary of Union Budget 2021-22**
 - **The budget emphasizes on six pillars:**
 - Physical and financial capital and infrastructure:
 - Aatmanirbhar Bharat-Production Linked Incentive Scheme.
 - Production-Linked Incentive (PLI) schemes for an Aatmanirbhar Bharat have been announced for 13 sectors.
 - For this, the government has committed nearly **Rs 1.97 lakh crore** in the next five years starting FY 2021-22.
 - Mega Investment Textiles Parks will be launched in addition to the PLI schemes. This will create world class infrastructure with plug and play facilities to enable to create global champions in exports.
 - Highway and road works announced in Kerala, Tamil Nadu, West Bengal and Assam

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Then here we have the budget emphasizes on the fiscal and financial capital infrastructure. So, there is going to be the Aatma Nirbhar Bharat product linked incentive scheme where is the, where there will be a linkage set up from the suppliers point of view, suppliers will be linked with the large industrial houses and similarly, so there will be some kind of production link happening and especially for example, especially in case of automobile this is one area where it is critically important and even it is going for the refrigeration and all other industries.

So, it has been announced for 13 sector, the government has committed nearly 1.97 last crore in the next 5 years for this. The mega investment textile parks are going to come because of that the textile industry has received a lot of location and just to give us some kind of competitive advantage, this mega textile in the form of a special economic zones that we have already discussed when we are discussing about the economic policies, we found this highway and road works announced in the Kerala Tamil Nadu and West Bengal and Assam. So, these are the states state level development. So, there are extension of highways and roadways in these states.

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India's Economic Outlook

- **Summary of Union Budget 2021-22**
 - The budget emphasizes on six pillars:
 - Physical and financial capital and infrastructure:
 - Special emphasis has been given on the 'Development Financial Institution' (DFI) to act as a provider, enabler and catalyst for infrastructure financing.
 - Accordingly, a Bill to set up a DFI will be introduced.
 - The government has provided a sum of **Rs 20,000 crore** to capitalize DFI and the ambition is to have a lending portfolio of at least **Rs 5 lakh crore** for the DFI in three years' time.
 - Enhanced outlay of **Rs 1.18 lakh crore** for the Ministry of Road Transport and Highways, of which **Rs 1.08 lakh crore** is for capital, the highest ever.

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India's Economic Outlook

- **Summary of Union Budget 2021-22**
 - The budget emphasizes on six pillars:
 - Physical and financial capital and infrastructure:
 - Consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single **Securities Markets Code**.
 - **Insurance Act, 1938** to increase the permissible FDI limit from 49% to 74% and allow foreign ownership and control with safeguards.
 - **BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans and Neelachal Ispat Nigam Limited**, among others, will be divested.
 - Other than IDBI Bank, the government proposes to take up the privatization of two public sector banks and one general insurance company in 2021-22.
 - The **disinvestment target of Rs 1.75 lakh crore for 2021-22** has been set-up.

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If you remember we had discussed about the development of the financial institution. So, after independence, when we started looking for the financialization scheme of industrialization, then we had the developmental financial institutions. But during 1970s because of the domestic production and the industrial production given these, these DFIs were over. Where having a higher NPS and there were a lot of defaults and these were not known until we opened our economy in 1991.

And then DFIs became and then DFIs were forced to, to get into the commercial bank businesses. So, a lot of institutions were set up, but now there is a particular bill is going to be introduced in the parliament to setting up the DFI, the government has provided a sum of

rupees 20,000 cores to capitalize DFI and the ambition is to have the lending portfolio at least 5 lakhs core for the DFI in 3 years-time.

So DFI, it may look like that whatever we had the ILNFS saga, so ILNFS may take the shape of DFI if it is not going or it will whatever the regulation process that we have, if it works out, then it may have the chance to be converted into DFI, but government has taken a different route and it is going to set up a DFI, as of now it is not clear.

For the first time we are going, government has given the highest ever allocation to the Ministry of road transport and highways. So, it has the allocation of 1.18 lakhs crore and government has allocated 1.08 lakhs crore for a capital investment. So, this is also one of the areas where there will be lot of investment made in this regard.

