# Union Budget 2018-19

A budget for livelihood and consumption led growth

**PHD RESEARCH BUREAU**
**PHD CHAMBER OF COMMERCE AND INDUSTRY**

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**February 2018**


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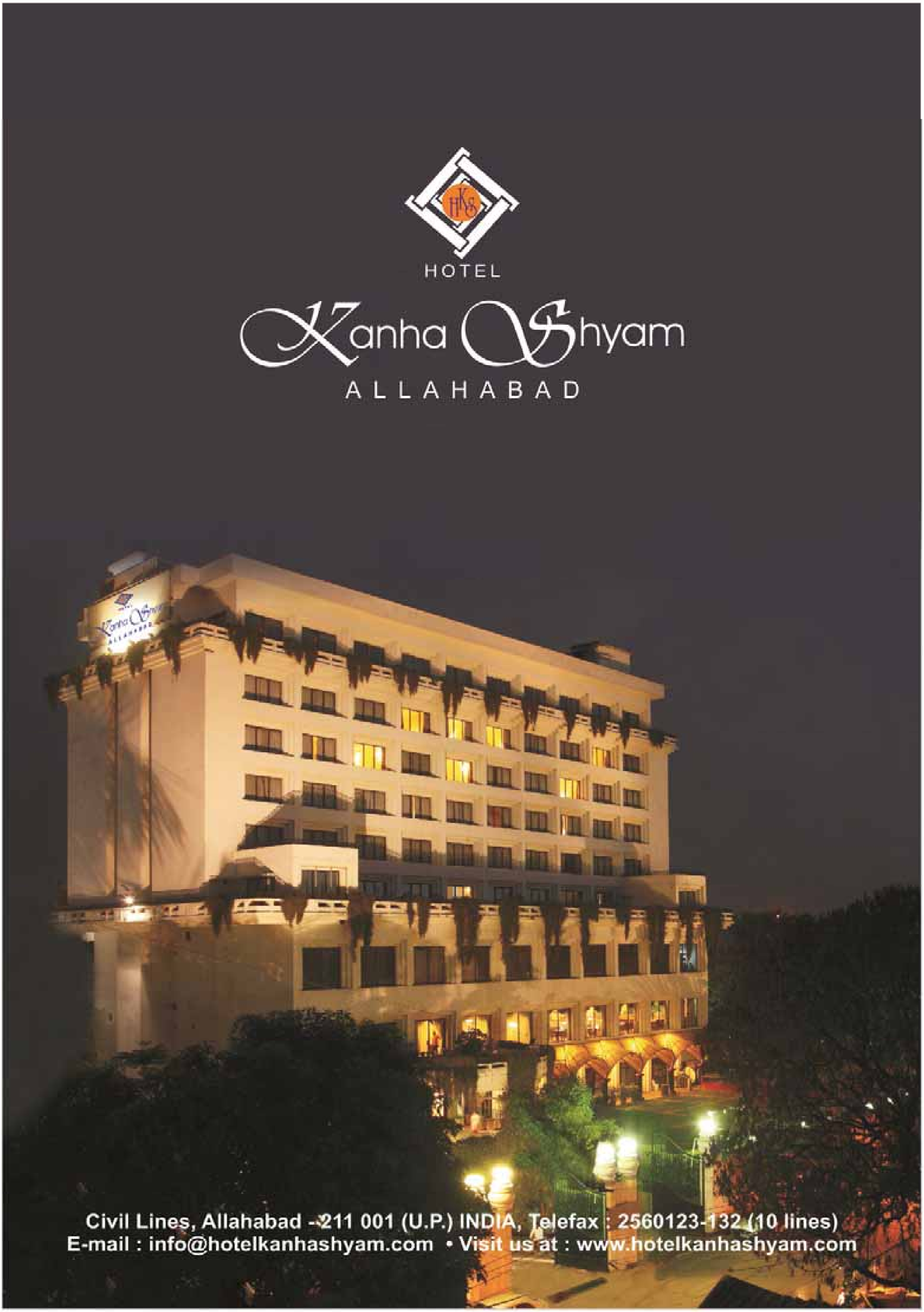
## PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg New Delhi 110016
Phone: 91-11-49545454, Fax: 91-11-26855450, 26863135
Email: research@phdcci.in Website: www.phdcci.in


HOTEL
Kanha Shyam
ALLAHABAD
Civil Lines, Allahabad - 211 001 (U.P.) INDIA, Telefax : 2560123-132 (10 lines)
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# PHD CHAMBER'S VIEWPOINT

**Mr. Anil Khaitan**
**President**

The government has provided a budget for all with the focus on agriculture, rural economy, health, infrastructure and MSMEs. It is an excellent well rounded budget which will create demand and employment along with investments in the economy. It is encouraging to know that India is now a US$2.5 trillion economy and on path to achieve 8% plus growth in the coming times. The corporate tax rate has been reduced to 25% for MSMEs which is highly appreciable. MSP for kharif crops at 1.5 times cost of produce along with cluster-model approach for agricultural production would increase farm productivity and enhance farmers' incomes in the coming times.

One of the significant developments has been made for MSMEs of reducing the corporate tax rate to 25% for companies having revenue up to Rs 250 crore in FY2017. The budget laid focus on the development of MSMEs by allocating budget for credit support, capital and interest subsidy and innovations for them. It is encouraging that creating job opportunities has been at the core of the policy-making of the Government. Further, announcement on proposing an amount of Rs 3 lakh crore for lending under MUDRA Yojana will go a long way in creating the self employment opportunities for youth.

**Mr. Rajeev Talwar**
**Senior Vice President**

**Mr. D K Aggarwal**
**Vice President**

The Budget has laid greater stress on education development in the country. One of the significant initiative is launched namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022 with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions.It is inspiring that Budget has focussed on the education of tribal children by announcing that every block with more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School to provide the best quality education to the tribal children in their own environment.

The focus of the Budget for 2018-19 on creating job opportunities is inspiring. Government contribution at the rate of 12% of wages of new employees in EPF for the next three years along with the extended facility of fixed term employment to all the sectors would go a long way to deploy workforce in the factories. The reduction in women employees' contribution in EPF from 12% or 10% to 8% for first three years of their employment will enhance women employability.

**Mr. Gopal Jiwarajka**
**Immediate Former President**

**Mr. Saurabh Sanyal**
**Secretary General**

The increase in infrastructure outlay from Rs. 4.94 lakh crore to almost Rs. 6 lakh crore in FY2019 would go a long way to improve infrastructure development in the economy. Further, announcement on 8 crore free gas connections to women under UJJWALA and 4 crore electricity connections to the poor under Saubhagya Yojana is a remarkable step in the inclusive development of the country. An amount allocated of Rs. 14 lakh crore for enhancing rural livelihood is a great step for the rural development and upliftment in the standards of living of rural population. In addition, the allocation of Rs. 16,000 crore for electricity connection to poor families is a significant step for the development of rural areas.

# EXPERTS' VIEW ON UNION BUDGET 2018-19

**Mr. Ajay Shankar, Former Secretary, DIPP**

One of the positive aspects of the Budget is that the import duties have been used as an instrument of promoting domestic industry. The fixed term employment is a step in the right direction but the country needs a more serious discussion on the labour laws as India continues to pay a very high price due to underutilization its very talented workforce.

**Mr Vijay Mehta, Chairman, Economic Affairs Committee, PHD Chamber**

Budget has laid greater stress on inclusive development. The measures in developing world class financial services centre are encouraging. However, long-term capital gains tax of 10% for over Rs 1 lakh investments should have been avoided as economy is moving from physical assets accumulation to financial assets.

**Mr Anil Chopra, Chairman, Direct Taxes Committee, PHD Chamber**

The budget is positive for priority sectors and for development of the nation. The stress on education, health, weaker sections, agriculture, infrastructure etc. is welcome. There is stress on sharing the nation's growth amongst a large section of our people. Tax reductions and deductions for MSMEs, senior citizens, salaried class and other deserving sections is also appreciated and in line with our Chamber's requests to the Government. Increased government expenditure including on infrastructure and placing surplus funds through lesser tax in hands of MSME will give a thrust to the economy and employment.

**Mr Bimal Jain, Chairman, Indirect Taxes Committee, PHD Chamber**

Union Budget, 2018, brought number of sops for MSME sector and kept its focus on infrastructure creation, higher farmers' income and economic reforms along with education, healthcare and other populist policies being the focus areas. Opposed to the expectations, this Budget chose to keep income tax slabs unchanged for salaried class. With GST being a new taxation system subsuming Service Tax and Excise, this Budget did not see much changes in Indirect Taxes except changes in Customs Act and Tariff. Increase in Customs duty on certain goods like mobile phones and import of mobile phone parts is a good initiative to boost jobs in various sectors in India and support Make in India.

**Mr. Mukesh Mohan Gupta, Chairman, Insolvency and Bankruptcy Committee, PHD Chamber**

MSMEs have been given a major impetus in the Budget as the government has announced a slew of measures for the promotion and growth majorly the reduction of the corporate tax rate. Revision in the definition of MSME was long awaited and is big boost for this sector. TReDS will be great help to MSMEs. Further online loan sanction by banks to MSMEs will help them in big way in Ease of doing Business.

**Mr. Pavan Kumar Vijay, Chairman, Company Law & Corporate Governance Committee, PHD Chamber**

Encouraging entrepreneurial ecosystem is the need of the hour for generating employment opportunities in the economy. The announcement on modifying definition of 'eligible business' for a start-up would incentivise accelerated growth in this sector. Further, extending the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31st March, 2021 from 31st March, 2019 is highly encouraging

**Mr. V K Mishra, Chairman, Agri-business and Food Processing Committee, PHD Chamber**

Agriculture and rural development is at the top of agenda of the Government in this Union Budget. Kissan cards will be made for the Fisheries and other live stock farmers which will get them direct benefits for loans and advances. An amount of Rs 10,000 crore Fund for the support of Fisheries, Aquaculture and livestock farming promotion is inspiring and would go a long way in doubling income.

**Mr. Jyoti Prakash Gadia, Chairman, Banking & Financial Services Committee, PHD Chamber**

There is a need to deeper understand the issue of blockage of working capital faced by industry as it impacts their functioning and overall productivity. Further, Government's take on artificial intelligence is highly appreciable as it will help our economy to transfer into a digital innovation ecosystem.

**Mr. Akhil Bansal, Co-Chairman, Economic Affairs Committee, PHD Chamber**

Government's vision for an inclusive development has been rightly focussed by allocating greater stress on agriculture and rural development, MSMEs, education, health and employment generation. Inclusive development is the only path from current GDP to a USD 10 trillion economy.

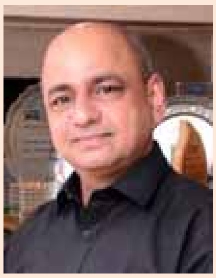
**Mr. Amarjeet Singh, Partner, KPMG**

A large section of society is going to be benefitted with the introduction of standard deductions for salaried class which is almost equivalent to giving exemptions. Further the announcement of long term capital gains is in line to my expectations

**Dr H P Kumar, Former CMD & Chairman, NSIC & Advisor, PHD Chamber**

As 97% of the firms are MSMEs, the announcement of reduction in corporate tax rate is a welcome step. However, this reduction in rate should also be made available to MSMEs in non corporate sector like Partnership firms and Limited Liability Partnerships. Further, the health insurance could have been given greater stress in the Budget. The announcement on coverage of over 10 crore poor and vulnerable families under National Health Protection Scheme to provide the benefit of coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization is inspiring.

**Dr S P Sharma, Chief Economist, PHD Chamber**



The focus on agriculture and rural development will go a long way not only to increase the income of the farmers but also enhance the rural prosperity, give a big push to demand in the economy, growth of manufacturing, opportunities for Make in India, provide lucrative environment for investments, expansion of production possibility frontiers, creation of new employment opportunities in manufacturing with a shift of excessive workforce in agriculture to manufacturing leading to an overall an increase in the economic growth trajectory.

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**For more information please contact us**

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# Contents


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# 1. Union Budget 2018-19

## A budget for livelihood and consumption led growth

## Executive Summary

Budget focus on agriculture and rural development will go a long way not only to increase the income of the farmers but also enhance the rural prosperity, give a big push to demand in the economy, growth of manufacturing, opportunities for Make in India, provide lucrative environment for investments, expansion of production possibility frontiers, creation of new employment opportunities in manufacturing with a shift of excessive workforce in agriculture to manufacturing leading to an overall an increase in the economic growth trajectory.

With the revision of fiscal deficit to 3.5% of GDP for 2017-18 and a projection of 3.3% of GDP for 2018-19 the path of fiscal consolidation is disrupted a little bit but that should not be a major worry as the number of indirect tax payers have increased by 50% after the implementation of GST. This signifies well for tax compliance and revenue growth and an improvement in the tax to GDP ratio which currently stands at 16-17% of GDP as compared with the average of the emerging markets which stands at 22-23%.

New income tax payers are also up by 10.1 million since demonetisation, against an annual average increase of 6.2 million in the last two years. Thanks to demonetisation and GST which produced 1.8 million new income tax payers. However, tax revenue has not increased as the level of filing tax returns is barely above the threshold limit of exemptions. So, at this juncture we can expect a long term fiscal consolidation with increased tax compliance.

According to the financials of Union Budget 2018-19, it has been observed that the fiscal deficit which is the gap between the revenue and expenditure is estimated at Rs. 6,24,276 crore in 2018-19, out of which 92.2% (Rs. 5,75,795 crore) is the interest payments. Also, the size of fiscal deficit is around 25.6% of the total budget of Rs. 24,42,213 crore.

Revenue receipts have shown a good increasing trend from 66.7% in FY2015-16 to 70.7% in FY2018-19 whereas capital receipts have decelerated from 33.3% in FY2015-16 to 29.3% in FY2018-19. Borrowing and other liabilities have shown a good trend by decelerating from 29.7% in FY2015-16 to 25.6% in FY2018-19 which means the government's fiscal expansion is in the right direction. The size of the budget is on the rising mode as it rose from Rs.17,90,783 crore in FY2015-16 to Rs. 24,42,213 crore in FY2018-19(BE) with a growth of (-) 0.97% in FY2015-16 to 10.1% in FY2018-19.

However, despite the expansion in economic activities and rising population particularly the young population seeking employment, the size of the budget as a percentage of GDP during the recent years has decelerated from around 15% of GDP in FY2013-14 to around 13% of GDP in FY2018-19 according to the budget estimates.

Economies such as USA, China and Japan have an expansionary fiscal policy and the size of the budget as a percentage of GDP in USA and China is estimated high at 21.4% and 20.9% and Japan at 17.2%. Therefore, at this juncture, we also need to enhance our budget to GDP ratio to the level of USA and China with the increased sources of revenue majorly the revenue from the non-tax sources.

However, the Budget has focused rightly on seven most important ingredients for developing India which includes (1) Agriculture and rural development, (2) infrastructure, (3) MSMEs, (4) Labour reforms,

(5) Make in India, (6) Inclusive health and (7) Quality Education to promote the inclusive growth of the country.

## Agriculture and Rural Development

Agriculture and rural development is at the top agenda. Lot of announcements for the agriculture sector including increase in Minimum Support Price (MSP) at the rate of 1.5x of the cost of farm produce among others have been announced. These developments will go a long way and contribute to doubling the income of the farmers by 2022 in addition to improving the agri-infrastructure. This will not only uplift the agriculture sector but also the rural demand which will ultimately increase the demand for consumer durables further giving a push to the manufacturing sector.

## Infrastructure

The government has made an all-time high allocation in the Budget to rail and road sectors. Significant announcements have been announced in roads, rail and airports. The government has announced development of 35000 kms of roads in Phase-I of Bharatmala Pariyojana at an estimated cost of Rs. 5.35 lakh crore as well as a policy to introduce toll system on ''pay as you use'' basis. All these measures are expected to facilitate state of the art infrastructure development which will support the growth of the industry sector and promote overall well being of the population of the country. Budgetary and extra budgetary expenditure on infrastructure for 2018-19 has witnessed an increase of 20.7% to Rs. 5.97 lakh crore against estimated expenditure of Rs. 4.94 lakh crore in 2017-18.

## Bolstering MSMEs

The MSMEs have been a given a major impetus in the Budget 2018-19 as the government has announced a slew of measures for the promotion and growth of this sector. The government has provided Rs. 3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations. Corporate Income tax for companies with annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%. The reduction in corporate income tax for companies is a big relief for the MSMEs as it will help meet their capital requirements including working capital. These measures will give a boost to the sector further contributing to higher growth in the economy in the coming times.

## Employment Creation

Initiatives in the past three years has helped to create 7 million formal sector jobs this year. The Budget extended the government's provident fund subsidy for new employees to all industries. The Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. The facility of fixed term employment will be extended to all sectors. This will create millions of employment opportunities. The use of fixed – term labour contracts, earlier restricted to apparel and footwear, was also extended to all industries.

## Make in India

To incentivize the domestic value addition through Make in India Initiative, the Government has announced customs duty hike in 48 odd items including processed fruit juices from 30% to 50%, perfumes and toiletry preparations from 10% to 20%, and Automobile and automobile parts from 10%

to 15%, among others. This will strengthen our domestic industry by providing a level playing field for the domestic players and expanding the employment opportunities in the mentioned sectors in India.

## Inclusive health

The government has proposed path breaking announcements in the health sector in the Budget. The government has announced the launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization which will be the world's largest government funded health care programme. The total amount allocated to health sector witnessed an increase of around 12% from Rs. 48878 crore in FY18 (BE) to Rs. 54667 crore in FY19 (BE). All these measures would go a long way in addressing the quality and reach of healthcare system in India and provide people with quality healthcare which would give a boost to socio-economic development in the economy, going forward.

## Quality Education

The Hon'ble Finance Minister has addressed the issue of quality education in the Budget and has launched a major initiative namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022'' with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions. The total allocation to the sector has witnessed an increase of around 7% at Rs. 85010 crore in FY19 from Rs. 79686 crore in FY18 (BE). All these developments will go a long way to extend quality education to the last mile which will promote all inclusive growth and development in the country in the coming times.

In a nutshell, with the current account deficit at a modest 1.5% of GDP, foreign exchange reserves at $432 billion, India seems resilient to global shocks. As evident from the government data past three years had helped to create around seven million jobs. The focus of the government at this juncture is to enhance the job growth trajectory as they have very rightly expanded the fixed term labour contracts to all the industries which were earlier for apparel and footwear only.

This move is expected to increase employment opportunities particularly in the MSMEs. The focus on the food processing industry to enhance the food processing exports to the tune of US$ 100 billion from the current level of US$ 30 billion would open opportunities for the rural youth in the food processing sector. Increasing the import duties on certain products is a move to set a level playing field to promote Make in India programme and to restrict the rising import volumes in the products which can be produced at the domestic level. The budget is prepared in a long term perspective from the grass root level which would not only strengthen the economic growth trajectory but also put it on a sustainable growth trajectory.


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# 2. THE ECONOMIC SURVEY 2017-18

The Economic Survey 2017-18 presented by the Hon'ble Finance Minister, Shri Arun Jaitley expressed that series of major reforms undertaken over the past year will allow real GDP growth to reach 6.75 percent this fiscal and will rise to 7.0 to 7.5 percent in 2018-19, thereby re-instating India as the world's fastest growing major economy.

The key reforms announced including launch of transformational Goods and Services Tax (GST), resolution of the long-festering Twin Balance Sheet (TBS) problem by sending the major stressed companies for resolution under the new Indian Bankruptcy Code, implementing a major recapitalization package to strengthen the public sector banks, liberalization of FDI and the export uplift from the global recovery would push India's growth trajectory to the higher level.

**"Major reforms were undertaken over the past year. The transformational Goods and Services Tax (GST) was launched at the stroke of midnight on July 1, 2017. And the long-festering Twin Balance Sheet (TBS) problem was decisively addressed by sending the major stressed companies for resolution under the new Indian Bankruptcy Code and implementing a major recapitalization package to strengthen the public sector banks. As a result of these measures, the dissipating effects of earlier policy actions, and the export uplift from the global recovery, the economy began to accelerate in the second half of the year. This should allow real GDP growth to reach 6¾ percent for the year as a whole, rising to 7-7½ percent in 2018-19, thereby re-instating India as the world's fastest growing major economy.**

**Against emerging macroeconomic concerns, policy vigilance will be necessary in the coming year, especially if high international oil prices persist or elevated stock prices correct sharply, provoking a "sudden stall" in capital flows. The agenda for the next year consequently remains full: stabilizing the GST, completing the TBS actions, privatizing Air India, and staving off threats to macro-economic stability. The TBS actions, noteworthy for cracking the long-standing "exit" problem, need complementary reforms to shrink unviable banks and allow greater private sector participation. The GST Council offers a model "technology" of cooperative federalism to apply to many other policy reforms. Over the medium term, three areas of policy focus stand out: Employment: finding good jobs for the young and burgeoning workforce, especially for women. Education: creating an educated and healthy labor force. Agriculture: raising farm productivity while strengthening agricultural resilience. Above all, India must continue improving the climate for rapid economic growth on the strength of the only two truly sustainable engines—private investment and exports."**

- **The Economic Survey 2017-18**

The survey points out that as per the quarterly estimates; there was a reversal of the declining trend of GDP growth in the second quarter of 2017-18, led by the industry sector. The Gross Value Added (GVA) at constant basic prices is expected to grow at the rate of 6.1 per cent in 2017-18 as compared to 6.6% in 2016-17. Similarly, Agriculture, industry and services sectors are expected to grow at the rate of 2.1%, 4.4%, and 8.3% respectively in 2017-18.

The survey reflects that after remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and expected to grow faster in 2017-18. However, due to higher expected increase in imports, net exports of goods and services are slated to decline in 2017-18. Similarly, despite the robust economic growth, the savings and investment as a ratio of GDP generally declined. The major reduction in investment rate occurred in 2013-14, although it declined in 2015-16 too. Within this the share of household sector declined, while that of private corporate sector increased.

## Major Highlights of Economic Survey 2017-18

### 1. There has been a large increase in registered indirect and direct taxpayers

There has been a 50% increase in the number of indirect taxpayers, besides a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of Input Tax Credits (ITC). Gujarat, Maharashtra, Tamil Nadu and UP are the States with the greatest number of GST registrants. UP and West Bengal have been large increases in the number of tax registrants compared to the old tax regime. Similarly, there has been an addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016.

### 2. Gender issues against backdrop of development

Over the last 10-15 years, India's performance improved on 14 out of 17 indicators of women's agency, attitudes, and outcomes. On seven of them, the improvement has been such that India's situation is comparable to that of a cohort of countries after accounting for levels of development.

### 3. Coordinated action between government and judiciary to boost economic activity- ease of doing business

The Economic Survey notes that India jumped 30 places to break into the top 100 for the first time in the World Bank's Ease of Doing Business Report (EODB), 2018. The rankings reflect the government's reform measures on a wide range of indicators. India leaped 53 and 33 spots in the taxation and insolvency indices, respectively, on the back of administrative reforms in taxation and passage of the Insolvency and Bankruptcy Code (IBC), 2016. It also made strides on protecting minority investors and obtaining credit, and retained a high rank on getting electricity, after a 70 spot rise in EODB, 2017 due to the government's electricity reforms. The Survey however says that India continues to lag on the indicator on enforcing contracts, marginally improving its position from 172 to 164 in the latest report

The Economic Survey also suggests that the Government could consider including efforts and progress made in alleviating pendency in the lower judiciary as a performance-based incentive for States. Expenditure could be prioritized for filing, service and other delivery related issues that tend to cause maximum delays. However, the review cautions that building additional judicial capacity may not be effective unless existing capacity is fully utilized.

### 4. Inflation during 2017-18 averaged to the lowest in the last six years

The Survey observes that the economy has witnessed a gradual transition from a period of high and variable inflation to more stable prices in the last four years. Inflation in the country continued to moderate during 2017-18. Consumer Price Index (CPI) based headline inflation averaged 3.3% during the period which is the lowest in the last six financial years.

### 5. Promoting inclusive employment – intensive industry

According to the Survey, promoting inclusive employment – intensive industry, and building resilient infrastructure are vital factors for economic development. The Government is investing massively on building infrastructure to support India's long term growth. India is far ahead than many emerging economies in terms of providing qualitative transportation related infrastructure.

In the Telecommunication Sector, the Survey pointed out that the programme like 'Bharat Net'and Digital India'are to convert India into a digital economy. During the last five years, Indian logistics industry worth around US$ 160 Billion has grown at a compound annual growth rate (CAGR) of 7.8%.

### 6. Agricultural Mechanization picks up pace

The survey points out, that an inclusive transformative agricultural policy should aim at gender-specific intervention to raise productivity of small farm holdings, integrate women as active agents in rural transformation, and engage men and women in extension services with gender expertise. This will help reduce the gender gap in the country in the coming times.

### 7. Agricultural R&D required to sustain agricultural Productivity

Agricultural R&D is the main source of innovation, which is needed to sustain agricultural productivity growth in the long-term. According to the survey, small operational holding is still predominant in Indian agriculture. Thus, there is a need to consolidate the land holdings in order to reap the benefits of agricultural mechanization.

### 8. India's commitment towards climate change

The survey highlights that India has strengthened its response to the threat of climate change in accordance with the principles of equity and common but differentiated responsibilities and in light of national circumstances with the 'Paris Pledge' to reduce the emission intensity of GDP by around 35% over 2005 levels by the year 2030.

### 9. During April- September 2017-18, growth in services exports and services imports

India remained the eighth largest exporter in commercial services in the world in 2016 with a share of 3.4%. This is double the share of India's merchandise exports in the world at 1.7%, which shows a promising growth in the exports, going forward. According to the Economic Survey 2017-18, during the period April – September 2017-18, growth in services exports and services imports robust at 16.2% and 17.4% respectively

### 10. Services sector dominant in Indian states

According to the Economic Survey, Services Sector is dominant in 15 States and UTs, contributing more than half of the Gross State Value added (GSVA) and major services in most of the States are hotels and restaurants, trades, real estate etc. Given a remarkable footprint of services sector in India's GSDP, it has a huge potential in the country with immense complement tires with associated sectors.

## 11. FDI Equity inflows to the services sector

The Economic Survey 2017-18 mentioned that the FDI equity inflows to the services sector grew by 15% during 2017-18 (April - October). This was possible because the Government has undertaken a number of reforms to ensure that India remains an increasingly attractive investment destination, which includes announcement of various policies such as National Intellectual Property Rights (IPR) policy, implementation of GST, reforms for ease of doing business etc.

## 12. Utmost priority given to social infrastructure like education, health and social protection

For an all inclusive and sustainable growth for India, utmost priority is given to education, social infrastructure, health protection. The survey highlights "Social Infrastructure, Employment and Human Development", which will help in bridging the gender gaps in education, skill development, employment, earnings and reducing social inequalities prevalent in the society  that have been underlying goals of the development, which will help in enhancing the human capabilities in coming times.

The Survey highlights the National Health Policy 2017 which recommended increasing State sector health spending to more than 8% of the States' Government Budget by 2020. It also takes a note of the Report 'India: Health of Nation's States' 2017', which provides first comprehensive set of findings for the distribution of diseases and risk factors across all States from 1990 to 2016.

## 13. Positive health and economic impact in Open Defecated (ODF) Areas

The Sanitation Coverage in Rural India has substantially increased from 39% in 2014 to 76% in January, 2018, which proves that the basic quality of hygiene and sanitation has made a significant impact in improving the health outcomes of people in the country.  Further, the survey revealed that there has been a substantial reduction in the number of persons defecating in open in rural areas which has had a positive health and economic impact in ODF areas. This would go a long way to foster rural development in the coming times.

## 14. Fiscal Federalism and accountability to avoid low equilibrium

The Survey highlighted out low level of tax collections by the local Governments in rural areas is posing challenge in reconciling fiscal federalism and accountability. Various panchayats have received 95% of their revenues from the devolved funds from the Centre/State while generating only 5% from own resources.

## 15. Developments in Trade Policy

The survey reveals that in the mid-term review of Foreign Trade Policy, a special package for employment generation in the leather and footwear sector has been approved by the government, which is highly appreciable and will also give a boost to the exports from this sector.

India's foreign exchange reserves reached US$ 409.4 billion on end-December 2017. Foreign exchange reserves grew by 14.1 percent on a y-o-y basis from end December 2016 (US$ 358.9 billion) to end December 2017 (US$ 409.4 billion) and it grew by 10.7 percent from end-March, 2017 (US$370.0 billion) to end December 2017. Foreign exchange reserves increased further to US$ 413.8 billion on January 12, 2018.

### 16. Indian Science & Technology

The survey highlights that looking at the publications and patents in Science & technology in India can help assess the productivity and quality of Indian research. In 2013, India ranked 6th in the world in scientific publications and its ranking has been increasing as well. The growth of annual publications between 2009 to 2014 was almost 14%. This increased India's share in global publications from 3.1% in 2009 to 4.4 % in 2014 as per the Scopus Database.

### 17. India's external sector continues to be strong

The Economic Survey 2017-18 mentioned that the prospects for India's External Sector in this and coming year looks bright with world trade projected to grow at 4.2% and 4% in 2017 and 2018 respectively from 2.4% in 2016; trade of major partner countries improving and above all India's export growth also picking up. The downside risks lie in the rise in oil prices. However, this could also lead to higher inflow of remittances which have started picking up. The supportive policies like GST, logistics and trade facilitation policies of the government could help further.

### 18. India needs to be a net producer of Knowledge

According to the Economic Survey 2017-18, India emerges as one of the world's largest economics, it needs to gradually move from being a net consumer of knowledge to becoming a net producer. Given the dizzying pace and expansion of scientific research and knowledge on one hand and a generally given higher importance to careers in engineering, medicine, management and government jobs amongst India's youth on the other, India needs to rekindle the purpose that would attract more young people to scientific enterprise. Doing so would lay the knowledge foundations to address some of India's most pressing development challenging in addition to maintain a decent, open society.

## State of the Economy: Key Features

1. **Fiscal Development -** The indirect tax collections in the previous two years were buoyed by mobilization of additional resources (ARM), prudently apportioning the petroleum price advantage into pass-through to the consumers and raising of development funds. In the current year, the pace of growth in indirect taxes during the first eight months is comforting. The budgeted growth for indirect taxes for the full year of 2017-18 is only 7.6%; the growth so far is 18.3%. The eventual outcome in indirect taxes during this year will depend on the final settlement of GST accounts between the Centre and the States and the likelihood that only taxes for eleven months (excluding IGST on imports) will be realized.

2. **Inflation scenario -** After 13 months of continuously undershooting the inflation target by an average of 130 basis points, headline inflation for the first time crossed the RBI's 4% target in November, posting a rate of 5.2% in December 2017. The recent upswing in inflation stems from rising global oil prices, unseasonal increases in the prices of fruits and vegetables, and the 7th Pay Commission housing rent allowances, which technically increase inflation.

3. **Trade Scenario -** The value of exports for the period April-December 2017-18 stood at USD 223.51 billion as against USD 199.46 billion registering a growth of 12.05% over the same period last year whereas value of imports for the period April-December 2017-18 was USD 338.36 billion as against USD 277.89 billion registering a growth of 21.76% over the same period last year. A fascinating feature of Indian Foreign Trade policy is continuity wherein

remarkable alterations are pursued in a series of timely micro changes. Taking merchandise and services together, overall trade deficit for April-December 2017-18 is estimated at USD 70.06 billion as compared to USD 35.62 billion during April-December 2016-17. The current account deficit has also widened in 2017-18 and is expected to average about 1.5-2 % of GDP for the year as a whole.

4. **External Debt -** India's external debt stock stood at USD 495.7 billion, recording an increase of USD 23.9 billion (5.1 %) at end-September 2017, over the level at end-March 2017 . The rise in external debt during the period was primarily due to the increase in foreign portfolio investment (FPI) in the debt segment of domestic capital market included under commercial borrowings. Some increase in short-term debt primarily due to trade related credit also contributed to the overall increase in total external debt. On a sequential basis, total external debt at end-September 2017 increased by USD 10.0 billion (2.1%) from the end-June 2017 level.

5. **Agriculture -** Agriculture sector is estimated to grow at 2.7% in 2017-18 as opposed to 4.9% in 2016-17, the decline in growth in the agriculture sector is not very appreciable. The total area sown under Rabi crops as on 12th January 2018 stands at 609.51 lakh hectares as compared to 615.09 lakh hectare this time in 2017. Wheat has been sown/transplanted in 295.53 lakh hectares, rice in 20.57 lakh hectares, pulses in 160.91 lakh hectares, coarse cereals in 53.88 lakh hectares and area sown under oilseeds is 78.62 lakh hectares.

6. **Industry -** Growth in industry output, as measured in terms of IIP, for the period April-November 2017 stands at 2.5% as compared to 5.5% in the corresponding period of the previous year.

7. **Services -** According to the Economic Survey 2017-18, the Services sector with a share of 55.2% in India's Gross Value Added (GVA), continued to be the key driver of India's economic growth contributing almost 72.5% of GVA growth in 2017-18. Services Sector is expected to be at 8.3% in 2017-18.

8. **Social Infrastructure, employment and Human Development -** For an all inclusive and sustainable growth for India, utmost priority is given to education, social infrastructure, health protection. The Economic survey highlights "Social Infrastructure, Employment and Human Development", which will help in bridging the gender gaps in education, skill development, employment, earnings and reducing social inequalities prevalent in the society that have been underlying goals of the development, which will help in enhancing the human capabilities in coming times.

The recently announced National Health Policy 2017 recommended increasing State sector health spending to more than 8% of the States Government Budget by 2020. The Report 'India: Health of Nation's States' 2017', provides first comprehensive set of findings for the distribution of diseases and risk factors across all States from 1990 to 2016.

## Economic Survey 2017-18: Fact Sheet about the Indian Economy

| S.No. | Parameters | |
|---|---|---|
| 1 | GDP at constant market prices (FY2017) | Rs. 1,21,89,854 crore |
| 2 | GDP Growth rate (FY2017) | 7.1% |
| 3 | Gross Savings Rate (FY2016) | 32.3% of GDP |
| 4 | Gross Capital Formation (FY2016) | 33.3% of GDP |
| 5 | Export Growth (FY2017) | 5.2% |
| 6 | Import Growth (FY2017) | 0.9% |
| 7 | Growth rate of exports of Gems & Jewellery (FY2017) | 10.5% |
| 8 | Growth rate of exports of Engineering goods (FY2017) | 11.1% |
| 9 | Growth rate of exports of Marine Products (FY2017) | 23.8% |
| 10 | Growth rate of exports of Ores & minerals (FY2017) | 61.6% |
| 11 | Employment in Private and Public sector (As on March 2012) | 295.8 lakh persons |
| 12 | Increase in unique indirect taxpayers under the GST compared with the pre-GST system | 50% |
| 13 | India's sex ratio by birth when child is not the last ($1^{st}$ Child) (FY2016) | 1.07 |
| 14 | India's sex ratio by birth when child is the last ($1^{st}$ Child) (FY2016) | 1.82 |
| 15 | Direct tax cases in Supreme Court - Petition rate | 87% |
| 16 | Direct tax cases in Supreme Court - Success rate | 27% |
| 17 | Indirect tax cases in Supreme Court- Petition rate | 63% |
| 18 | Indirect tax cases in Supreme Court- Success rate | 11% |
| 19 | Toilet Coverage (in percent of Households in Rural India) (2017) | 63% as per Quality Council of India |
| 20 | Rural Sanitation Coverage in India (As of 2018) | 78% |
| 21 | Total installed capacity of electricity(As on $30^{th}$ November,2017) | 330860.6 MW |
| 22 | Women in Politics in Lok Sabha (As of October 2016) | 64 of 542 MPs |
| 23 | Women in Politics in Rajya Sabha (As of October 2016) | 27 of 245 MPs |
| 24 | Gross Enrolment Ratio for I – VIII classes (%) | 96.9% in 2015-16 |
| 25 | Length of National, State Highways and Other roads (As of 2015 – 16) | 56,17,812 km |
| 26 | Public Investment in R&D (FY2016-17)^ | Rs. 60869 crore |
| 27 | Private Investment in R&D (FY2016-17)^ | Rs. 43995 crore |
| 28 | Ease of Doing Business Rank (2018)# | $100^{th}$ |

Source: PHD Research Bureau, compiled from Economic Survey 2017-18. Note ; ^Dept. of Science & Technology (DST); World Bank; #World Bank's Ease of Doing Business Report (EODB), 2018;

# 3. UNION BUDGET 2018-2019: KEY HIGHLIGHTS

The Union Budget 2018-19 announced by the Hon'ble Finance Minister Shri Arun Jaitley is a budget for livelihood and consumption-led growth with the focus on strengthening agriculture, rural development, health, education, MSMEs, employment generation and infrastructure sectors. This year's budget is progressive and growth oriented and lays foundation for agriculture and rural development. The cumulative impact of budget announcements will give a steady push to the agricultural and rural economy, MSMEs, development of socio-economic segments and overall economic growth of the country.

**Key highlights :**

- Minimum Support Price (MSP) for all unannounced kharif crops will be atleast one and half times of their production cost like majority of rabi crops.
- Institutional Farm Credit raised to Rs 11 lakh crore for 2018-19 from Rs 8.5 lakh crore in 2014-15.
- 22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets to protect the interests of more than 86% small and marginal farmers.
- Allocation of a sum of Rs. 500 crore to "Operation Greens" launched to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management .
- Two New Funds of Rs. 10,000 crore announced for Fisheries and Animal Husbandary sectors.
- Re-structured National Bamboo Mission gets Rs.1290 crore.
- Loans to Women Self Help Groups will increase to Rs. 75,000 crore in 2019 from Rs. 42,500 crore last year.
- Higher targets for Ujjwala, Saubhagya and Swachh Mission to cater to lower and middle class in providing free LPG connections, electricity and toilets.
- Outlay on health, education and social protection will be 1.38 lakh crore for 2018-19.
- By the year 2022, every tribal block with more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School.
- Total earmarked allocation increased for Scheduled Castes (SCs) in 279 programmes from Rs 34,334 crore in 2016-17 to Rs 52,719 crore in RE 2017-18.
- World's largest Health Protection Scheme covering over 10 crore poor and vulnerable families launched with a family limit upto Rs 5 lakh rupees per year for secondary and tertiary care hospitalization.
- Projected a Fiscal Deficit of 3.3% of GDP for the year 2018-19.
- An amount of Rs. 5.97 lakh crore allocated for infrastructure for 2018-2019.
- Ten prominent sites to be developed as Iconic tourist destinations.
- NITI Aayog to initiate a national programme on Artificial Intelligence(AI).
- Centres of excellence to be set up on robotics, AI, Internet of things etc.
- Disinvestment crossed target of Rs 72,500 crore to reach around Rs 1,00,000 crore.
- Comprehensive Gold Policy on the anvil to develop yellow metal as an asset class.
- 100% deduction proposed to companies registered as Farmer Producer Companies with an annual turnover upto Rs. 100 crore on profit derived from such activities, for five years from 2018-19.
- Deduction of 30% allowed in addition to normal deduction of 100 % in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under section 80-JJAA of the Income-tax Act. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry.

In order to encourage creation of new employment, extension of this relaxation to footwear and leather industry proposed.

- No adjustment in respect of transactions in immovable property where Circle Rate value does not exceed 5% of consideration.
- Proposal to extend reduced rate of 25% currently available for companies with turnover of less than 50 crore (in Financial Year 2015-16), to companies reporting turnover up to Rs. 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises.
- Standard Deduction of Rs. 40,000 in place of present exemption for transport allowance and reimbursement of miscellaneous medical expenses. 2.5 crore salaried employees and pensioners to benefit.
- Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50,000 for senior citizens. TDS not required to be deducted for senior citizens on such income under section 194A and benefit also available for interest from all fixed deposit schemes and recurring deposit schemes.
- Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D for senior citizens.
- Increase in deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB.
- Proposed to extend Pradhan Mantri Vaya Vandana Yojana for senior citizens up to March, 2020. Current investment limit proposed to be increased to Rs. 15 lakh from the existing limit of Rs. 7.5 lakh per senior citizen.
- More concessions for International Financial Services Centre (IFSC), to promote trade in stock exchanges located in IFSC.
- To control cash economy, payments exceeding Rs. 10,000 in cash made by trusts and institutions to be disallowed and would be subject to tax.
- 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.
- Proposal to introduce tax on distributed income by equity oriented mutual funds at the rate of 10%.
- Proposal to increase cess on personal income tax and corporation tax to 4% from present 3%.
- Proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.
- Proposed changes in customs duty to promote creation of more jobs in the country and also to incentivise domestic value addition and Make in India in sectors such as food processing, electronics, auto components, footwear and furniture.