Then, as we had mentioned about the Indian financial code, so in Indian financial code, we had this additional committee recommendation under that where there was a some kind of a provision for amalgamation of existing acts into one, so that this reduces the confusion and there will be easy monitoring also. So, I think from that mind, it looks like the consolidate the provisions of SEBI Act 1992, Depositories Act 1996, Securities Contracts Regulation Act 1956, Government Securities Act 2007, into rationalize single it will be called as the securities markets code.

So, the same way we had the Indian financial code, this will be called by the securities markets code and this will merge all these acts into one and maybe in a unified way this will be presented. Then Insurance Act 1938, to increase the permissible limit from 49 percent to 74 percent. This this is going to be one of the contesting decisions that government has to cover and allow for an issue control with safeguards. Now, what will be the safeguard that is the concern.

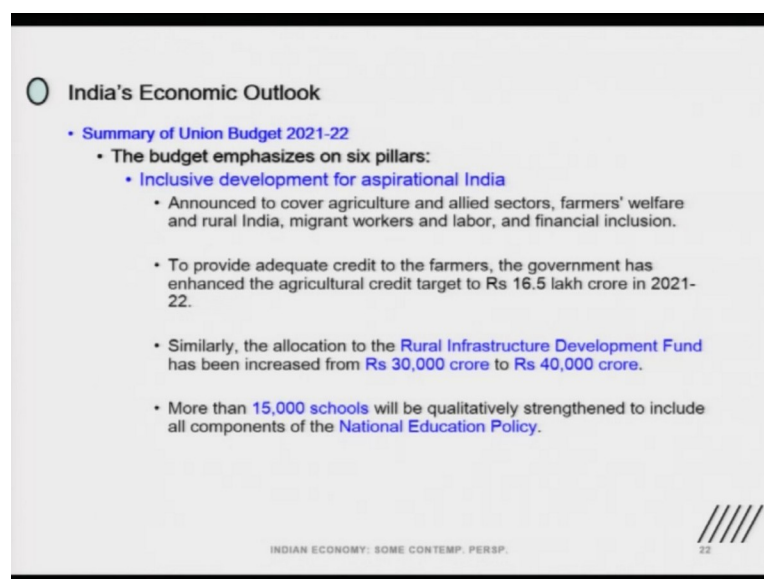
So, you may be reading in newspaper that how government has gone for the privatization or going for more FDI into the insurance sector and this will also going to create buzz, because for the government, three intuitions are important one is called the banks, we have the SBI and then there we have the insurance, where the bulk amount of money coming in the form of premiums and then we have the pension fund, where the hard earned money of the formal and informal sectors may also be coming and that also gives some, it becomes valid for the government to use it whenever they want. So, it creates extra money.

But now, government has gone for a long FDI limiting that also. There is also an emphasis on the BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BML then Pawn Hans, Neelachal Ispat Niga, Limited will be divested. Now, this is again, one of the topics, those who are for about this or who those who support, they may be in favour of going for privatization.

But they are against with that privatization is not the only solution, we should look for the efficiency of the institutions and how we can make them better, because these are the institutions which have the, which have contributed in the growth and development and it will be better, so BPCL is going to be now divested.

Other bank IDBI Bank, the government proposes to take up the privatization of two public sector banks and one general insurance company 2021-22. So, this investment target is set is around 1.75 lakhs crore for 2021 and this is also a quite lower than the previous year, it was more than 2 lakh crore in the previous 2020-21. But in 21-22, it is it has been said for 1.7 lakh crore.