# 4. SEVEN FOCUS AREAS OF THE UNION BUDGET

The Budget has focused rightly on seven most important ingredients for developing India which includes (1) Agriculture and rural development, (2) State of the art infrastructure, (3) MSMEs, (4) Inclusive health, (5) Quality Education (6) Labour reforms and (7) Make in India, to promote the inclusive growth of the country.

Agriculture and rural development is at the top agenda of the Budget. Lot of announcements for the agriculture sector including increase in Minimum Support Price (MSP) at the rate of 1.5x of the cost of farm produce among others have been announced. On the infrastructure front, the government has made an all-time high allocation in the Budget to rail and road sectors along with significant announcements in roads, rail and airports. Further, the MSMEs have been a given a major impetus in the Budget 2018-19 as the government has announced reduction in corporate income tax for MSMEs which will help meet their capital requirements including working capital. In terms of labour reforms, the facility of fixed term employment will be extended to all sectors which will create millions of employment opportunities.

The government has been working towards growth of manufacturing sector and hence the Union Budget 2018-19 gives impetus to Make in India. On the socio-economic front, the government has proposed path breaking announcements in the health sector in the Budget such as the launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage of upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization which will be the world's largest government funded health care programme. The Hon'ble Finance Minister has addressed the issue of quality education in the Budget and has launched a major initiative namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022'' with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions.

## 1. Agriculture and Rural Development

Agriculture and rural development is at the top agenda of the government in this budget. Lot of developments in the agriculture sector including increase in Minimum Support Price (MSP) at the rate of 1.5x of the cost of farm produce, agri-market infrastructure fund with a corpus of Rs. 200 crore, supporting the food processing industry by doubling the allocation from Rs. 715 crore in 2017-18 (RE) to Rs. 1400 crore in 2018-19(BE), liberalizing export of agri-commodities to realise agri-exports to the level of US$100 bn against the current exports of US$ 30 bn, allocating a total fund of Rs. 10,000 crore for the Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector along with institutional credit to farmers raised to Rs. 11 lakh crore for FY19 are few major highlights for the development of agriculture. These developments will go a long way to improve agri-infrastructure and increase farm income which is also aim of the government ie to double farmers' income by 2022. This will not only uplift agriculture sector but also uplift rural demand which is going to ultimately benefit the demand for consumer durables and give a push to the manufacturing sector.

The rural sector has also been focused as there has been a substantial increase in allocation of National Rural Livelihood Mission to Rs.5750 crore in 2018-19, Prime Minister's Ujjwala Scheme is proposed to be increased with the target of providing free connection to 8 crore poor women from earlier target of 5 crore women. Announcement to enable broadband access to over 20 crore rural Indians in about two lakh fifty thousand villages and more than one crore houses would be constructed exclusively in rural areas by FY19. These measures will significantly enhance the standards of living of masses. The total amount for agriculture and rural infrastructure to enhance the livelihood and promote all inclusive development in the country is earmarked at Rs. 14.34 lakh crore.

## 2. State of the art Infrastructure

The government has made an all-time high allocation in the Budget to rail and road sectors. Significant announcements have been made in roads, rail and airports. The government has announced development of 35000 kms of roads in Phase-I of Bharatmala Pariyojana at an estimated cost of Rs. 5.35 lakh crore as well as a policy to introduce toll system on ''pay as you use'' basis. For the railways, the government has announced strengthening the railway network and enhancing railways' carrying capacity. The Railways' Capex for the year 2018-19 has been pegged at Rs.1.48 lakh crore and the focus is to transform the entire network into Broad Gauge. Further, the government has also announced strengthening infrastructure at the Goods sheds and fast track commissioning of private sidings, maintenance of track infrastructure with 3600 kms of track renewal targeted in the current financial year and redevelopment of 600 major railways stations. For the development of airports, the government has proposed to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirma and leveraging balance sheet of AAI to raise more resources for further expansion.

Apart from these, the Hon'ble Finance Minister announced measures such as connect one lakh gram panchayat through high speed optical fiber network has been completed under phase I of the Bharatnet project and explore block chain technology proactively for ushering in digital economy. All these measures are expected to facilitate state of the art infrastructure development which will support the growth of the industry sector and promote overall well being of the population of the country. Consequently, the Government's estimated budgetary and extra budgetary expenditure on infrastructure for 2018-19 has witnessed an increase of 20.7% to Rs. 5.97 lakh crore against estimated expenditure of Rs. 4.94 lakh crore in 2017-18.

## 3. MSMEs

The MSMEs have been a given a major impetus in the Budget 2018-19 as the government has announced a slew of measures for the promotion and growth of the sector. The government has provided Rs. 3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations, Corporate Income tax for companies with annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%. Further, the Government has proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN and has made amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.

The reduction in corporate income tax for companies is a big relief for the MSMEs as it will help to meet their capital requirements including working capital. Further, it will leave the MSMEs with higher investible surplus which in turn will create more jobs. The amendments in the EPF and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment will incentive employment of more women in MSMEs and at the same time incentive the MSMEs to higher more workforce. The government has earmarked Rs. 3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations. All these measures will give a boost to the sector which will contribute to higher growth in the economy in the coming times.

## 4. Inclusive Health

The government has proposed path breaking announcements in the health sector in the Budget. The government has announced the launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage of upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization which will be the world's largest government funded health care programme alongwith development of 1.5 lakh Health and Wellness Centres for providing comprehensive healthcare to the people of the country.

Further, the government has announced 24 new Government Medical Colleges and Hospitals to be set up by upgrading existing district hospital, Rs 600 crore for providing nutritional support to TB patients during their treatment and increase in the limit of deduction for health insurance premium for senior citizens from Rs 30,000 to Rs 50,000. All these measures would go a long way in addressing the quality and reach of healthcare system in India and provide people with quality healthcare which would give a boost to socio-economic development in the economy, going forward. The total amount allocated to health sector witnessed an increase of around 12% from Rs. 48878 crore in FY18 (BE) to Rs. 54667 crore in FY19 (BE).

## 5. Quality Education

The Hon'ble Finance Minister has addressed the issue of quality education in the Budget and has launched a major initiative namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022'' with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions.

This will promote innovation in the country with facilitation of state of the art infrastructure for the students which will place India on global knowledge map. The government has also announced significant measures such as Prime Minister's Research Fellows (PMRF) scheme for 1000 best B-Tech students each year from premier institutions and 18 new Schools of Planning and Architecture (SPAs). The government has also announced an integrated B.Ed. programme for teachers to improve the quality of education in the country and setting up of Eklavya Schools to provide the best quality education to the tribal children in their own environment.

All these developments will go a long way to extend quality education to the last mile which will promote all inclusive growth and development in the country in the coming times. The total allocation to the sector has witnessed an increase of around 7% at Rs. 85010 crore in FY19 from Rs. 79686 crore in FY18 (BE).

## 6. Labour Reforms

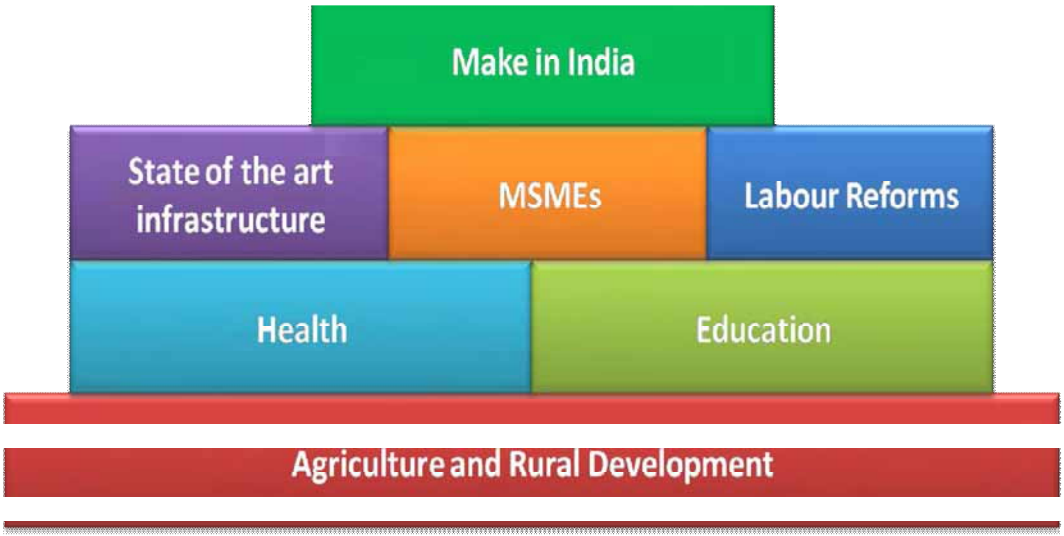
The Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors. This will create millions of employment opportunities. Initiatives in the past three years had helped create 7 million formal sector jobs this year. The Budget extended the government's provident fund subsidy for new employees to all industries. The use of fixed – term labour contracts, earlier restricted to apparel and footwear, was also extended to all industries. This welcome reform should spur jobs.

## 7. Make in India

The Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors. This will create millions of employment opportunities. Initiatives in the past three years had helped create 7 million formal sector jobs this year. The Budget extended the government's provident fund subsidy for new employees to all industries. The use of fixed – term labour contracts, earlier restricted to apparel and footwear, was also extended to all industries. This welcome reform should spur jobs.

In a nutshell, the government has come out with a developmental budget which is focused on seven areas viz. (1) Agriculture and rural development, (2) State of the art infrastructure, (3) MSMEs, (4) Inclusive health, (5) Quality Education (6) Labour reforms and (7) Make in India. The budget is prepared in a long term perspective from the grass root level which would not only strengthen the economic growth trajectory but also put it on a sustainable growth path. The focus of the government at this juncture is to enhance the job growth trajectory as they have very rightly expanded the fixed term labour contracts to all the industries which were earlier for apparel and footwear only. This move is expected to increase employment opportunities particularly in the MSMEs. Increasing the import duties on certain products is a move to set a level playing field to promote Make in India programme and to restrict the rising import volumes in the products which can be produced at the domestic level. Further, the government has made significant announcements in roads, rail and airports to provide state of the art infrastructure which will also facilitate the growth of industries in the coming times. To promote all-inclusive growth, the government has focussed on agriculture and rural development by announcing significant reform measures. The government has made a historic announcement of launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families which will be the world's largest government funded health care programme. The focus on quality education in this budget will go a long way in promoting socio-economic development. Thus, the budget is rightly the budget for all with a focus on livelihood and consumption-led growth in the economy.

### Seven Focus Areas of the Union Budget 2018-19



# 5. BUDGET AT A GLANCE

| | | | |
|---|---|---|---|
| **Fiscal deficit** in Revised Estimates (RE) 2017-18 has been increased to 3.5% from 3.2% and in BE 2018-19 is pegged at 3.3%. | **Revenue Deficit** of 1.9% in BE 2017-18 stands increased to 2.6% in the Revised Estimates. The Revenue Deficit for 2018-19 is pegged at 2.2%. | **Primary deficit** in Revised Estimates (RE) 2017-18 has been increased to 0.4% from 0.1% and in BE 2018-19 is pegged at 0.1%. | **Total expenditure in Budget for 2018-19** has been placed at 22.43 lakh crores. |

**1. Budget at a Glance** *(Amount in Rs. Crore)*

| S. No. | Particulars | 2016-17 Actuals | 2017-18 BE | 2017-18 RE | 2018-19 BE | 2018-19 Y-o-Y growth % |
|---|---|---|---|---|---|---|
| **1** | **Revenue Receipts (2+3)** | **1374203** | **1515771** | **1505428** | **1725738** | **14.63%** |
| 2 | Tax Revenue (Net to Centre) | 1101372 | 1227014 | 1269454 | 1480649 | **16.64%** |
| 3 | Non-tax revenue | 272831 | 288757 | 235974 | 245089 | **3.86%** |
| **4** | **Capital Receipts (5+6+7)[$]** | **600991** | **630964** | **712322** | **716475** | **0.58%** |
| 5 | Recoveries of loans | 17630 | 11933 | 17473 | 12199 | **-30.18%** |
| 6 | Other Receipts | 47743 | 72500 | 100000 | 80000 | **-20.00%** |
| 7 | Borrowings & other liabilities[#] | 535618 | 546531 | 594849 | 624276 | **4.95%** |
| **8** | **Total Receipts (1+4)** | **1975194** | **2146735** | **2217750** | **2442213** | **10.12%** |
| **9** | **Total Expenditure (10+13)** | **1975194** | **2146735** | **2217750** | **2442213** | **10.12%** |
| 10 | On Revenue Account of which | 1690584 | 1836934 | 1944305 | 2141772 | **10.16%** |
| 11 | Interest Payments | 480714 | 523078 | 530843 | 575795 | **8.47%** |
| 12 | Grants in Aid for creation of Capital assets | 165733 | 195350 | 189245 | 195345 | **3.22%** |
| 13 | On Capital Account | 284610 | 309801 | 273445 | 300441 | **9.87%** |
| **14** | **Revenue deficit (10-1)** | **316381** | **321163** | **438877** | **416034** | **-5.20%** |
| 15 | as % of GDP | 2.1 | 1.9 | 2.6 | 2.2 | **...** |
| **16** | **Effective Revenue Deficit (14-12)** | **150648** | **125813** | **249632** | **22689** | **-90.91%** |
| 17 | as % of GDP | 1 | 0.7 | 1.5 | 1.2 | **...** |
| **18** | **Fiscal deficit {9-(1+5+6)}** | **535618** | **546531** | **594849** | **624276** | **4.95%** |
| 19 | as % of GDP | 3.5 | 3.2 | 3.5 | 3.3 | **...** |
| **20** | **Primary deficit (16-11)** | **54904** | **23453** | **64006** | **48481** | **-24.26%** |
| 21 | as % of GDP | 0.4 | 0.1 | 0.4 | 0.1 | **...** |

Source: PHD Research Bureau complied from Budget 2018-19.

Notes:

1. GDP for BE 2018-2019 has been projected at Rs. 18722302 crore assuming 11.5% growth over the estimated GDP of Rs. 16784679 crore for 2017-18 (RE).
2. Individual items in this document may not sum up to the totals due to rounding off
3. Figures in parenthesis are as a percentage of GDP

$ Excluding receipts under Market Stabilisation Scheme

# Includes drawdown of Cash Balance

## 2. Summary of Receipts

*(Amount in Rs. Crore)*

| S. No | Component | 2016-17 | 2017-18 | | 2018-19 | 2018-19 Y-o-Y growth |
|---|---|---|---|---|---|---|
| | | Actuals | BE | RE | BE | % |
| 1 | **Tax Revenue Gross Tax Revenue** | **1715822** | **1911579** | **1946119** | **2271242** | **16.71%** |
| a. | Corporation Tax | 484924 | 538745 | 563745 | 621000 | **10.16%** |
| b. | Taxes on Income | 364604 | 441255 | 441255 | 529000 | **19.89%** |
| c. | Wealth Tax | 185 | ... | ... | ... | ... |
| d. | Customs | 225370 | 245000 | 135242 | 112500 | **-16.82%** |
| e. | Union Excise Duties | 382094 | 406900 | 276995 | 259600 | **-6.28%** |
| f. | Service Tax | 254499 | 275000 | 79507 | ... | ... |
| g. | GST | ... | ... | 444631 | 743900 | **67.31%** |
| | - CGST | ... | ... | 221400 | 603900 | **172.76%** |
| | - IGST | ... | ... | 161900 | 50000 | **-69.12%** |
| | - GST Compensation Cess | ... | ... | 61331 | 90000 | **46.74%** |
| h. | Taxes on Union Territories | 4146 | 4679 | 4744 | 5242 | **10.50%** |
| **Less - NCCD transferred to the NCCF/NDRF** | | **6450** | **10000** | **3660** | **2500** | **-31.69%** |
| **Less - State's share** | | **608000** | **674565** | **673005** | **788093** | **17.10%** |
| **1a.** | **Centre's Net Tax Revenue** | **1101372** | **1227014** | **1269454** | **1480649** | **16.64%** |
| **2** | **Non-Tax Revenue** | **272831** | **288757** | **235974** | **245089** | **3.86%** |
| | Interest receipts | 16229 | 19021 | 13551 | 15162 | **11.89%** |
| | Dividend and Profits | 123017 | 142430 | 106433 | 107312 | **0.83%** |
| | External Grants | 1300 | 3060 | 3681 | 2667 | **-27.55%** |
| | Other Non Tax Revenue | 130481 | 122728 | 110433 | 117886 | **6.75%** |
| | Receipts of Union Territories | 1804 | 1518 | 1876 | 2062 | **9.91%** |
| | **Total Revenue Receipts(1a + 2)** | **1374203** | **1515771** | **1505428** | **1725738** | **14.63%** |
| **3** | **Capital Receipts** | | | | | |
| **A.** | **Non-debt Receipts** | **65372** | **84433** | **117473** | **92199** | **-21.51%** |
| (i) | Recoveries of loans and advances@ | 17630 | 11933 | 17473 | 12199 | **-30.18%** |
| (ii) | Disinvestment Receipts | 47742 | 72500 | 100000 | 80000 | **-20.00%** |
| **B.** | **Debt Receipts*** | **544514** | **533687** | **634229** | **581210** | **-8.36%** |
| | **Total Capital Receipts (A+B)** | **609886** | **618120** | **751702** | **673409** | **-10.42%** |
| **4** | **DRAW-DOWN OF CASH BALANCE** | **(-) 8895** | **12844** | **-39379** | **43066** | **-209.36%** |
| **Total Receipts (1a+2+3)** | | **1984089** | **2133891** | **2257129** | **2399147** | **6.29%** |
| **Receipts under MSS (Net)** | | ... | ... | ... | ... | .... |

Source: PHD Research Bureau complied from Budget 2018-19. Note: Individual items in this document may not sum up to the totals due to repayments. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth. NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund. * The receipts are net of payment. @ Excludes recoveries of short term loans and advances.

## 3. Summary of Expenditure

*(Amount in Rs. Crore)*

| S.No. | Particulars | 2016-17 Actuals | 2017-18 BE | 2017-18 RE | 2018-19 BE | 2018-19 Y-o-Y growth % |
|---|---|---|---|---|---|---|
| **A** | **Centre's Expenditure** | | | | | |
| I | Establishment Expenditure | 423851 | 437538 | 468914 | 508400 | 8.42% |
| II | Central Sector Schemes/ Projects | 589471 | 663663 | 634318 | 708934 | 8.42% |
| III | Other Central Sector Expenditure of which | 570377 | 622206 | 638009 | 678017 | 8.42% |
| | Interest Payments | 480714 | 523018 | 530843 | 575975 | 8.50% |
| **B.** | **Transfers** | | | | | |
| IV | Centrally Sponsored Schemes | 241295 | 278433 | 285582 | 305517 | 6.98% |
| V | Finance Commission Grants | 95550 | 103101 | 101490 | 109373 | 7.77% |
| VI | Other Grants/Loans/Transfers | 54650 | 41794 | 89437 | 131972 | 47.56% |
| | **Grand Total** | **1975194** | **2146735** | **2217750** | **2442213** | **10.12%** |
| | **Capital Expenditure of the Government** | | | | | |
| 1 | Gross Budgetary Support | 284609 | 309801 | 273445 | 300441 | 9.87% |
| 2 | Ministry of Railways (IEBR) | 64703 | 76000 | 80000 | 93440 | 16.80% |
| 3 | IEBR (excluding Ministry of Railways) | 273394 | 309027 | 396859 | 384831 | -3.03% |
| | **Total** | **622706** | **694828** | **750304** | **778712** | **3.79%** |

Source: PHD Research Bureau compiled from Budget 2018-19.
Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y stands for Year on year growth.

## 4. Resources Transferred to State and U.T.

*(Amount in Rs. Crore)*

| S.No. | Indicators | 2016-17 Actuals | 2017-18 RE | 2018-19 BE | 2018-19 Y-o-Y growth% |
|---|---|---|---|---|---|
| **I.** | **Devolution of States' share in taxes** | **608000** | **673005** | **788093** | **17.10%** |
| **II.** | **Some Important Items of Transfer** | **48054** | **39386** | **54482** | **38.33%** |
| a | Assistance to States from NDRF | 11441 | 7167 | 10000 | **39.53%** |
| b | Central Pool of Resources for North Eastern Region and Sikkim | 647 | 701 | 692 | **-1.28%** |
| c | Externally Added Projects - Grants | 3498 | 3000 | 4500 | **50.00%** |
| d | Externally Aided Projects - Loan | 17764 | 17500 | 20000 | **14.29%** |
| e | Schemes of North East Council | 547 | 713 | 524 | **-26.51%** |
| f | Schemes under Proviso to Article 275(1) of the Constitution | 1266 | 1288 | 1545 | **19.95%** |
| g | Special Assistance | 10900 | 7000 | 15000 | **114.29%** |
| h | Special Central Assistance to Scheduled Castes | 796 | 770 | 976 | **26.75%** |
| i | Special Central Assistance to Tribal Area | 1195 | 1247 | 1245 | **-0.16%** |
| **III.** | **Finance Commission Grants** | **95550** | **101490** | **109373** | **7.77%** |
| a | Grant for Rural Local Bodies | 31370 | 39041 | 45069 | **15.44%** |
| b | Grants for Urban Local Bodies | 14498 | 17247 | 19870 | **15.21%** |
| c | Grants-in-Aid for SDRF | 8375 | 9383 | 9852 | **5.00%** |
| d | Post Devolution Revenue Deficit Grants | 41307 | 35819 | 34582 | **-3.45%** |
| **IV.** | **Total Transfer to States [Other than (I)+(II)+(III)]** | **228957** | **296724** | **310987** | **4.81%** |
| a | Under Centrally Sponsored Schemes (Revenue) | 225848 | 263783 | 277754 | **5.30%** |

| | | | | | |
|---|---|---|---|---|---|
| b | Under Central Sector Schemes (Revenue) | 2407 | 31765 | 32186 | **1.33%** |
| c | Under Other Categories of Expenditure (Revenue) | 697 | 939 | 898 | **-4.37%** |
| d | Capital Transfers | 5 | 237 | 149 | **-37.13%** |
| **V.** | **Total Transfer to Delhi and Puducherry** | **5113** | **5272** | **6500** | **23.29%** |
| a | Under Centrally Sponsored Schemes (Revenue) | 1328 | 1456 | 1643 | **12.84%** |
| b | Under Central Sector Schemes (Revenue) | 5 | 72 | 87 | **20.83%** |
| c | Under Other Categories of Expenditure (Revenue) | 3708 | 3672 | 4770 | **29.90%** |
| d | Capital Transfers | 72 | 72 | … | … |
| | **Total Transfers to States/UTs** | **985674** | **1115877** | **1269435** | **13.76%** |

Source: PHD Research Bureau, compiled from Budget 2018-19. Note: BE-Budget Estimates, RE-Revised Estimates. UT stands for Union Territories and NDRF stands for National disaster Response Fund (NDRF)

## 5. Debt and Deficit Statistics

*(Amount in Rs. Crore)*

| S. No. | Particulars | 2016-17 Actuals | 2017-18 BE | 2017-18 RE | 2018-19 BE | 2017-18 Y-o-Y growth % |
|---|---|---|---|---|---|---|
| **1** | **Fiscal Deficit** | **535618** | **546531** | **594849** | **624276** | **4.95%** |
| | *as a % of GDP* | -3.5 | -3.2 | -3.5 | -3.3 | |
| **2** | **Primary Deficit** | **316381** | **321163** | **438877** | **416034** | **-5.20%** |
| | *as a % of GDP* | -2.1 | -1.9 | -2.6 | -2.2 | |
| **3** | **Revenue Deficit** | **150648** | **125813** | **249632** | **220689** | **-11.59%** |
| | *as a % of GDP* | -1 | -0.7 | -1.5 | -1.2 | |
| **4** | **Effective Revenue Deficit** | **54904** | **23453** | **64006** | **48481** | **-24.26%** |
| | *as a % of GDP* | -0.4 | -0.1 | -0.4 | -0.3 | |
| | **Sources of Financing Fiscal Deficit** | | | | | |
| **5** | **Debt Receipts (Net)** | | | | | |
| | 6. Market Borrowings (G-Sec + T Bills) | 355206 | 350228 | 479864 | 407120 | -15.16% |
| | 7. Securities Against Small Savings | 67435 | 100157 | 102628 | 75000 | -26.92% |
| | 8. State Provident Funds | 17745 | 14000 | 15000 | 17000 | 13.33% |
| | 9. Other Receipts (Reserve Fund, Deposit & Advances) | 86130 | 53513 | 34318 | 84679 | 146.75% |
| | 10. External Debt | 17997 | 15789 | 2418 | -2589 | -207.07% |
| **11** | **Draw Down of Cash Balance** | **(-) 8895** | **12844** | **-39379** | **43066** | … |
| **12** | **Grand Total** | **535618** | **546531** | **594849** | **624276** | **4.95%** |

Source: PHD Research Bureau compiled from Budget 2018-19.
Note: Individual items may not sum up to the totals due to rounding off; BE - Budget Estimates, RE - Revised Estimates

## 6. Sectoral Allocations

*(Amount in Rs. Crore)*

| S.No. | Particulars | 2016-17 Actuals | 2017-18 BE | 2017-18 RE | 2018-19 BE | 2018-19 Y-o-Y growth % |
|---|---|---|---|---|---|---|
| 1 | **Pension** | 131401 | 131201 | 147387 | 168466 | **14.30%** |
| 2 | **Defence** | 251781 | 262390 | 267108 | 282733 | **5.85%** |
| 3 | **Subsidy** | | | | | |
| 4 | - Fertiliser | 66313 | 70000 | 64974 | 70080 | **7.86%** |
| 5 | - Food | 110173 | 145339 | 140282 | 169323 | **20.70%** |
| 6 | - Petroleum | 27539 | 25000 | 24460 | 24933 | **1.93%** |
| 7 | **Agriculture and Allied Activities** | 50184 | 56992 | 56589 | 63836 | **12.81%** |
| 8 | **Commerce and Industry** | 21364 | 24660 | 26310 | 27956 | **6.26%** |
| 9 | **Development of North East** | 2496 | 2682 | 2682 | 3000 | **11.86%** |
| 10 | **Education** | 72016 | 79686 | 81869 | 85010 | **3.84%** |
| 11 | **Energy** | 30964 | 36718 | 41682 | 41104 | **-1.39%** |
| 12 | **External Affairs** | 12753 | 14798 | 13690 | 15012 | **9.66%** |
| 13 | **Finance** | 41549 | 29533 | 29449 | 20342 | **-30.92%** |
| 14 | **Health** | 39005 | 48878 | 53198 | 54667 | **2.76%** |
| 15 | **Home Affairs** | 78360 | 83830 | 88143 | 93450 | **6.02%** |
| 16 | **Interest** | 480714 | 523078 | 530843 | 575795 | **8.47%** |
| 17 | **IT and Telecom** | 17985 | 20787 | 17802 | 22380 | **25.72%** |
| 18 | **Others** | 63667 | 67722 | 69515 | 72845 | **4.79%** |
| 19 | **Planning and Statistics** | 4494 | 5049 | 5063 | 5199 | **2.69%** |
| 20 | **Rural Development** | 113877 | 128560 | 135604 | 138097 | **1.84%** |
| 21 | **Scientific Departments** | 19493 | 22299 | 22370 | 24906 | **11.34%** |
| 22 | **Social Welfare** | 31812 | 39383 | 38624 | 44220 | **14.49%** |
| 23 | **Tax Administration** | 22146 | 12699 | 77747 | 105541 | **35.75%** |
| 24 | **Transfer to States** | 132704 | 137101 | 120265 | 142858 | **18.79%** |
| 25 | **Transport** | 102200 | 124375 | 107092 | 134572 | **25.66%** |
| 26 | **Union Territories** | 13258 | 13357 | 14248 | 14123 | **-0.88%** |
| 27 | **Urban Development** | 36946 | 40618 | 40754 | 41765 | **2.48%** |
| | **Grand Total** | **1975194** | **2146735** | **2217750** | **2442213** | **10.12%** |

Source: PHD Research Bureau compiled from Budget 2018-19

Note: Individual items may not sum up to the totals due to rounding off. BE - Budget Estimates, RE - Revised Estimates.

## 7. Outlay on Major Schemes

*(Amount in Rs. Crore)*

| S. No. | Particulars | 2016-17 Actuals | 2017-18 BE | 2017-18 RE | 2018-19 BE | 2018-19 Y-o-Y growth % |
|---|---|---|---|---|---|---|
| **(A)** | **Core of the Core Schemes** | | | | | |
| 1 | National Social Assistance Progam | 8854 | 9500 | 8745 | 9975 | 14.1% |
| 2 | Mahatma Gandhi National Rural Employment Guarantee Program | 48215 | 48000 | 55000 | 55000 | 0.0% |
| 3 | Umbrella Scheme for Development of Schedule Castes | 4863 | 5114 | 5114 | 5183 | 1.3% |
| 4 | Umbrella Programme for Development of Scheduled Tribes | 3319 | 3490 | 3512 | 3806 | 8.4% |
| 5 | Umbrella Programme for Development of Minorities | 2790 | 4072 | 4075 | 4580 | 12.4% |

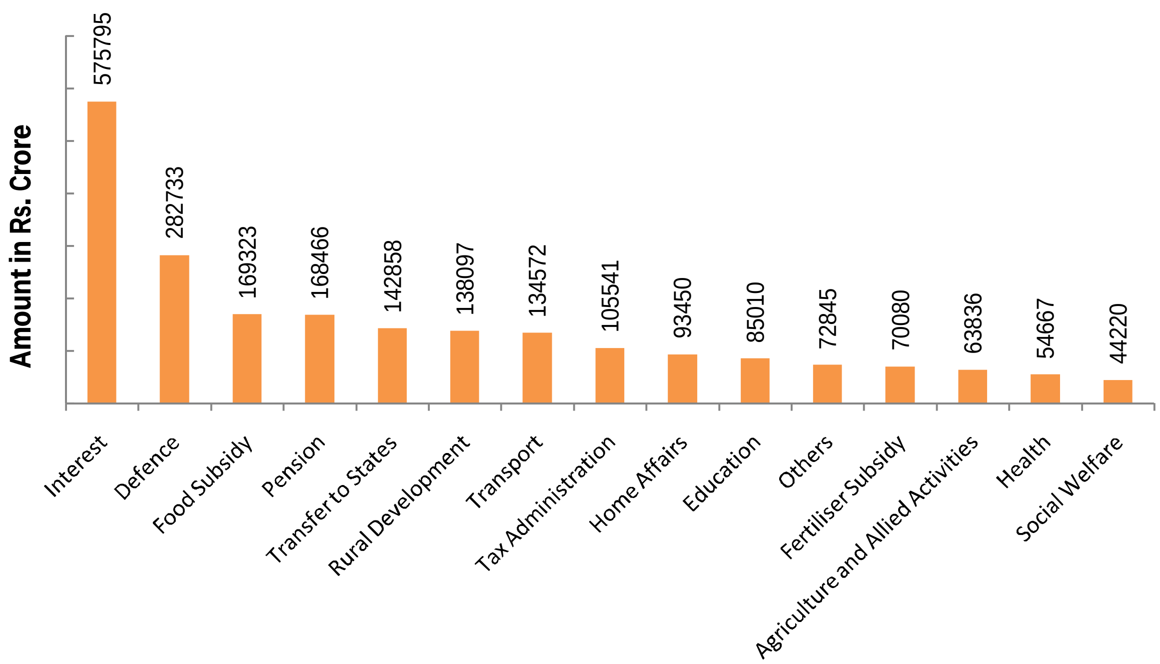
| | | | | | | |
|---|---|---|---|---|---|---|
| 6 | Umbrella Programme for Development of Other Vulnerable Groups | 1507 | 1580 | 1630 | 2287 | 40.3% |
| **(B)** | **Core Schemes** | | | | | |
| 7 | Green Revolution | 10105 | 13741 | 11185 | 13909 | 24.4% |
| 8 | White Revolution | 1309 | 1634 | 1633 | 2220 | 35.9% |
| 9 | Blue Revolution | 388 | 401 | 302 | 643 | 112.9% |
| 10 | Pradhan Mantri Krishi Sinchai Yojna | 5134 | 7377 | 7392 | 9429 | 27.6% |
| 11 | Pradhan Mantri Gram Sadak Yojna | 17923 | 19000 | 16900 | 19000 | 12.4% |
| 12 | Pradhan Mantri Awas Yojna(PMAY) | 20952 | 29043 | 29043 | 27505 | -5.3% |
| 13 | National Rural Drinking Water Mission | 5980 | 6050 | 7050 | 7000 | -0.7% |
| 14 | Swachh Bharat Mission | 12619 | 16248 | 19248 | 17843 | -7.3% |
| 15 | National Health Mission | 22870 | 27131 | 31292 | 30634 | -2.1% |
| 16 | National Education Mission | 27616 | 29556 | 29556 | 32613 | 10.3% |
| 17 | National Programme of Mid Day Meals in Schools | 9475 | 10000 | 10000 | 10500 | 5.0% |
| 18 | Umbrella ICDS | 15893 | 20755 | 19963 | 23088 | 15.7% |
| 19 | Mission for Protection and Empowerment for Women | 793 | 1089 | 988 | 1366 | 38.3% |
| 20 | National Livelihood Mission - Ajeevika | 3486 | 4849 | 4699 | 6060 | 29.0% |
| 21 | Jobs and Skill Development | 1817 | 4089 | 2905 | 5071 | 74.6% |
| 22 | Environment, Forestry and Wildlife | 795 | 962 | 975 | 1019 | 4.5% |
| 23 | Urban Rejuvenation Mission: AMRUT and Smart Cities Mission | 9277 | 9000 | 8999 | 12169 | 35.2% |
| 24 | Modernisation of Police Forces | 2230 | 2022 | 2577 | 3157 | 22.5% |
| 25 | Infrastructure Facilities for Judiciary | 542 | 629 | 629 | 630 | 0.2% |
| 26 | Border Area Development Programme | 1015 | 1100 | 1100 | 771 | -29.9% |
| 27 | Shyama Prasad Mukherjee Rurban Mission | 599 | 1000 | 600 | 1200 | 100.0% |
| 28 | Rashtriya Swasthya Bima Yojna | 1380 | 1000 | 471 | 2000 | 324.6% |
| **Major Central Sector Schemes** | | | | | | |
| 29 | Crop Insurance Scheme | 11052 | 9000 | 10698 | 13000 | 21.5% |
| 30 | Interest Subsidy for Short Term Credit to Farmers | 13397 | 15000 | 14750 | 15000 | 1.7% |
| 31 | Crop Science | 1348 | 387 | 400 | 800 | 100.0% |
| 32 | Agricultural Universities and Institutions | 661 | 663 | 658 | 685 | 4.1% |
| 33 | Regional Connectivity Scheme | ... | ... | 200 | 1014 | 407.0% |
| 34 | Interest Equalisation Scheme (Department of Commerce) | 1000 | 1100 | 2000 | 2500 | 25.0% |
| 35 | National Industrial Corridor Development and Implementation Trust (NICDIT) | 500 | 1032 | 797 | 1097 | 37.6% |
| 36 | Exhibition-Cum-Convention Centre, Dwarka | ... | ... | 500 | 700 | 40.0% |
| 37 | North Eastern Industrial and Investment Promotion Policy (NEIPP) | 170 | 600 | 783 | 528 | -32.6% |
| 38 | Refund of Central and Integrated GST to Industrial Units in North Eastern Region and Himalayan States | ... | ... | 1440 | 1500 | 4.2% |
| 39 | Compensation to Service Providers for creation and augmentation of telecom infrastructure-Bharatnet | 7226 | 11636 | 7000 | 10000 | 42.9% |
| 40 | Optical Fibre Cable based network for Defence Services | 3210 | 3000 | 3755 | 4500 | 19.8% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 41 | Price Stabilisation Fund | 6900 | 3500 | 3500 | 1500 | -57.1% |
| 42 | Promotion of Electronics and IT HW Manufacturing (MSIPS, EDF and Manufacturing Clusters) | 50 | 745 | 485 | 864 | 78.1% |
| 43 | Promotion of Digital payment | ... | ... | 25 | 596 | 2284.0% |
| 44 | Equity Capital to Micro Units Development Refinance Agency (MUDRA Bank) | 900 | ... | ... | 600 | ... |
| 45 | Pradhan Mantri Kisan Sampada Yojana | ... | ... | ... | 1313 | ... |
| 46 | Pardhan Mantri Swasthya Suraksha Yojana | 1953 | 3975 | 3175 | 3825 | 20.47% |
| 47 | National AIDS and STD Control Programme | 1749 | 2000 | 2163 | 2100 | -2.91% |
| 48 | Border Infrastructure and Management | 1614 | 2600 | 2040 | 1750 | -14.22% |
| 49 | Police Infrastructure | 2904 | 4447 | 4490 | 4750 | 5.79% |
| 50 | Metro Projects & MRTS | 15327 | 18000 | 18000 | 15000 | -16.67% |
| 51 | National Capital Region Transport Corporation | ... | ... | ... | 659 | ... |
| 52 | Higher Education Financing Agency (HEFA) | ... | 250 | 250 | 2750 | 1000.00% |
| 53 | Employees Pension Scheme, 1995 | 4025 | 4771 | 5111 | 4900 | -4.13% |
| 54 | Education of Minorities girl child | ... | 687 | 661 | 860 | 30.11% |
| 55 | National Manufacturing Competitiveness Programme (NMCP) | 319 | 506 | 461 | 1006 | 118.22% |
| 56 | Prime Minister Employment Generation Programme (PMEGP) | 1113 | 1024 | 1195 | 1801 | 50.71% |
| 57 | Credit Support Programme | 716 | 3002 | 2802 | 700 | -75.02% |
| 58 | Wind Power - Grid Interactive Renewable Power | 489 | 400 | 750 | 750 | 0.00% |
| 59 | Solar Power - Grid Interactive Renewable Power | 1992 | 2661 | 1117 | 2045 | 83.08% |
| 60 | Green Energy Corridors - Grid Interactive Renewable Power | 200 | 500 | 500 | 600 | 20.00% |
| 61 | Solar Power - Off-Grid/Distributed and Decentralized Renewable Power | 549 | 700 | 985 | 849 | -13.81% |
| 62 | Capacity Building- Panchayat Sashaktikaran Abhiyaan (PSA) /Rashtriya Gram Swaraj Abhiyan (RGSA) | 593 | 692 | 638 | 721 | 13.01% |
| 63 | LPG Connection to Poor Households | 2500 | 2500 | 2252 | 3200 | 42.10% |
| 64 | Phulpur Dhamra Haldia Pipeline Project | 450 | 1200 | 400 | 1674 | 318.50% |
| 65 | National Seismic Programme | ... | ... | 10 | 1300 | 12900.00% |
| 66 | Deen Dayal Upadhyaya Gram Jyoti Yojna | 2966 | 4814 | 5400 | 3800 | -29.63% |
| 67 | Sahaj Bijli Har Ghar Yojana (Rural)- Saubhagya | ... | ... | 1550 | 2750 | 77.42% |
| 68 | Integrated Power Development Scheme | 4366 | 5821 | 4372 | 4935 | 12.88% |
| 69 | Strengthening of Power Systems including Power Sector Development Fund | 1331 | 1517 | 1767 | 1311 | -25.81% |
| 70 | National Highways Authority of India including Road Works | 51963 | 64483 | 60671 | 70544 | 16.27% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 71 | Science and Technology Institutional and Human Capacity Building | 932 | 1073 | 1008 | 1109 | 10.02% |
| 72 | Innovation, Technology Development and Deployment | 550 | 652 | 670 | 720 | 7.46% |
| 73 | Biotechnology Research and Development | 1013 | 1251 | 1252 | 1350 | 7.83% |
| 74 | Sagarmala | 406 | 600 | 480 | 600 | 25.00% |
| 75 | Member of Parliament Local Area Development Scheme (MPLAD) | 3500 | 3950 | 3950 | 3950 | 0.00% |
| 76 | Amended Technology Upgradation Fund Scheme(ATUFS) | 2622 | 2013 | 1956 | 2300 | 17.59% |
| 77 | Procurement of Cotton by Cotton Corporation under Price Support Scheme | 610 | ... | 303 | 924 | 204.95% |
| 78 | Central Silk Board | 497 | 565 | 600 | 501 | -16.50% |
| 79 | Remission of State Levies (ROSL) | 400 | 1555 | 1855 | 2164 | 16.66% |
| 80 | Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan) & PRASAD | 1069 | 1060 | 1050 | 1250 | 19.05% |
| 81 | National River Conservation Programme | ... | 250 | 723 | 770 | 6.50% |
| 82 | National Ganga Plan and Ghat Works | 1675 | 2300 | 2300 | 2300 | 0.00% |
| 83 | Khelo India | 118 | 350 | 350 | 520 | 48.57% |

Source: PHD Research Bureau compiled from Budget 2018-19
Note: Individual items may not sum up to the totals due to rounding off. BE - Budget Estimates, RE - Revised Estimates.