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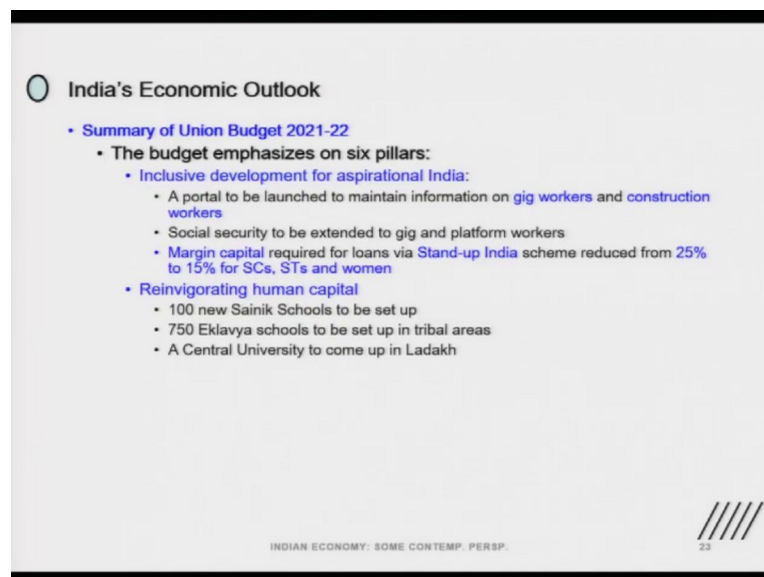
Then there is a whole lot of allocation to the inclusive development for aspirational India, announced to cover agriculture and allied sectors, farmers welfare and rural India, migrant workers and the labour and the financial in inclusion (15:17) also been taken care, there is a whole lot of allocation for the credit aspect of the farming sector.

So, government has given agriculture credit target of 16.5 lakh crore in 2020-21, there is also allocation for the rural infrastructure development fund, it has also been increased by 10,000

crore earlier it was 30,000 crore. Now, it is 40,000 crore. More than 15,000 schools will be qualitatively strengthened to include all comprehensive education policy, which means that they will be, they will be enabled with the e-learning platforms. So, NPTEL it has been already been made available.

So, there is a whole lot of effort to bring these virtual platform into the Ministry of Education, also there is a, there is also going to be whatever in national education policy contains in terms of the curriculum assignment, there will be further realignment of the existing curriculum with the new education policy. So, this is also going to be the one of the major contributions.

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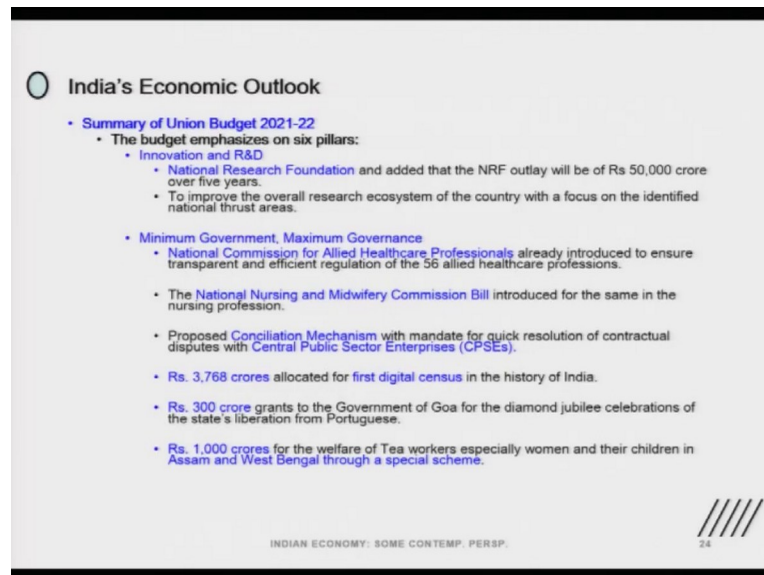
Then then we have the a portal to be launched to maintain the information and based on the construction workers basically the contractual workers, those who do not have the long term contractual jobs, they will be launched and there will be information shared. Social security to be a standard to these platform workers those who were there.

Marginal margin capital required for loans, via Stand Up India scheme reduced from 25 to 15 percent for a SCSTs and SCSTs and women. So, this is also a good move because whatever is the, is in terms of upgrade credit ability this will be cheaper. For human capital, from human resource point of view, there are initiative taken.