**Chart 1. Allocation of Funds for top 15 sectors in Union Budget 2018-19**




Source: PHD Research Bureau; compiled from Union Budget 2018-19

# 6. FINANCIAL ANALYSIS OF THE UNION BUDGET 2018-19

According to the analysis of the profit-loss account of Union Budget 2018-19, it has been observed that the fiscal deficit which is the gap between the revenue and expenditure is estimated at Rs. 6,24,276 crore in 2018-19, out of which 92.2% (Rs. 5,75,795 crore) is the interest payments. Also, the size of fiscal deficit is around 25.6% of the total budget of Rs. 24,42,213 crore.

Revenue receipts have shown a good increasing trend from 66.7% in FY2015-16 to 70.7% in FY2018-19 whereas capital receipts have decelerated from 33.3% in FY2015-16 to 29.3% in FY2018-19. Borrowing and other liabilities have shown a good trend by decelerating from 29.7% in FY2015-16 to 25.6% in FY2018-19 which means the Government fiscal expansion is in a right direction. The size of the budget is on the rising mode as it rose from Rs.17,90,783 crore in FY2015-16 to Rs. 24,42,213 crore in FY2018-19(BE) with a growth of (-)0.97% in FY2015-16 to 10.1% in FY2018-19.

However, despite the expansion in economic activity and rising population particularly the young employment seeking population, the size of the budget as a percentage of GDP during the recent years has decelerated from around 15% of GDP in FY2013-14 to around 13% of GDP in FY2018-19 according to the budget estimates.

Economies such as USA, China, Japan have their expansionary fiscal policies and the size of the budget as a percentage of GDP in USA and China is estimated high at 21.4% and 20.9% and Japan at 17.2%. Therefore, at this juncture, we also need to enhance our budget to GDP ratio to the level of USA and China with the increased sources of revenue majorly the revenue from the non-tax sources.

**1. Budget: Balance Sheet for FY2018-19 (BE)**

| S No. | Debit | Amount (in Rs. crores) | Credit | Amount (in Rs. crores) |
|---|---|---|---|---|
| **Expenditure** | | | **Revenue Receipts** | |
| **1** | On Revenue Account | 2141772 | Tax Revenue (Net to Centre) | 1480649 |
| | | | Non-tax revenue | 245089 |
| | | | **Capital Receipts** | |
| **2** | On Capital Account | 300441 | Recoveries of loans | 12199 |
| | | | Other Receipts | 80000 |
| | **GRAND TOTAL** | **2442213** | **TOTAL** | **1817937** |
| | Interest Payments | 575795 | Shortfall = Fiscal Deficit | |
| | | | **Borrowings & other liabilities** | **624276** |
| | | | **GRAND TOTAL** | **2442213** |
| **Fiscal Deficit is estimated at Rs. 6,24,276 crore out of which 92.2% (Rs. 5,75,795 crore) is the interest payments** | | | | |

Source: PHD Research Bureau, compiled from Union Budget 2018-19

## 2. Trends in Government Receipts

| Share in total receipts (in %) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| S No. | Particulars | 2015-16 Actuals | | 2016-17 Actuals | | 2017-18 RE | | 2018-19 BE | |
| | | Value (in Rs. Crore) | Share in total receipts (in %) | Value (in Rs. Crore) | Share in total receipts (in %) | Value (in Rs. Crore) | Share in total receipts (in %) | Value (in Rs. Crore) | Share in total receipts (in %) |
| 1 | Revenue Receipts | 1195025 | 66.7 | 1374203 | 69.6 | 1505428 | 67.9 | 1725738 | 70.7 |
| 2 | Capital Receipts | 595748 | 33.3 | 600991 | 30.4 | 712322 | 32.1 | 716475 | 29.3 |
| 3 | Borrowings & other liabilities* | 532791 | 29.7 | 535618 | 27.1 | 594849 | 26.8 | 624276 | 25.6 |
| 4 | Total receipts | 1790773 | | 1975194 | | 2217750 | | 2442213 | |

Source: PHD Research Bureau, compiled from Union Budget 2018-19

## 3. Trends in Government Expenditure

| S No. | Particulars | 2015-16 Actuals | 2016-17 Actuals | 2017-18 RE | 2018-19 BE |
|---|---|---|---|---|---|
| | | Value (in Rs. Crore) | Value (in Rs. Crore) | Value (in Rs. Crore) | Value (in Rs. Crore) |
| 1 | Total Expenditure | 1790783 | 1975194 | 2217750 | 2442213 |
| 2 | Growth in the size of Union Budget | 1777477 ((-)0.97%) | 1975194 (11.1%) | 2217750 (12.3%) | 2442213 (10.1%) |
| 3 | Size of the Budget as a percentage of GDP | 12.99% | 13.01% | 13.21% | 13.04% |

Source: PHD Research Bureau, compiled from Union Budget 2018-19

## 4. Budget as a percentage of GDP at current prices in the last 11 years

| S No. | Year | Budget Size | GDP at Current prices (in Rs. Crore) | Budget size as a percentage of GDP | Growth of the Budget Size (in %) |
|---|---|---|---|---|---|
| 1 | 2008-09 | 750884 | 5303567* | 14.15 | 10.33 |
| 2 | 2009-10 | 1020838 | 6108903* | 16.71 | 35.95 |
| 3 | 2010-11 | 1108749 | 7266967* | 15.26 | 8.61 |
| 4 | 2011-12 | 1257729 | 8736329 | 14.40 | 13.44 |
| 5 | 2012-13 | 1490925 | 9944013 | 14.99 | 18.54 |
| 6 | 2013-14 | 1665297 | 11233522 | 14.82 | 11.70 |
| 7 | 2014-15 | 1794892 | 12445128 | 14.42 | 7.78 |
| 8 | 2015-16 | 1777477 | 13682035 | 12.99 | -0.97 |
| 9 | 2016-17 | 1975194 | 15183709 | 13.01 | 11.1 |
| 10 | 2017-18 | 2217750 | 16784679^ | 13.21 | 12.3 |
| 11 | 2018-19 | 2442213 | 18722302^^ | 13.04 | 10.1 |

Source: PHD Research Bureau, compiled from various sources. Note:*pertains to GDP at factor cost current prices, ^pertains to Revised estimates of GDP for FY 2017-18, ^^ pertains to Budget estimates of GDP for FY 2018-19

5. **Budget to GDP ratios of select countries**

| S No | Country | Share of Budget as a percentage of GDP in 2016 |
|---|---|---|
| 1 | USA | 21.4% |
| 2 | China* | 20.9% |
| 3 | Japan | 17.2% |
| 4 | India ^ | 13.04% |
| 5 | Russia& | 12.8% |
| 6 | Germany | 11.2% |

Source: PHD Research Bureau, compiled from various sources. Note: * pertains to the year 2014, & pertains to the year 2015, ^ Pertains to the Budget to GDP ratio of India in FY2018-19. The figures are collected by dividing Budget outlay from the GDP at current prices of the respective year

6. **Tax revenue (% of GDP) of various economies**

| S No. | Economy | Tax revenue (% of GDP) 2015 |
|---|---|---|
| 1 | New Zealand | 27.51 |
| 2 | South Africa | 27.27 |
| 3 | France | 23.23 |
| 4 | Australia | 22.10 |
| 5 | China* | 20.10 |
| 6 | Thailand | 16.12 |
| 7 | India* | 15.20 |
| 8 | Singapore | 13.63 |
| 9 | Brazil | 12.81 |
| 10 | Sri Lanka | 12.38 |
| 11 | Japan | 11.44 |
| 12 | Germany | 11.43 |
| 13 | United States of America | 11.24 |
| 14 | Indonesia | 10.75 |
| 15 | Russian Federation | 10.62 |
| 16 | Mauritius | 8.99 |
| 17 | World | **15.04** |

Source: PHD Research Bureau, compiled from World Bank. Note: * Data for India is derived from Economic Survey 2017-18, Government of India and Data for China is derived from Revenue Statistics on State Administration of Taxation of The People's Republic of China

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# 7. IMPACT ON ECONOMY

The Union Budget 2018-19 has maintained a fair balance between fiscal prudence and the development needs of a fast growing nation. It reflects the government's emphasis on rural development and empowerment as a growth driver, with a focus on healthcare, education, infrastructure, social sectors and working with the States. The thrust continues to be on development expenditure through higher tax collections by expanding the direct and indirect tax base.

Budget 2018-19 opens a new world of possibilities with some bold and much needed measures for the Indian populace. Among the key announcements in the Budget, the Government has reduced the corporate tax rate to 25% for Micro, Small and Medium Enterprises (MSMEs) which will benefit the entire class of MSMEs. Doubling the allocation in food processing from Rs. 715 crore to Rs. 1400 crore would boost food processing; specialized agro processing and financial institutions. The flagship National Healthcare Protection Scheme wherein the Centre will give up to Rs. 5 lakh per family per year (approximately 50 crore beneficiaries) is a historic step towards the development of inclusive health in India.

The seven focus areas of Union Budget viz. agriculture and rural development, infrastructure including rail, road and airports, MSMEs, health, education, labour reforms and Make in India are inspiring and will not only fuel economic development but will create a favourable environment to make India as one the fastest growing economy in the world economic system.

**Budget Impact on Indian Economy**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Macro-economic stability** | The Budget proposals focuses on strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure development and working with the States to provide more resources for improving the quality of education in the country | The focus on rural and agriculture sector will push up demand, create jobs and help in further alleviation of poverty. Focus on infrastructure creation and labour reforms will give boost to manufacturing sector and create job opportunities, enhance exports, attract investments by improving ease of doing business. |
| 2 | **Fiscal Prudence** | The fiscal deficit in 2017-18(Revised estimates) and 2018-19(Budget estimates) has been kept at 3.5% and 3.3% of GDP respectively.<br><br>Improved revenue deficit target to 2.2% of GDP (B.E) in 2018-19 from 2.6% (R.E) of GDP in 2017-18 | This represents government's commitment towards fiscal prudence.<br><br>This will help in achieving the goal of productive spending to give a boost to the economy. |

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| 3 | **Agriculture** | The budget provision for agriculture and allied activities sector increased to Rs. 63,836 crore in 2018-19 with an increased allocation of Rs. 7,247 crores over the last year. | The budget allocation of Rs. 63,836 crore will ease credit flow to farmers, expand crop insurance and increase disposable income of the farmers. |
| | | An Agri-Market Infrastructure Fund with a corpus of Rs. 2,000 crore will be set up for developing and upgrading agricultural marketing infrastructure in the 22000 Grameen Agricultural Markets (GrAMs) and 585 APMCs. | This will give opportunity to farmers to sell their produce and get better prices. |
| | | Minimum Support Price (MSP) for various agricultural crops will be 1.5 times more than the input cost. NITI Aayog will develop a mechanism in coordination with Centre and State Governments for MSP | This will help farmers in getting fair and adequate price for their produce without any wastage thus reducing inflation due to supply side bottlenecks. This will ensure that farmers will get the MSP for their produce. |
| | | Organic farming by Farmer Producer Organizations (FPOs) and Village Producers' Organizations (VPOs) in large clusters, preferably of 1000 hectares each, will be encouraged. | This will promote the growth of organic farming and will create new employment opportunities. |
| | | Allocation of Ministry of Food Processing will be doubled from Rs. 715 crore in RE 2017-18 to Rs. 1400 crore in BE 2018-19. Government will promote establishment of specialized agro-processing financial institutions in this sector. | This will enhance the growth of food processing industries and will help in the setting of new institutions in this sector. |
| | | An ''Operation Greens'' on the lines of ''Operation Flood'' with an allocation of Rs. 500 crore will be launched to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. | This will ensure that farmers get right prices for their produce and consumers get the products at suitable prices |
| | | Re-structured National Bamboo Mission will be launched with an outlay of Rs. 1290 crore to promote bamboo sector in a holistic manner. | This will promote the growth of bamboo sector and create employment opportunities for skilled and unskilled workforce. |
| | | Long Term Irrigation Fund (LTIF) in National Bank For Agriculture And Rural Development (NABARD) for meeting funding requirement of irrigation works will be set up with an expantion to cover specified command area development projects. | This will help farmers in increasing the area under irrigation and improve their efficiency of irrigation. |

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| | | Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) will be set up for financing infrastructure requirement of animal husbandry sector. Total Corpus of these two new Funds would be Rs. 10,000 crore.<br><br>The target proposed for institutional agricultural credit has been fixed at a record level of Rs. 11 lakh crores in 2018-19 with an increase of Rs.1 lakh crore over the previous year. | This will help in facilitating financing needs for infrastructure development for fisheries and animal husbandry sector.<br><br>This will help the farmers in availing credit facilities resulting in increased agricultural productivity which will facilitate growth of the agriculture sector. |
| 4 | **Rural Development** | An amount of Rs. 1,38,097 crore has been allocated for rural development in 2018-19 with an increased allocation of Rs. 9,537 over the previous year.<br><br>An outlay of Rs. 14.34 lakh crore (including extra-budgetary and non-budgetary resources of Rs 11.98 lakh crore) will be earmarked for projects towards creation of livelihood and infrastructure in rural areas.<br><br>Allocation for National Rural Livelihood Mission increased to Rs. 5,750 crore in 2018-19.<br><br>The budget provision of Rs. 48,000 crores under Mahatma Gandhi National Rural Employment Gurantee Act (MGNREGA) in 2017-18 has been increased to Rs. 55,000 crores in 2018-19.<br><br>Target of Prime Minister's Ujjwala Scheme will be increased to 8 crore women in 2018-19 from 3 crore women in FY2017-18. | This will help in improving the quality of life and economic well-being of people living in rural areas. The focus to bring households out of poverty, development of rural infrastructure and generation of employment opportunities will increase demand and consumption in rural areas and will stimulate economic growth.<br><br>This will generate new employment opportunities, develop rural roads and new rural houses and provide new household electric connections besides boosting agricultural growth.<br><br>This will increase livelihood opportunities for people in rural areas.<br><br>This will facilitate employment generation in the rural areas and will create productive assets to improve farm productivity and incomes.<br><br>This will help in reducing the pollution and improving the quality of life of poor households in rural areas. |

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| 5 | **Industry** | A sum of Rs. 3,794 crore to Micro, Small & Medium Enterprises (MSMEs) will be provided for giving credit support, capital and interest subsidy and for innovations. | This will help in making MSMEs more competitive and would help MSMEs to grow their businesses. |
| | | Target for lending under Micro Units Development & Refinance Agency Ltd. (MUDRA) scheme for 2018-19 will be increased to Rs. 3 lakh crore for lending after having successfully exceeded the target of in all previous years. | This will generate immense self-employment opportunities. |
| | | The reduction in Corporate tax to 25% for MSMEs with a turnover of upto Rs. 250 crore. | This will benefit the entire class of micro, small and medium enterprises which accounts for almost 99% of companies filing their tax returns. The lower corporate income tax rate for 99% of the companies will leave them with higher investible surplus which in turn will create more jobs. |
| | | Long term capital gains exceeding Rs. 1 lakh at the rate of 10% without allowing the benefit of any indexation. However, all gains up to 31st January, 2018 will be grandfathered | This move may reduce incentive for investors to hold equities for longer term. It should have been avoided as economy is moving from physical assets accumulation to financial assets. |
| | | In order to encourage start-ups, the definition of 'eligible business' for a start-up is proposed to be aligned with the modified definition notified by DIPP. It is further proposed to extend the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31st March, 2021 from 31st March, 2019 and rationalise the condition of turnover for availing the benefit. | This will promote entrepreneurship in the economy and create an ecosystem for growth of start-ups |
| 6. | **Construction** | Under Prime Minister Awas Scheme Rural, 51 lakh houses in year 2017-18 and 51 lakh houses during 2018-19 which is more than 1 crore houses will be constructed exclusively in rural areas. Also, in urban areas the assistance has been sanctioned to construct 37 lakh houses. | This will promote availability of housing in the rural as well as urban areas along with the improvement in their standard of living. |
| | | The Government will establish a dedicated Affordable Housing Fund in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India. | This will boost the development of affordable housing in the country. |
| | | In case of immovable property transactions, while taxing income from | This will help in minimizing the hardships in real estate transactions in |

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| | | capital gains, business profits and other sources, no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration. | the country. |
| 7. | **Services** | Government will establish a unified authority for regulating all financial services in International Financial Service Centres (IFSCs) in India. | This will help IFSCs to fully develop and compete with other offshore financial centres. |
| | | Proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN. Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks. | This will help in improving the functioning, usability and credibility of TReDS platform. |
| | | Department of Commerce, Ministry of Commerce and Industry and Industry, Government of India will be developing a National Logistics Portal as a single window online market place to link all stakeholders. | This will facilitate building stronger network among all stakeholders through single window online market place. |
| | | SEBI will considering mandating guidelines for accessing bond market by large corporates to meet about one-fourth of their financing needs. | This will help corporates in meeting one–fourth of their financing needs from the bond market. |
| | | Tourist amenities at 100 Adarsh monuments of the Archaeological Survey of India will be upgraded | This will increase the tourist inflows in the country and enhance visitor experience. |
| | | Customs Act, 1962 has been amended to smoothen dispute resolution processes and to reduce litigation, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to. | This will improve ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement. |
| | | Department of Science & Technology will launch a Mission on Cyber Physical Systems to support establishment of centres of excellence, to invest in research, training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things. | This will help in promoting innovation in the ecosystem. |
| | | Pradhan Mantri Vaya Vandana Yojana will be extended up to March 2020 under which an assured return of 8% is given by | This will provide assured return by LIC to seniors and offers more investment |

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| | | Life Insurance Corporation of India. The existing limit on investment of Rs 7.5 lakh per senior citizen under this scheme is also being enhanced to Rs 15 lakh. | opportunities to them. |
| 8. | **Infrastructure** | The budget provision for infrastructure increased to Rs. 5,97,143 crore in 2018-19 as against Rs. 4,94,313 crore in 2017-18. | This will support infrastructure related projects including Bharatmala programme, provide opportunities for road developement and generate employment. |
| | | The government will strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings, maintenance of track infrastructure with 3600 kms of track renewal targeted in the current financial year and redevelopment of 600 major railways stations | This will improve railway infrastructure and facilitate better movement of goods and services. |
| | | Railways' Capex for the year 2018-19 has been pegged at Rs. 1,48,528 crore. A large part of the Capex will be devoted to capacity creation. | This will strengthen the railway network and enhancing Railways' carrying capacity. |
| | | Budget of Rs. 10,000 crore will be allocated for creation and augmentation of Telecom infrastructure in 2018-19 | This will offer a major boost to the mobile broadband and Digital India and benefit the people living in the country. |
| | | For the development of airports, the government has proposed to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirma and leveraging balance sheet of Airports Authority of India (AAI) to raise more resources for further expansion. | These steps will improve the air connectivity and the quality of the airports. |
| 9. | **Health & education** | An amount of Rs. 1.38 lakh crore allocated for health, education and social protection in 2018-19 against estimated expenditure of Rs.1.22 lakh crore in 2017-18. | This increased allocation will ensure good quality of health and education services to the people in the country |
| | | A major initiative named Revitalising Infrastructure and Systems in Education (RISE) by 2022 with a total investment of Rs.1,00,000 crore in next four years will be launched. | This will ensure investments in research and related infrastructure in premier educational institutions, including health institutions. |
| | | National Health Protection Scheme to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) will be launched to provide coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. | This will provide health coverage to vulnerable families and improve the quality life of people in the country. |

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| 10. | **Labour reforms** | Government will contribute 12% of the wages of the new employees in the Employees' Provident Fund Organisation (EPF) for all the sectors for next three years. | This will help in enhancing the savings of the employees. |
| | | The facility of fixed term employment will be extended to all sectors. | The extension of fixed term contracts will increase formal employment and provide job security for atleast fixed term. |
| | | Amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 has been made to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution. | This will incentivize employment of more women in the formal sector and enable higher take-home wages for them. |

Source: PHD Research Bureau

# 8. IMPACT ON INDUSTRY

The Government has provided impetus in the Union Budget 2018-19 proposals for growth of MSMEs and encouraging domestic manufacturing by providing adequate facilitation to the domestic industry. One of the significant announcements made is the reduction in corporate tax rates for companies with an annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%. Target for lending of Rs. 3 lakhs crore under MUDRA in 2018-19 would go a long way to create self-employment opportunities in the economy and boost demand for goods and services.