So, 100 new Sanik schools will be set up, to be set up and it will be decided, then there is a plan to set up 750 Eklavya Vidhyalay schools in the tribal areas. Then in Ladakh, they there

is a provision for Central University. So, one center is going to be opened in Ladakh. So, these are the major recommendations that we see.

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Then, if, it also emphasizes on the innovation and R and D, because it is also one of the areas and it has been found that until unless we look for the, until unless we provide the incentives for the higher education. So, just to make sure that the research ecosystem has a role in the or just to give a proper shape or to give a new opportunities in the R and D domain.

So, there is going to be the National Research foundations and it will have the outlay of 15,000 crore over the 5 years and this amount will be available and this will help in terms of enriching the research environment in the country. Basically and this will also be focused on the nationally identified areas, where the national trust areas are mentioned.

Under minimum governance, government and maximum governance scheme that the tagline that the government uses, under that there is going to be the National Commission for allied health care professionals, which are going to be and this particular allied healthcare professionals are going to be important, because this will also give the alternative health care services at least chance to grow in a much better way.

Then there is also going to be National Nursing and Midwifery commission bill and it will be also introduced. Proposed consultation mechanism with mandate for quick resolution and contractual disputes with central public sector enterprises. So, this is also going to be in the form of not just the structure of the PSU, but also in terms of the labour laws. So, I think it is going to be have the widespread implications.

First digital sensors had been planned, which is his first time in the history and it has been given the allocation of 3768 cores, so this is also one of the, one of the areas to look for, then we have the rupees 300 crore grants that be given to government of Goa to celebrate the independence from The Portuguese. So, this is, so it is going to be the Diamond Jubilee celebration.

Then 1000 crore rupees has been given for the welfare of tea workers especially women and children in Assam and West Bengal through a specialist scheme. So, these are the main major recommendations, which I thought I should be mentioning.

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India's Economic Outlook

- **Summary of Union Budget 2021-22**
 - **Expenditure:**
 - Rs 34,83,236 crore in 2021-22.
 - The government spent Rs 34,50,305 crore in 2020-21, 13% higher than the budget estimate.
 - **Receipts:**
 - The receipts (other than borrowings) are expected to be Rs 19,76,424 crore in 2021-22.
 - In 2020-21, revised estimates for receipts were 29% lower than budget estimates.
 - Given the impact due to COVID-19, it is useful to see the growth from 2019-20, an annual increase of 6%.
 - **GDP growth:**
 - Nominal GDP is expected to grow at of 14.4% (i.e., real growth plus inflation) in 2021-22.
 - **Deficits:**
 - Revenue deficit is targeted at 5.1% of GDP in 2021-22, down from the revised estimate of 7.5% in 2020-21
 - Fiscal deficit is targeted at 6.8% of GDP in 2021-22, lower than the revised estimate of 9.5% in 2020-21 (4.6% in 2019-20).

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In terms of economics if you talk about, then we have the expenditure, which is going to be in this budget plan it has been set up around 34 lakh crore rupees, the budget amount that is the to the total amount that we have in the budget, we spent it is about 34 lakh crore. So, which means it is about 35 lakh crore rupees that has been allocated in the budget 2021-22.