## Budget Impact on Indian Industry

| S.No | Industry/Sector | Announcement | Impact |
|---|---|---|---|
| 1 | **Micro, Small and Medium Enterprises(MSMEs)** | The government has provided Rs. 3794 crore to MSMEs sector for giving credit support, capital and interest subsidy and innovations. | This will help in meeting financing requirements of the MSMEs sector. |
| | | Corporate Income tax for companies with annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%. | This will help in making micro, small and medium enterprises more competitive enhance their savings and leave them with higher investible surplus which in turn will create more employment. |
| | | Government has proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and links this with Goods and Service Tax Network (GSTN). | This will help in improving the functioning usability and credibility of TReDS platform. |
| | | Government has made amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution. | This will help in incentivizing employment of more women in the formal sector and will enable higher take-home wages for them. |
| | | Government has proposed to provide an outlay of Rs. 7148 crore for the textile sector in 2018-19. | This will encourage more entrepreneurs by creating more job opportunities which will further give a boost to the textile sector, going forward. |
| | | Target under Micro Units Development and Refinance Agency Bank (MUDRA) scheme for 2018-19 will be increased to Rs. 3 lakh crore for lending after having successfully exceeded the target of in all previous years. | This will increase, promote and encourage entrepreneurship, and generate self-employment opportunities. |

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| 2 | **Real Estate** | In case of immovable property transactions, while taxing income from capital gains, business profits and other sources, no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration. | This will help in minimizing the hardships in real estate transactions in the country. |
| 3 | **Manufacturing Sector** | The Government will announce Defence Production Policy 2018. | This will promote domestic production by public sector, private sector and MSMEs. |
| | | The Government has proposed to increase customs duty on mobile phones from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15%. | This will incentivize the domestic value addition and Make in India in these sectors. |
| | | Customs duty on 12 specified parts for manufacture of LCD/LED TV panels has been increased to 10% from nil. | This will encourage domestic manufacturing of the LCD/LED TVs. |
| | | Customs duty on Preform of silica for use in the manufacture of Telecommunication grade optical fibres or optical fibre cables has been increased to 5% from nil. | This will increase the domestic manufacturing of telecommunication grade optical fibres or optical fibres. |
| 4 | **Business Enterprises** | Government has proposed to make certain changes to the Customs Act, 1962, and to align certain provisions with the commitments under the Trade Facilitation Agreement. | This will help improve the ease of doing business in cross border trade thus, enhancing Trade Agreements with other countries. |
| | | Certain amendments are being made, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to. | This will smoothen dispute resolution processes and reduce litigation. |
| | | Government proposed to provide that provisions of MAT shall not apply in respect of foreign companies having income solely from businesses referred to in sections 44B, 44BB, 44BBA and 44BBB of the Act provided such income has been offered to tax at the rates specified in these sections. | This will attract more foreign companies to pertae in India. |
| | | It is proposed to provide that compensation received in connection with termination or modification of business contract and employment contract shall be taxable. | This will likely impact the business in terms of exploring new avenues. |

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| 5 | **Start -ups** | The definition of 'eligible business' for a start-up is proposed to be aligned with the modified definition notified by Department of Industrial Policy and Promotion (DIPP). It is further proposed to extend the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31st March, 2021 from 31st March, 2019 and rationalize the condition of turnover for availing the benefit. | This will promote entrepreneurship in the economy and create an ecosystem for growth of start-ups. |
| 6 | **Textile Sector** | The Government has allocated an outlay of Rs. 7148 crore for textiles sector in 2018-19. | This will boost the apparel and made-up segments, push growth and generate employment opportunities in textile sector. |

Source: PHD Research Bureau

## Budget Impact of changes in excise duties/basic custom duties and cess on key sectors:

| S.No | Industry/Sector | Announcement | Impact |
|---|---|---|---|
| 1 | **Food Processing** | Customs Duty on cashew nuts in shell (raw cashew) has been reduced to 2.5% from 5%. | This will decrease the cost of cashew nuts for food processing sector. |
| | | Customs Duty on orange juice has been increased to 35% from 30%. | This will increase the cost of imported orange juice, thus, promoting domestic companies in this segment. |
| | | Customs Duty on other fruit juices and vegetables juices has been increased to 50% from 30%. | This will increase the cost of vegetable juices and other fruit juices thus, encouraging the domestic manufacturing of juices. |
| | | Customs Duty on cranberry juice has been increased to 50% from 10%. | This will increase the cost of cranberry juice as the customs duty has been increased and may promote domestic production. |
| | | Customs Duty on miscellaneous food preparations (other than soya protein) has been increased to 50% from 30%. | This will increase the cost of miscellaneous imported food preparations and likely to promote domestic manufacturing. |
| 2 | **Automobiles** | Customs Duty has been increased on specified parts/accessories of motor vehicles, motor cars, motor cycles to 15% from 7.5%/ 10%. | This will increase the cost of specified parts/accessories of motor vehicles, motor cars and motor cycles due to the increase in custom duty. However, it will promote domestic manufacturing of these products. |
| | | Customs Duty has been increased on completely knocked down (CKD) imports of motor vehicle, motor cars, motor cycles to 15% from 10%. | This will increase the cost of imported cars, vehicles and motor cycles. It will also promote domestic manufacturing of the products. |

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| | | Customs Duty on completely built units (CBU) imports of motor vehicles has been increased to 25% from 20%. | This will increase the cost of imported motor vehicles thus, encouraging local manufacturing and generating employment opportunities. |
| | | Customs Duty on truck and bus radial tyres has been increased to 15% from 10%. | This will increase the cost of imported assembled trucks and buses. This will help in promoting domestic manufacturing. |
| 3 | **Textiles** | Customs Duty of silk fabrics has been increased to 20% from 10%. | This will increase the cost of imported silk fabrics and will help in promoting the production of domestic silk fabrics. |
| 4 | **Footwear** | Customs Duty on footwear has been increased to 20% from 10%. | This will increase the cost of imported footwears and likely to promote the domestic production of footwears. |
| | | Customs Duty on parts of footwear has increased to 15% from 10%. | It is likely to increase the prices of the parts of footwear. |
| 5 | **Jewellery** | Customs Duty on cut and polished colored gemstones has been increased to 5% from 2.5%. | This will make the cost of colored, imported gemstones costlier. It is likely to incetivise domestic players in this segment. |
| | | Customs Duty on diamonds including lab grown diamonds-semi processed, half- cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds has been increased to 5% from 2.5%. | This will increase the prices of imported jewellery studded with gemstones and diamonds and likely to promote domestic manufacturing. |
| | | Customs Duty on imitation jewellery increased to 20% from 15%. | This will increase the price of imitation jewellery, thereby facilitating the domestic industry. |
| 6 | **Capital goods and Electronics** | Customs Duty on ball screws, linear motion guides, Computer Numerical Control (CNC) systems for manufacture of all types of CNC machine tools falling under heading 8456 to 8463 has been reduced to 2.5% from 7.5%. | This will reduce the cost of these products and incentivize domestic manufacturing. |
| | | Customs Duty on Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules has been reduced to nil from 5%. | This is likely to reduce the cost of solar tempered glasses etc and promote domestic manufacturing of solar cells. |
| 7 | **Medical Devices** | Customs Duty on raw materials, parts or accessories for the manufacture of | This will encourage domestic manufacturing of Cochlear Implants. |

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| | | Cochlear Implants has been reduced to nil from 2.5%. | |
| 8 | **Electronics / Hardware** | Customs Duty on Cellular mobile phones has been increased to 20% from 15%. | This will increase the price of imported cellular mobile phones and likely to boost domestic manufacturing. |
| | | Customs Duty on specified parts and accessories of cellular mobile phones has been increased to 15% from 7.5%/10%. | This is likely to increase the prices of imported accessories of cellular mobile phones and likey to promote domestic manufacturing. |
| | | Customs Duty on Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones has been increased to 10% from nil. | This will make imported charger/adapter of cellular mobile phones costly and may promote domestic cellular mobile manufacturing. |
| | | Customs Duty on Smart watches/wearable devices increased to 20% from 10%. | This will boost the domestic manufacturing of smart watches. |
| | | Customs Duty on LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs has been increased to 15% from 7.5%/10%. | This will increase the prices of imported LCD/LED/OLED and likely to give a boost to the domestic manufacturing. |
| 9 | **Furniture** | Customs Duty on seats and parts of seats [except aircraft seats and parts thereof] has been increased to 20% from 10%. | This will boost the domestic manufacturing of seats and parts of seats. |
| | | Customs Duty on other furniture and parts has been increased to 20% from 10%. | This will increase the cost of imported materials of the furniture and promote domestic manufacturing. |
| | | Customs Duty on mattresses supports; articles of bedding and similar furnishing increased to 20% from 10%. | This will increase prices of imported mattresses and encourgae domestic manufacturing. |
| | | Customs Duty on lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps] increased to 20% from 10%. | This will boost the domestic manufacturing of lamps and lighting fitting as imported prices of these goods will increase. |
| 10 | **Watches and Clocks** | Customs duty on wrist watches, pocket watches and other watches, including stop watches has increased to 20% from 10%. | This will increase the prices of imported watches and is likely to promote domestic manufacturing of watches. |
| | | Customs Duty on clocks with watch movements, other clocks, including alarm clocks has been increased to 20% from 10%. | This will increase the cost of imported clocks and give push to domestic watches companies in terms of manufacturing. |
| 11 | **Toys and Games** | Customs Duty on Tricycles, scooters, pedal cars and similar wheeled toys; dolls‟ | This may boost the domestic manufacturing of toys and games |

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| | | carriages; dolls; other toys; puzzles of all kinds has been increased to 20% from 10%. | industry as the prices of imported toys and games is likely to increase. |
| | | Customs Duty on video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment has increased to 20% from 10%. | This is likely to increase the price of imported video game consoles, articles for funfair etc. thus, may boost domestic manufacturing. |
| | | Customs Duty on festive, carnival or other entertainment articles has been increased to 20% from 10%. | This may increase the prices of carnival and other entertainment articles. |
| | | Customs Duty on articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics] has been increased to 20% from 10%. | This will raise the prices of imported sports outdoor games and will boost the domestic manufacturing of sports goods. |
| | | Customs Duty on fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites has increased to 20% from 10%. | This will push the prices of imported fishing rods etc and may boost domestic manufacturing of these products. |
| | | Customs Duty on roundabouts swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres has been increased to 20% from 10%. | This is likely to push the prices of imported roundtables, fishing rods, shooting requisites etc. |
| 12 | **Edible oils of vegetable origin** | Customs Duty on crude edible vegetable oils like ground nut oil, olive oil, cotton seed oil, safflower seed oil, saffola oil, coconut oil, palm kernel/babassu oil, linseed oil, laize corn oil, lastor oil, sesame oil, other fixed vegetable fats and oils has been increased to 30% from 12.5%. | This will increase the cost of edible oils of vegetable such as ground nut oil, olive oil, cotton seed oil, safflower seed oil, saffola oil, coconut oil, palm kernel/babassu oil, linseed oil, among others. |
| | | Customs Duty on refined edible vegetable oils, like Ground nut oil, olive oil, cotton seed oil, safflower seed oil, saffola oil, coconut oil, palm kernel/babassu oil, linseed oil, maize corn oil, castor oil, sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, sal fat; specified goods of heading 1518 has been increased to 35% from 20%. | This will increase prices of refined vegetables oils, like ground nut oil, olive oil, cotton seed oil, safflower seed oil, saffola oil, coconut oil,among others. |
| 13 | **Refractory Items** | Customs Duty on other articles of stone containing magnesite, dolomite or chromite has been reduced to 7.5% from 10%. | This will reduce the cost of raw materials for the domestic industries. |

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| | | Customs Duty on bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths has been reduced to 7.5% from 10%. | This will reduce the cost of bricks, tiles etc. thus, giving a boost to the construction sector. |
| | | Customs Duty on refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths has been increased to 7.5% from 5%. | This will increase the prices of refractory bricks, blocks, tiles, etc. And likely to impact the domestic construction sector. |
| | | Customs Duty on other refractory ceramic goods has been increased to 7.5% from 5%. | This is likely to increase the cost of ceramic goods. |
| 14 | **Miscellaneous items** | Customs Duty on candles, tapers and the like has been increased to 25% from 10%. | This is likely to increase the prices of imported candles, tapers, etc and likely to boost domestic manufacturing of candles. |
| | | Customs Duty on Kites has been increased to 20% from 10%. | This will promote the domestic manufacturing of kites. |
| | | Customs Duty on Sunglasses has been increased 20% from 10%. | This is likely to promote the domestic manufacturing of sunglasses. |
| | | Customs Duty on date, sealing or numbering stamps, and the like has increased to 20% from 10%. | This will increase prices of date, sealing and numbering stamps. |
| | | Customs Duty on cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks has increased to 20% from 10%. | This will increase the cost of cigarette and other lighters. |
| | | Customs Duty on scent sprays and similar toilet sprays, and mounts and heads therefore; powder-puffs and pads for the application of cosmetic or toilet preparations have been increased to 20% from 10%. | This will increase the cost of imported scent sprays and similar toilet sprays etc. |

Source: PHD Research Bureau

# 9. IMPACT ON INFRASTRUCTURE

Infrastructure is one of the key growth drivers of any economy. As per the budget announcements 2018-19 our country needs massive investments estimated to be in excess of Rs. 50 lakh crore in infrastructure to increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services to our people. The budget rightly focuses on creation of state of the art infrastructure, which is essential for boosting employment opportunities, industrial and economic growth in the coming times. The total outlay for infrastructure stands at Rs. 5,97,143 crore in 2018-19 as against Rs. 4,94,313 crore in 2017-18, registering a growth of about 21%.

**Budget Impact on Infrastructure**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Railways** | To set up a specialized Railways University at Vadodara, Gujarat. | This will increase the skill workforce in the Indian railways, which would enhance the efficiency of Indian railways workforce in the coming times. |
| | | The Railways capital expenditure for the year 2018-19 has been pegged at Rs. 1.48 lakh crore. | This will improve railway infrastructure and facilitate better movement of goods and services and increase tourism. This will strengthen railway network and enhance railway's carrying capacity. |
| | | To eliminate 4267 unmanned level crossings in the broad gauge network in the next two years. | This will promote the Safety First Policy of the Indian railways. Strengthening of existing railways network would reduce the chances of accidents due to sub-optimal railway infrastructure. This will reduce the number of train accidents and derailments in the country, especially due to cold weather and fog. |
| | | Adequate number of rolling stock – 12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19. | This will facilitate greater connectivity in the country. This will also open up new production possibilities for the industry producing railways coaches and locomotives. |
| | | Mumbai's transport system is being expanded and augmented to add 90 kilometers of double line tracks at a cost of over Rs. 11,000 crore. | This will enhance the rail connectivity in the Mumbai and reduce the occurrence of over-crowding and accidents. |
| | | To allocate Rs. 60 crores to set up a Coalition on Disaster Resilient Infrastructure for developing international good practices, appropriate standards and regulatory mechanism for resilient infrastructure in 2018-19. | This will help in avoiding losses during the time of disasters. This will strengthen the quality and enhance the longevity of the infrastructure in India. |

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| 2 | **Roads** | To build 57,000 km of roads under Pradhan Mantri Gram Sadak Yojana (PMGSY) with a cost of Rs. 19,000 crore. | This will facilitate better connectivity of roads in the remote areas. |
| | | The government has announced development of 35000 kms of roads in Phase-I of Bharatmala Pariyojana at an estimated cost of Rs. 5.35 lakh crore. | This will ease the transport and distribution of goods and strengthen connectivity of interior and backward areas and borders of the country. |
| | | NHAI will organize its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs). | This will assist in raising equity from the market for its mature road assets. This will propel the movement of cargo on National highways through automatic and streamlined process of tolls. This will also improve the quality of roads, especially the 6-lane and 8-lane roads connecting major industrial corridors and ports. |
| 3 | **Airports** | The government has proposed to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirman and leveraging balance sheet of Airport Authority of India (AAI) to raise more resources for further expansion. | This will attract more investments, push employment and improve the connectivity and quality of the airports. |
| 4 | **Affordable Housing** | To establish a dedicated Affordable Housing Fund (AHF) in National Housing Bank funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India. | This will boost demand and supply of low cost homes and encouraging step to provide homes to large number of people in rural and urban India. |
| 5 | **Telecom** | Allocation of Rs. 10,000 crore in 2018-19 for creation and augmentation of Telecom infrastructure. | The will facilitate state of the art telecom infrastructure development which will support the growth of the industry sector and promote overall telecom connectivity in the country. Further, it will give boost to the digital India initiative by connecting the connecting the rural segment with the urban segment of India. |
| | | The Department of Telecom will support establishment of an indigenous 5G Test Bed at IIT, Chennai. | This will help in harnessing the benefit of emerging new technologies particularly Fifth Generation Technologies. |

Source: PHD Research Bureau

# 10. IMPACT ON BANKING, FINANCE & TAXATION

The Union Budget 2018-19 delivered some quality and dynamic taxation reforms particularly for MSMEs and senior citizens. The corporate tax rate of 25% is extended to companies whose turnover is upto Rs. 250 crore in FY2017 which will help in making micro, small and medium enterprises more competitive, enhance their savings and leave them with higher investible surplus which in turn will create more employment.

One of the significant announcements made for the welfare of elderly population is the enhancement of the Limit of deduction for health insurance premium and /or medical expenditure from Rs 30,000 to Rs 50,000 under section 80D. Further, Limit of deduction for medical expenditure for critical illness is also increased from Rs 60,000 in case of senior citizens and Rs 80,000 in case of very senior citizens to Rs 1,00,000 for all senior citizen under section 80DDB.

The budget laid focus on the development of International Financial Service Centre (IFSC) by establishing a unified authority for regulating all IFSCs. Further, in order to promote trade in stock exchanges located in IFSC, transfer of derivatives and certain securities by non-residents are exempted from capital gains tax. However, long term capital gains exceeding Rs 1,00,000 to be taxed at the rate of 10% without allowing the benefit of any indexation should have been avoided as economy is moving from physical assets accumulation to financial assets.

**Budget Impact on banking, finance and taxation sector**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **International Financial Service Centre (IFSC)** | Government will establish a unified authority for regulating all financial services in International Financial Service Centres (IFSCs) in India. | This will help IFSCs to fully develop and compete with other offshore financial centres. |
| | | Exemption on transfer of derivatives and certain securities by non-residents from capital gains tax. | This will promote trade in stock exchanges located in IFSC. |
| | | Non-corporate taxpayers operating in IFSC shall be charged Alternate Minimum Tax (AMT) at concessional rate of 9% at par with Minimum Alternate Tax (MAT) applicable for corporates | This tax incentive will facilitate corporates operating in IFSC centres. |
| 2 | **Bond market** | SEBI will considering mandating guidelines for accessing bond market by large corporates to meet about one-fourth of their financing needs. | This will help corporates in meeting one–fourth of their financing needs from the bond market. |
| 3 | **Public sector banks** | Proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN . Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks. | This will help in improving the functioning, usability and credibility of TReDS platform. |

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| 4 | **National Housing Bank** | The Government will establish a dedicated Affordable Housing Fund in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India. | This will boost the development of affordable housing in the country. |
| 5 | **Long term capital gains (LTCG)** | Long term capital gains exceeding Rs 1,00,000 to be taxed at the rate of 10% without allowing the benefit of any indexation.<br><br>Introduced a tax on distributed income by equity oriented mutual fund at the rate of 10%. | This move may reduce incentive for investors to hold equities for longer term. It should have been avoided as economy is moving from physical assets accumulation to financial assets.<br><br>This will provide level playing field across growth oriented funds and dividend distributing funds. |
| 6 | **Corporate Tax Rate** | Corporate tax rate of 25% is extended to companies whose turnover is upto Rs. 250 crore in FY2017 | This will help in making micro, small and medium enterprises more competitive, enhance their savings and leave them with higher investible surplus which in turn will create more employment. |
| 7 | **Benefits under section 80-JJAA of the Income tax Act** | Currently, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under section 80-JJAA of the Income tax Act. The minimum period of employment is relaxed to 150 days for footwear and leather industry. | This will encourage new employment creation in the footwear and leather industry. |
| 8 | **Taxation for Salaried Individuals** | Allowed a standard deduction of Rs 40,000 in lieu of present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses. | This will provide relief to salaried taxpayers. Further, the decision on standard deduction will benefits the pensioners too who normally do not enjoy any allowance on account of transport and medical expenses. |
| 9 | **Exemption of interest income** | Exemption of interest income on deposits with banks and post offices for senior citizens hiked from Rs 10,000 to Rs 50,000 and TDS shall not be required to be deducted on such income, under section 194A. This benefit shall be available also for interest from all fixed deposits schemes and recurring deposit schemes. | This will give relief to senior citizens in saving their income derived from bank deposits and post office schemes. |
| 10 | **Limit of deduction for Health/medical expenditures** | Limit of deduction for health insurance premium and /or medical expenditure has been raised from Rs 30,000 to Rs 50,000 under section 80D. Limit of deduction for medical expenditure for critical illness increased from Rs 60,000 in case of senior | This will promote welfare of elderly population as they are allowed to claim benefit of deduction of upto Rs 50,000 per annum. |

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| | | citizens and Rs 80,000 in case of very senior citizens to Rs 1,00,000 for all senior citizen under section 80DDB | |
| 11 | **Health and Education Cess** | Increased the health and education cess from 3% to 4%. | This will help in funding the expenditures related to catering the needs of education and health of BPL and rural families. |
| 12 | **Farmer Producer Companies** | 100% deduction allowed to Farmer Producer Companies having annual turnover upto Rs 100 crores in regards to profit derived from primary agricultural activities for a period of five years from FY2019. | This will encourage professionalism in post-harvest value addition in agriculture along with boosting Operation Greens mission and Sampada Yojana. |
| 13 | **No adjustment in case of circle rate value not exceeding 5% of the consideration.** | In case of immovable property transactions, while taxing income from capital gains, business profits and other sources, no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration. | This will help in minimizing the hardships in real estate transactions in the country. |
| 14 | **E-assessment** | Announced to amend the Income Tax Act to notify a new scheme for assessment where assessment will be done in electronic mode. | This will facilitate in removing person to person contact leading to greater efficiency and transparency in the assessment procedure of the income tax department. |
| 15 | **Pradhan Mantri Vaya Vandana Yojana** | Extended the Pradhan Mantri Vaya Vandana Yojana up to March, 2020. The existing limit on investment of Rs 7.5 lakh per senior citizen under this scheme is also being enhanced to Rs 15 lakh. | This will provide an assured return of 8% by Life Insurance Corporation of India to the senior citizens and offers more investment opportunities to them. |
| 16 | **Trusts and institutions** | Payments exceeding Rs 10,000/- in cash made by trusts and institutions shall be disallowed and the same shall be subject to tax. Further, in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed | This will reduce cash transactions undertaken by trusts and institutions and increase Tax Deducted at Source (TDS) compliance. |
| 17 | **Social Welfare Surcharge** | To impose a Social Welfare Surcharge in place of Education Cess and Secondary and Higher Education Cess on imported goods at the rate of 10% of the aggregate duties of Customs | This will help in meeting expenditure of social welfare schemes of the Government. |

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| 18 | **Insolvency and Bankruptcy Code (IBC), 2016** | For companies admitted under Insolvency and Bankruptcy Code (IBC), 2016, it is proposed to provide that for the purpose of computation of Minimum Alternative Tax (MAT) the aggregate amount of unabsorbed depreciation and brought forward loss shall be allowed to be reduced from the book profit. | This will provide tax relief to insolvent companies and facilitate insolvency resolution mechanism. |
| 19 | **National Pension System Trust (NPS)** | Extended benefit of exemption for withdrawal up to 40% from National Pension System Trust (NPS) to all subscribers and not only to employees | This will make National Pension scheme more attractive investment option. |
| 20 | **Section 80-IAC of the Income Tax Act** | The definition of 'eligible business' for a start-up is proposed to be aligned with the modified definition notified by DIPP. It is further proposed to extend the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31st March, 2021 from 31st March, 2019 and rationalise the condition of turnover for availing the benefit. | This will encourage and boost start-ups at the regulatory fronts. |

Source: PHD Research Bureau

# 11. IMPACT ON AGRICULTURE

Agriculture is one of the thrust areas of Union budget 2018-19.This year one of the significant announcement is of keeping Minimum Support Prices(MSP) for the all unannounced crops of kharif at least at one and half times of their production cost. It will help in doubling the income of our farmers in the coming times. Other announcements related to development of agri market infrastructure fund, food processing sector, bamboo, animal husbandry, horticulture crops will improve the overall growth of agriculture sector, going forward.

**Budget Impact on Agriculture**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Agriculture and farmer's welfare** | The budgetary allocation of Agriculture and allied activities increased to Rs 63,836 crore in 2018-19 with an increased allocation of Rs 7,247 crore over the previous year. | The enhanced outlay will promote growth of agriculture and enhance farmer's welfare by easing credit flow, expanding crop insurance and increasing disposable income of the farmers. |
| 2 | **Agricultural Credit** | The target proposed for institutional credit for agriculture has been fixed at a record level of Rs 11 lakh crores in 2018-19 with an increase of Rs 1 lakh crore from the previous year's budget estimate of Rs 10 lakh crore.<br><br>Facility of Kisan Credit Cards has been extended to fisheries and animal husbandry farmers. | It will help the farmers in availing credit facilities resulting in increased agricultural productivity which will facilitate growth of the agriculture sector.<br><br>This will help in meeting working capital needs of farmers in fisheries and animal husbandry sector. |
| 3 | **Minimum Support Price** | Government has decided to keep MSP for the all unannounced crops of kharif at least at one and half times of their production cost.<br><br>NITI Ayog in consultation with the Central and State governments, will put in place a fool proof mechanism so that farmers will get adequate prices for their produce. | This would increase farm productivity and enhance farmers' incomes in the coming times.<br><br>It shows government's commitment towards providing adequate prices for their production. |
| 4 | **National Agriculture Market(e-NAM)** | Develop and Upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs). These GrAMs will be electronically linked to e-NAM and exempted from regulations of APMCs.<br><br>An Agri-Market Infrastructure Fund with a corpus of Rs 2000 crore will be set up. | This will help a large section of small and marginal farmers who are not always in a position to directly transact at APMCs and other wholesale markets. It will provide farmers to make direct sale to consumers and bulk purchasers.<br><br>This will provide funds for developing and upgrading agricultural marketing infrastructure in 585 APMCs and proposed Grameen Agricultural Markets (GrAMs.) |

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| 5 | **Agricultural Exports** | Proposal to set up state-of-the-art testing facilities in all the forty two Mega Food Parks and exports of agri-commodities will be liberalized. To realize agri-exports potential which is as high as US $ 100 billion against current exports of US $ 30 billion. | This will help in exploring potential of agri commodities for exports and increase our participation in global food imports which is currently less than 1%. |
| 6 | **Tax incentives to Farmer Producers Organisations (FPOs)** | Allowed hundred per cent deduction to companies registered as Farmer Producer Companies and having annual turnover up to Rs 100 crores in respect of their profit derived from such activities for a period of five years from financial year 2018-19. | This will help promote post harvest activities of agriculture. It will also encourage "Operation Greens" and will give boost to Sampada Yojana. |
| 7 | **National Bamboo Mission** | Re-structuring National Bamboo Mission with an outlay of Rs 1290 crore. | This will give boost to a range of bamboo-based industries and promote bamboo sector in a holistic manner. |
| 8 | **Solar Water Plants** | Measures will be taken up to encourage State Governments to put in place a mechanism that their surplus solar power is purchased by the distribution companies or licencees at reasonably remunerative rates. | This will give impetus to utilizing solar power and bring greater revenue for state exchequer. Also helps farmers as generation of solar electricity is harvesting of sun by the farmers using their lands. |
| **9** | **Prime Minister Krishi Sampada Yojana** | Allocation of Ministry of Food Processing is being doubled from Rs 715 crore in Revised Estimates (RE) 2017-18 to Rs 1400 crore in Budget Estimates (BE) 2018-19. | This will push the much needed investment in food processing and promote establishment of specialized agro processing financial institutions. |
| 9 | **Operation Greens** | Launched an Operation Greens with an outlay of Rs 500 crore. | This will promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management in overcoming challenges related to seasonal & regional production of perishable commodities by effectively connecting farmers & consumers. |
| 10 | **Medicinal and aromatic plants** | Government has announced allocation of Rs 200 crore to support organised cultivation and associated industry dedicated for medicinal and aromatic plants. | This will provide boost to large number of small and cottage industries that manufacture perfumes, essential oils and other associated products. |
| 11 | **Organic Farming** | To promote the practice of organic farming by Farmer Producer Organisations (FPOs),Village Producers' Organisations (VPOs) and Self Help Groups (SHGs). | This will promote adoption of organic farming for sustainable development of society. |

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| **12** | **Fisheries & Aquaculture and Animal Husbandry Infrastructure Development Fund** | Two new funds with total corpus of Rs 10,000 will be set up namely Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) and an Animal Husbandry Infrastructure Development Fund (AHIDF). | These funds will help in financing infrastructure requirement of animal husbandry and fisheries sector. |
| **13** | **Cluster based development of agri commodities** | The Ministry of Agriculture & Farmers' Welfare will reorient its ongoing Schemes and promote cluster based development of agri-commodities and regions in partnership with the Ministries of Food Processing, Commerce and other allied Ministries. | This will promote cultivation of agri produce by identifying specified agri products as per clusters. |

Source: PHD Research Bureau

# 12. IMPACT ON RURAL ECONOMY

The budget has unveiled a big focus on development of rural sector. Some of the key announcements made for the rural development are enhancing the target of providing free connection to 8 crore women under Prime Minister's Ujjwala Scheme, more construction of toilets for the poor, promoting Prime Minister Awas Yojana for constructing houses in rural areas among others. The overall focus of developing rural economy would go a long way to generate demand in the economy and give a push to overall growth and development of the country.

**Budget Impact on Rural Economy**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Rural Development** | The budgetary allocation for Rural Development is increased to Rs 138097 crore with an increased allocation of Rs 2493 crore from Rs 135604 crore (RE) for the year 2017-18. | This will help in improving the quality of life and economic well being of people living in rural areas. The focus to bring households out of poverty, development or rural infrastructure and generation of employment opportunities will increase demand and consumption in rural areas and will stimulate economic growth. |
| 2 | **Prime Minister Ujjwala Scheme** | Target of providing free LPG connection increased to 8 crore poor women in 2018-19 from 5 crore poor women in last year. | By expanding coverage of the scheme, more women will reduce the usage of old cooking methods and free them from the impact of smoke of wood. This is seen as a major initiative towards women health and development. |
| 3 | **Swachh Bharat Mission** | Government is planning to construct around 2 crore toilets. | This will promote safe sanitation, cleanliness in rural areas and improve overall health of families. |
| 4 | **Affordable Housing Fund (AHF) in National Housing Bank** | Government will establish a dedicated Affordable Housing Fund (AHF) in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India. | This dedicated fund may cater to both Housing Finance Companies (HFCs) and banks helping them in financing housing needs for economically weaker sections. This will thus boost the development of overall housing in the country. |
| **5** | **Prime Minister Krishi Sinchai Yojana** | Allocation of Rs 2600 crore for Ground water irrigation scheme will be taken up in 96 deprived irrigation districts where less than 30% of the land holdings get assured irrigation presently. | It will help farmers in increasing the area under irrigation and improve their efficiency of cultivation and increase the overall productivity level. |
| **6** | **Prime Minister Awas Yojana** | Under Prime Minister Awas Scheme Rural, 51 lakh houses in year 2017-18 and 51 lakh houses during 2018-19 which is more than one crore houses will be constructed exclusively in rural areas. In urban areas the assistance has been sanctioned to construct 37 lakh houses | This will make possible shifting to pucca houses for people living in kuchha houses or homeless. This is a significant development in the direction of achieving housing for all. |

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| 7 | **National Rural Livelihood Mission** | The government has proposed to increase allocation of National Rural Livelihood Mission to Rs 5750 crore in 2018-19. | This will promote growth of rural sector by promoting entrepreneurial capabilities by creating appropriate platforms for poor and overcoming poverty. |
| 8 | **Prime Minister Gram Sadak Yojana** | Launch of phase III of this scheme to widen its ambit further to include major link routes which connect habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals.<br>Task of connecting all eligible habitations with an all-weather road has been substantially completed, with the target date brought forward to March, 2019 from March 2022. | This provision and construction of roads and road links will bring multiple socio economic benefits to the rural areas. It will also improve flow of goods and generate employment opportunities in the construction sector. |
| 9 | **Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN)** | The scheme on GOBAR DHAN to be launched for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG | This will help in making our villages open defecation free and improve the life of villagers and overall standard of living of the people. |
| 10 | **Broadband access to rural citizens** | Proposal to setup five lakh wi-fi hotspots which will provide broadband access to five crore rural citizens. | Greater broadband access would help in augmenting productivity of the agricultural sector and small & medium enterprises by providing them opportunity to undertake their transactions and marketing on digital platforms. It will also give boost in facilitating easier and more efficient participation of the rural population and enables to access services like e-commerce, e-learning, e-banking etc. |

Source: PHD Research Bureau

# 13. IMPACT ON SOCIO-ECONOMIC SEGMENTS

Union Budget 2018-19 has focused on education, health and sanitation, welfare of women, employment generation and skill development. The Budget primarily focuses on up-liftment of socio-economic segments. This would increase the domestic demand and enhance the economic growth along with all inclusive development.

**Budget Impact on socio-economic segments**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Education** | Proposed to treat education holistically without segmentation from pre-nursery to Class 12 | This will facilitate improvement in education outcomes and improve overall quality of education. |
| | | Increase the digital intensity in education and move gradually from "black board" to "digital board"; technology will also be used to upgrade the skills of teachers through recently launched digital portal "DIKSHA" | This will enable the students to grasp the concepts more quickly and efficiently and provides a platform to education technology players to promote their digital education products. Overall it will strengthen the quality of education. |
| | | Proposed to initiate an integrated B.Ed. programme for teachers and amended the Right to Education Act to enable more than 13 lakh untrained teachers to get trained. | This will promote training of teachers and enhance the availability of trained and qualified faculty. |
| | | By the year 2022, every block with more than 50% Scheduled Tribe (ST) population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School. | This will enable the students living in the tribal blocks to access education facilities, preserve local art and culture, promote training in sports and skill development. |
| | | Proposed to launch a major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs 1,00,000 crore in next four years. Higher Education Financing Agency (HEFA) would be suitably structured for funding this initiative | This will promote investments in research and related infrastructure in educational and health institutions. |
| | | Government to launch Prime Minister's Research Fellows (PMRF) scheme this year and identify 1000 best B-Tech students each year from premier institutions and provide them facilities to do Ph.D in Indian Institute of Technology (IITs) and Indian Institute of Science (IISc), with a handsome fellowship | This will boost students to take up voluntary teaching and go for higher studies. |
| | | Setting up of two new full-fledged schools of Planning and Architecture. Additionally, 18 new School of Planning and Architecture (SPA) would be established in | This will give boost to avail education and training in planning and architecture field. |

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| | | the IITs and NITs as autonomous Schools, also on challenge mode. | |
| | | The Department of Telecom, Government of India will support establishment of an indigenous 5G Test Bed at IIT, Chennai. | This will help in harnessing the benefit of emerging new technologies particularly Fifth Generation technologies. |
| 2 | **Health & Sanitation** | Government to launch a flagship National Heath Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization | This will provide health coverage to vulnerable families and improve quality of life of people. |
| | | 24 new Government Medical Colleges and Hospitals to be set up by upgrading existing district hospital in the country. | This will enhance accessibility of quality medical education and health care. |
| | | An amount of Rs 1200 crore allocated for 1.5 lakh Health and Wellness Centres. | This will improve the health facilities and increase the quality of life of people in the country. |
| | | For senior citizens the limit of deduction for health insurance premium and/or medical expenditure has been raised from Rs 30,000 to Rs 50,000 under section 80D | This will promote welfare of elderly population as they are able to save more. |
| | | An amount Rs 600 crore allocated to provide nutritional support to Tuberculosis (TB) patients at the rate of Rs 500 per month for the duration of their treatment | This will help in providing nutritional support during the treatment of Tuberculosis (TB) patients. |
| | | Proposed to raise the limit of deduction for medical expenditure in respect of certain critical illness from Rs 60,000/- in case of senior citizens and from Rs 80,000/- in case of very senior citizens, to Rs 1 lakh in respect of all senior citizens, under section 80DDB | This will promote welfare of senior citizens and enables them to save more. |
| | | Under Swachh Bharat Mission the Government is planning to construct around 2 crore toilets | This will promote safe sanitation, end open defecation and cleanliness in rural India. |
| 3 | **Employment** | Government to contribute 12% of wages of new employees in the Employee Provident Fund (EPF) for all the sectors for next three years. Also the facility of fixed term employment will be extended to all sectors. | This will enhance the savings of the employees. The extension of fixed term contracts will increase formal employment and provides job security for atleast fixed term. |

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| 4 | **Welfare of women** | Proposed to increase the target of providing free Liquefied Petroleum Gas (LPG) connection to 8 crore poor women under UJJWALA scheme | This will help in reducing pollution, improve quality of life of poor households in rural areas and generate employment. |
| | | Amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 has been made to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution. | This will incentivize employment of more women in the formal sector and enable higher take-home wages for them. |
| 5 | **Skill development** | Government is setting up a model aspirational skill centre in every district of the country under Pradhan Mantri Kaushal Kendra Programme | This will facilitate skill development of youth and will generate employment opportunities for them. |
| | | To invest in research, training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things, Department of Science and Technology will launch a Mission on Cyber Physical Systems to support establishment of centres of excellence. The budget doubled the Digital India programme allocation to Rs 3073 crore in 2018-19. | This will help in setting up centres of excellence and promoting innovations in ecosystem. |
| 6 | **All inclusive development** | For senior citizens, exemption of interest income on deposits with banks and post offices to be increased from Rs 10,000 to Rs 50,000 and TDS shall not be required to be deducted on such income, under section 194A | This will boost the savings in the post offices by the senior citizens. |
| | | Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March 2020 under which an assured return of 8% is given by Life Insurance Corporation of India. The existing limit on investment of Rs 7.5 lakh per senior citizen under this scheme is also being enhanced to Rs 15 lakh. | This will provide assured return to seniors and offers more investment opportunities to them. |
| | | Announced the replacement of existing 3% Education Cess by 4% Health and Education Cess to be levied on the tax payable | This will help in funding the expenditure related to catering the needs of heath and education of Below Poverty Line (BPL) and rural families. |
| | | Government has earmarked an allocation of Rs 56,619 crore for SCs and Rs 39,135 crore for STs in BE 2018-19.This is an increase of Rs 3900 crore and Rs 6627 crore for SCs and STs respectively from 2017-18 allocation. | This will facilitate in the upliftment of marginalized sections of the society and promote all inclusive growth and development in the country. |

Source: PHD Research Bureau

# 14. IMPACT ON CONSUMERS

Various measures have been announced in the Union Budget 2018-19, in order to incentivise domestic value addition and 'Make In India' programme and to promote creation of more jobs in the country. Further, mobile phones, gold, silver, diamond, furniture, juices, footwears, silk fabrics, perfumes and toiletry preparations are likely to cost more for consumers. On the other hand, items such as petrol, diesel, cashew nuts, solar tempered glass, ball screws and linear motion guides, raw materials, parts or accessories for the manufacture of cochlear implants are likely to become cheaper on account of reduction in various duties structure. In fact, this budget will make the domestic items cheaper than imported ones and will generate more demand which, in turn, will create more employment opportunities for the people at large.