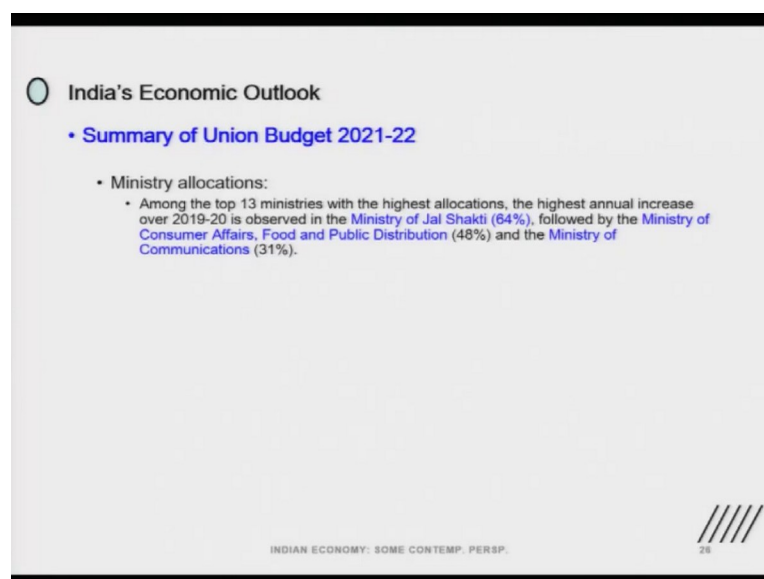
Government has spent around 34,50,305 crores in 2020-21. 13 percent, there has been 13 percent higher than the budget estimate. Receipt that we had in terms of other than borrowing it is going to be 19 lakhs. So, this is going to be a somewhat in terms of revised estimate this may be lower, but it is going to be in terms of borrowing it is going to be much higher and it, so here, what appears since the earnings of the government it is going to be the 90 lakhs crore. So, of course, the rest of the amount whatever I mentioned the government has to go for borrowing.

In terms of nominal GDP growth, it has been assumed that this year the growth rate really will be of nominal GDP not the real GDP, real GDP has been projected at around 11 percent. But nominal GDP is going to be the 14.4 percent in 2022. Revenue deficit is targeted to be around 5.1, percent fiscal deficit is targeted to be around 6.8 percent. Now, here 6.8 percent. So, if you remember, we have already discussed the FRBM Act and under the FRBM Act, there is a the rule of 3 percent and now, as per the encasing amendment committee, it was more restricted 2.5 percent, but those rules are relaxed given the special situation we have and considering that it is much more than almost double, so you can think about how much it will be in terms of borrowing.

So, this year the government will have to go for higher borrowing just to meet the expected allocations that the government has already announced in the budget. So, the going ahead, the scenario would be that how quickly a government is going to have the receipt more from the GST collection and others and second thing is that as per the recommendation of, it will also depend on the recommendation of 15 finance commission that how it is going to decide and we have seen that the states like Karnataka and Karnataka and Kerala have already received a lower amount, because of the weightage that it has given in terms of the devolution.

So, keeping those things in mind it looks like that in future the government will have a really tough time in terms of spending the money.

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And in terms of ministerial allocations, the Ministry of Jal Shakti, Jal Shakti has got 64 percent. Ministry of consumer food and public distribution it has 48 percent and Ministry of communication is 31 percent. Now, these numbers are sufficient to tell you that. So, from the

point of view of what we have just discuss about the budget. So, this is the overview that I wanted to give about the India's budget, you must have read about this all of you.

What is more important about the India budget is to look at two things that what are the priorities. So, in this budget, you have the priorities of the health, so in exams or something, if you are writing some exams or if you have to convey to anyone about the major things. So, you can simply say that the focus is more on the revival of manufacturing and then the health sector has got the major benefit.

The in terms of these sectors that we discussed, services sector is not having that much share in and this the major focus or is on the social platforms. For example, we also have for the special allocation for the Swachh Bharat mission, then we have the Urban Swachh Bharat mission, the Jal Shakti mission is also has taken, has gone for take-off. So, these policies are going to be the major priorities in terms of rural development and even urban.

In finance commission reports, the 15 finance commission talks about the participation of the local bodies. So, that has been there and it is also a new thing that has been there for quite a long time people are talking about. But for the first time there has been explicit mentioned. (())(25:14) we also have mentioned about the fiscal council. So, that will also help the government in checking and the fiscal deficit target, which is going to be 6.8 percent.

But it may go up if we do not have the GST collections. But this will depend upon the vaccination drive and whatever measures we have taken. As of now, what it looks like that there is some hope from this budget and this annual statement, it is just for one year, so maybe next year, we will have something more to say about it because it is going to be just whatever money has been promised it will be located and then it will be it will be carried forward.

And with this, I would like to close and I hope the course has given you sufficient idea about the recent developments and these two sessions have been must have been helpful. I would request all of you to please go through these references, whatever readings I have mentioned that will be helpful. Thank you. Thank you so much.