**Budget Impact on Consumers**

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Perfumes and toiletry preparations** | Customs duty has been increased from 10% to 20% to provide adequate protection to domestic industry on the items such as perfumes and toilet waters, beauty or make-up preparations, preparations for use on the hair, preparations for oral or dental hygiene, pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, etc. | Consumers will have to pay more for perfumes and toiletry preparations as customs duty on these have been increased. However, the enhanced domestic production of these items will fulfil the demand with rationalized prices. |
| 2 | **Furniture** | Increase in the customs duty from 10% to 20% on furniture including seats and parts of seats (except aircraft seats and parts thereof); other furniture and parts; mattresses supports; lamps and lighting fitting, illuminated signs, etc. | Consumers will have to pay more for the purchase of furniture and related parts due to an increased customs duty. |
| 3 | **Diamonds, precious stones and jewellery** | Increase in the customs duty on diamonds and precious stones and jewellery including cut and polished colored gemstones from 2.5% to 5%.<br><br>Customs duty on imitation jewellery has been increased from 15% to 20%. | Consumers will have to pay more for diamonds and precious stones and jewellery due to increased customs duty.<br><br>Consumers will have to pay more for buying imported imitation jewellery. |
| 4 | **Juices** | Customs duty on orange fruit juice increased from 30% to 35%, on cranberry juice to go up to 50% from 10% and on other fruit juices and vegetable juices to go up from 30% to 50%. | Consumers will have to pay more on imported vegetable and fruit juices due to an increased customs duty. |

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|---|---|---|---|
| 5 | **Toys and Games** | Customs duty on tricycles, scooters, pedal cars, video game consoles and machines, articles and equipment for sports or outdoor games has been increased from 10% to 20%. | This is likely to result in increase in prices of imported toys and games and push domestic companies to spur their production to meet the demand. |
| 6 | **Refractory Items** | Customs duty on refractory Items including bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths has been decreased from 10% to 7.5%. | This will lead to cheaper import of bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths, resulting in lowering the construction costs. |
| 7 | **Raw cashew** | Reduction in the customs duty on raw cashew from 5% to 2.5%. | Consumers will have to pay less for imported cashew nuts due to the reduced customs duty. This will help the cashew processing industry. |
| 8 | **Automobile** | Increased customs duty on specified parts/ accessories of motor vehicles, motor cars, motor cycles from 7.5%/10% to 15%. | Consumers will have to pay more for automobile and automobile parts due to increase in customs duty. |
| 9 | **Liquid Crystal Display (LCD)/Light-Emitting Diodes (LED)/ Organic Light-Emitting Diode (OLED) panels and other parts of LCD/ LED/OLED televisions (TVs)** | Increase in the customs duty on Liquid Crystal Display (LCD)/Light-Emitting Diodes (LED)/ Organic Light-Emitting Diode (OLED) panels and other parts of LCD/LED/OLED televisions (TVs) from 7.5%/10% to 15%. | Consumers will have to pay more for imported Liquid Crystal Display (LCD)/Light-Emitting Diodes (LED)/ Organic Light-Emitting Diode (OLED) panels and other parts of LCD/LED/OLED televisions (TVs) due to the increase in customs duty. |
| 10 | **Edible oils of vegetable origin** | Customs duty has been increased on crude edible vegetable oils from 12.5% to 30% and refined edible vegetable oils from 20% to 35%. | This will lead to costlier import of edible oils of vegetable origin. |
| 11 | **Silver** | Social Welfare Surcharge has been made on silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form from 0 to 3% of the aggregate duties of Customs. | Consumers will have to pay more for silver due to implementation of social welfare surcharge. |
| 12 | **Medical Devices** | Reduction in the customs duty on medical devices involving raw materials, parts or accessories for the manufacture of Cochlear Implants from 2.5% to 0%. | This will lead to the reduction in the prices of cochlear implants. |
| 13 | **Gold** | Social Welfare Surcharge has been implemented on Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form from 0 to 3% of the aggregate duties of Customs. | Consumers will have to pay more for gold due to implementation of social welfare surcharge. |

| | | | |
|---|---|---|---|
| | | Gold Monetization Scheme will be revamped. | This will enable people to open a hassle-free Gold Deposit Account. |
| 14 | **Motor spirit commonly known as petrol and Diesel** | Basic excise duty on motor spirit commonly known as petrol and diesel has been reduced by Rs. 2:<br>• On unbranded petrol from Rs. 6.48 per litre to Rs. 4.48 per litre.<br>• On branded petrol from Rs. 7.66 per litre to Rs. 5.66 per litre.<br>• On unbranded diesel from Rs. 8.33 per litre to Rs. 6.33 per litre.<br>• On branded diesel from Rs. 10.69 per litre to Rs. 8.69 per litre. | Consumers will have to pay less on purchase of petrol and diesel as prices of petrol and diesel have dropped by Rs 2 per litre after excise duty cut resulting in lower cost of transportation and power generation, among others. |
| 15 | **Cellular mobile phones** | Increase in customs duty on mobile phones from 15% to 20%. | This will increase the domestic manufacturing of mobile phones and promote Make in India. Imported mobile phones prices likely to increase. |
| 16 | **Footwear** | Increase in customs duty on footwear from 10% to 20%. | Due to substantial potential for domestic value addition in certain sectors like footwear, customs duty has been increased on footwear which will encourage domestic footwear industry leading to creation of new employment in the country. |
| 17 | **Silk Fabrics** | Increase in the customs duty on silk fabrics from 10% to 20%. | This will increase the price of imported silk fabrics on account of increase in customs duty and will give boost to the domestic textile industry. |
| 18 | **Housing** | Under Prime Minister Awas Scheme Rural, 51 lakh houses in year 2017-18 and 51 lakh houses during 2018-19 which is more than 1 crore houses will be constructed exclusively in rural areas. Also, in urban areas the assistance has been sanctioned to construct 37 lakh houses. | This will promote availability of housing in the rural as well as urban areas along with the improvement in their standard of living. |
| 19 | **Miscellaneous items** | Customs duty on cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks increased from 10% to 20%. | Cost of imported cigarette lighters and other lighters and related parts to increase and it will discourage consumption of cigarettes. |
| 20 | **Watches and Clocks** | Customs duty has been increased on wrist watches, smart watches, clocks with watch movements, etc. from 10% to 20%. | Consumers will have to pay more for watches and clocks<br>due to increase in customs duty. |

Source: PHD Research Bureau

# 15. OTHER MAJOR ANNOUNCEMENTS

| S.No | Parameter | Announcement | Impact |
|---|---|---|---|
| 1 | **Crypto-currencies** | Measures will be taken by the Government to eliminate use of crypto-assets in financing illegitimate activities or as part of the payment system. | This will help in reducing speculations on crypto-currencies and also provide awareness regarding its non acceptance as a legal tender or coin. |
| 2 | **National Logistics Portal** | Department of Commerce, Ministry of Commerce and Industry and Industry, Government of India will be developing a National Logistics Portal as a single window online market place to link all stakeholders. | This will facilitate in building stronger network among all stakeholders through single window online market place. |
| 3 | **Fiscal Management** | Targeted fiscal deficit at 3.3% of GDP in 2018-19 as against 3.5% in 2017-18.The Government proposes to accept key recommendations of the Fiscal Reform and Budget Management Committee relating to adoption of the Debt Rule and to bring down Central Government's Debt to GDP ratio to 40%. | This will reduce the fiscal deficit of the economy in the coming times. |
| 4 | **Air pollution in Delhi-NCR region** | A special Scheme will be implemented to address air pollution and to subsidize machinery required for in-situ management of crop residue. | This will address the issues of air pollution in the region. |
| 5 | **National program in the area of artificial intelligence** | NITI Aayog will initiate a national program to direct efforts in the area of artificial intelligence, including research and development of its applications. | This will promote and develop artificial intelligence and related research in the coming times. |

Source: PHD Research Bureau

# 16. Budget Viewing Session 2018-19

## Thursday, 1st February 2018, at PHD House, New Delhi

**The Economic Affairs Committee of PHD Chamber of Commerce and Industry organized the Budget viewing session on Thursday, 1st February 2018 at PHD house, New Delhi**. The eminent speakers in the Session were **Shri Ajay Shankar**, Former Secretary, DIPP, **Dr Jaimini Bhagwati**, RBI Chair Professor, ICRIER, **Shri Amarjeet Singh**, Partner, KPMG, **Shri Anil Khaitan**, President, PHD Chamber, **Shri Rajeev Talwar**, Sr Vice President, PHD Chamber, **Shri D K Aggarwal**, Vice President, PHD Chamber, **Shri Vijay Mehta**, Chairman, Economic Affairs Committee, PHD Chamber, **Shri Akhil Bansal**, Co-Chairman, Economic Affairs Committee, PHD Chamber, **Shri V K Mishra**, Chairman, Agri business Committee, PHD Chamber, **Shri Pavan Kumar Vijay**, Chairman, Company Law & Corp Governance, PHD Chamber, **Shri Mukesh Mohan Gupta**, Chairman, Insolvency Committee, PHD Chamber, **Shri Bimal Jain**, Chairman, Indirect Taxes Committee, PHD Chamber, **Shri Anil Chopra**, Chairman, Direct Taxes Committee, PHD Chamber, **Shri Jyoti Prakash Gadia**, Chairman, Banking & Financial Services Committee, PHD Chamber and **Dr H P Kumar**, Advisor, PHD Chamber.

While presenting opening remarks, **Dr. S P Sharma, Chief Economist, PHD Chamber** stated that global economy is not reviving that much which is also indicated with the growth anticipation by IMF of more than 3% and on the same lines, India is also emerging once again as one of the fastest moving economy. Going ahead, there are lot of expectations from the Government as now confusing effects of demonetization and teething problems of GST are almost over. Further, the economy is in the need of further boost for next set of reforms to give a big push to overall economic growth and create employment opportunities to increase the standard of living.

**Shri Anil Khaitan, President, PHD Chamber** through his presentation gave a profit-loss account of the Budget of the last three years. In his presentation, he highlighted that interest payments is equivalent to fiscal deficit. He said that when the revenue receipts increase, we will be able to fund our interest payments. He highlighted the trend in government expenditure which showed that government has been spending on productive use. He highlighted that the size of the budget as a percentage of GDP has gone down in the recent times which needs to be addressed. He suggested few measures for the government such as disinvestment to finance the deficit.

**Shri Rajeev Talwar, Senior Vice President, PHD Chamber Mr. Rajeev Talwar, Senior Vice President, PHD Chamber** said that a number of things have happened in the economy and people try to look at negatives more than positive. He appreciated the recent initiatives of the government such as GST and the deficit levels have been contained. He verbalized that exports as well as MSMEs deserve special attention. He also said that the real estate also needs special attention as it is the second largest provider of employment after agriculture. He said that the first emphasis as a nation should be on fulfilling the commitments to all buyers made by the real estate builders. He added that the good signs are that demand is picking up and inventory has gone up and highlighted that certain distortions in income tax need to be done such as one sells a house, then he/she cannot buy more than one house which needs to be addressed.

**Shri D K Aggarwal, Vice President, PHD Chamber**, while giving his expectations for the budget said, that the biggest problem of the country today is employment and hence the agriculture, real estate and MSMEs must be focussed by the government to generate employment in the country. He suggested that a dedicated bank for MSMEs to provide finance to MSMEs without collateral should be established and for agriculture sector, he suggested that farmers do not get adequate farm price which should be addressed by the government.

**Shri Vijay Mehta, Chairman, Economic Affairs Committee, PHD Chamber** said that this is the last full budget of the government and wished that this year's budget continues the development path and does not go heavy on the tax part. He said that the taxation on stock markets should not be there as stock markets are ruling at all time high.

**Shri Akhil Bansal, Co-Chairman, Economic Affairs Committee, PHD Chamber** suggested that the Government's vision for an inclusive development has been rightly focussed by allocating greater stress on agriculture and rural development, MSMEs, education, health and employment generation. Inclusive development is the only path from current GDP to a USD 10 trillion economy.

**Dr Jaimini Bhagwati, RBI Chair Professor, ICRIER** while giving his expectations for the budget said that the in a variety of countries especially the ASEAN countries, the budget is not very significant. He said that there is a need to look at the primary deficit, both revised estimates of previous year and the budgeted estimates and highlighted that the primary deficit is negative for India which is a cause of concern. He suggested that the government's budget should be on accrual basis and not cash-flow basis so as to assess the health of the economy.

**Shri V K Mishra, Chairman, Agri-business Committee, PHD Chamber** said that the agriculture and rural development is at the top agenda of the government in this Union Budget. The significant move in term of keeping Minimum Support Price (MSP) for majority of Kharif crops at least one and a half times the cost of production along with focus on agri-market infrastructure fund would improve farm productivity and enhance farmers' income. Further, Kissan cards will be made for the Fisheries and other live stock farmers which will get them direct benefits for loans and advances. Rs 10,000 crore Fund for the support of Fisheries, Aquaculture and livestock farming promotion is inspiring and would go a long way in doubling income. Apart from this 11 lac crores provision for priority advances.

**Shri Mukesh Mohan Gupta, Chairman, Insolvency Committee, PHD Chamber** highlighted that MSMEs have been given a major impetus in the Budget as the Government has announced a slew of measures for the promotion and growth majorly the reduction of the corporate tax rate. This is a big relief for the MSMEs in meeting their capital requirements and leaving them with higher investible surplus to boost creation of jobs.

**Shri Pavan Kumar Vijay, Chairman, Company Law & Corporate Governance, PHD Chamber**, suggested that encouraging entrepreneurial ecosystem is the need of the hour for generating employment opportunities in the economy. The announcement on modifying definition of 'eligible business' for a start-up would incentivise accelerated growth in this sector. Further, extending the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31st March, 2021 from 31st March, 2019 is highly encouraging.

This was followed by presentation of Union Budget by the Hon'ble Finance Minister which was viewed on screens by the delegates and speakers.

## Glimpses of Budget Viewing Session 2018-19 (Pre Budget)

Thursday, 1st February 2018, PHD House, New Delhi


**Budget Viewing Session-**

Shri Arun Jaitley, Hon'ble Finance Minister, made significant announcements in the Budget. Lot of developments in the agriculture sector including increase in Minimum Support Price (MSP) at the rate of 1.5x of the cost of farm produce, agri-market infrastructure fund with a corpus of Rs. 200 crore, supporting the food processing industry by doubling the allocation from Rs. 715 crore in 2017-18 (RE) to Rs. 1400 crore in 2018-19(BE), liberalizing export of agri-commodities to realise agri-exports to the level of US$100 bn against the current exports of US$ 30 bn, allocating a total fund of Rs. 10,000 crore for the Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector along with institutional credit to farmers raised to Rs. 11 lakh crore for FY19 are few major highlights for the development of agriculture. The government announced substantial increase in allocation of National Rural Livelihood Mission to Rs.5750 crore in 2018-19, Prime Minister's Ujjwala Scheme is proposed to be increased with the target of providing free connection to 8 crore poor women from earlier target of 5 crore women. Announcement to enable broadband access to over 20 crore rural Indians in about two lakh fifty thousand villages and more than one crore houses would be constructed exclusively in rural areas by FY19.

The government has announced development of 35000 kms of roads in Phase-I of Bharatmala Pariyojana at an estimated cost of Rs. 5.35 lakh crore as well as a policy to introduce toll system on ''pay as you use'' basis. For the railways, the government has announced strengthening the railway network and enhancing railways' carrying capacity. The Railways' Capex for the year 2018-19 has been pegged at Rs.1.48 lakh crore and the focus is to transform the entire network into Broad Gauge. Further, the government has also announced strengthening infrastructure at the Goods sheds and fast track commissioning of private sidings, maintenance of track infrastructure with 3600 kms of track renewal targeted in the current financial year and redevelopment of 600 major railways stations. For the development of airports, the government has proposed to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirma and leveraging balance sheet of AAI to raise more resources for further expansion. Apart from these, the Hon'ble Finance Minister announced measures such as connect one lakh gram panchayat through high speed optical fiber network has been completed under phase I of the Bharatnet project and explore block chain technology proactively for ushering in digital economy.

The government has provided Rs. 3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations, Corporate Income tax for companies with annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%. Further, the Government has proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and links this with GSTN and made amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.

The government has announced the launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization which will be the world's largest government funded health care programme alongwith development of 1.5 lakh Health and Wellness Centres for providing comprehensive healthcare to the people of the country. Further, the government has announced 24 new Government Medical Colleges and Hospitals to be set up by upgrading existing district hospital, Rs 600 crore for providing nutritional support to TB patients during their treatment and increase in the limit of deduction for health insurance premium for senior citizens from Rs 30,000 to Rs 50,000.

The Hon'ble Finance Minister has addressed the issue of quality education in the Budget and has launched a major initiative namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022'' with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions. The government has also announced significant measures such as Prime Minister's Research Fellows (PMRF) scheme for 1000 best B-Tech students each year from premier institutions and 18 new Schools of Planning and Architecture (SPAs). The government has also announced an integrated B.Ed. programme for teachers to improve the quality of education in the country and setting up of Eklavya Schools to provide the best quality education to the tribal children in their own environment.

**After, the viewing of the Budget Session, the post budget session was organized wherein the speakers gave their views on the Budget.**

**Shri Rajeev Talwar, Senior Vice President, PHD Chamber** highlighted that the 1.4 crore people paid an average tax of Rs. 76000 which needs attention. He mentioned that the Government has focussed upon the health, education and infrastructure sector including digital India in this budget. He hoped that this would lead to increase in employment which would increase tax collection and future budget will hold greater benefits for tax payers.

**Shri D K Aggarwal, Vice President, PHD Chamber,** said that the agriculture is focussed with MSP being addressed in a big way which is encouraging as 50% of the population will benefit from it. However, he was sceptical on the fiscal deficit target as he was expecting 3% of GDP and said that the high fiscal deficit may affect bond market.

**Shri Bimal Jain, Chairman, Indirect Taxes Committee, PHD Chamber**, said that the Union Budget, 2018, brought number of sops for MSME sector and kept its focus on infrastructure creation, higher farmers' income and economic reforms along with education, healthcare and other populist policies being the focus areas. Opposed to the expectations, this Budget chose to keep income tax slabs unchanged for salaried class. With GST being a new taxation system subsuming Service Tax and Excise, this Budget did not see much changes in Indirect Taxes except changes in Customs Act and Tariff. Increase in Customs duty on certain goods like mobile phones and import of mobile phone parts is a good initiative to boost jobs in various sectors in India and support Make in India. Certain amendments have been made in Customs Act to further improve ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement along with smoothing dispute resolution process.

Though it seems that soaring prices of petrol and diesel, being the primary needs of the industry, could have been addressed but this Budget chose to almost nullify the impact of lowered excise duty on petrol and diesel by imposing new Rs. 8 per litre levy of Road and Infrastructure Cess on both petrol and diesel.

With the roll out of GST, name of CBEC is proposed to be changed to Central Board of Indirect Taxes and Customs (CBIC). However, certain announcements could have been made as regards future roadmap of GST to address various concerns of trade for ease of business for GSTN Network, GST return filing, refund to exporters, Tran 1 deadline, Open issues in transitional credits and other GST law related issues still left unanswered.

**Shri Ajay Shankar, Former Secretary, DIPP**, said that the Budget has no major surprises. He hoped that the markets should factor in certain scenarios such as short-term disruptions in tax revenues which would be there till the teething problems of GST settles down, when they are making investments. He said that there is still a fair amount of work to be done in the Budget in the area of agriculture such as funds for fisheries and animal husbandry in terms of adequate disbursements. He highlighted the positive aspect of Budget which is that the Import duties have been used as an instrument of promoting domestic industry.

**Shri Anil Chopra, Chairman, Direct Taxes Committee, PHD Chamber**, said that the Budget was on expected lines. He said that there was a need for action for rural and agriculture sector, health, education and the India of tomorrow. He highlighted that the Chamber has given many representation to reduce corporate tax for MSMEs as investible surplus is need of the hour for MSMEs and work has happened in this direction. He expected capital gains to become taxable and it is prospective and not retrospective.

**Shri Amarjeet Singh, Partner, KPMG,** appreciated the introduction of standard deductions for salaried class which is almost equivalent to giving exemptions. He said that this will help a lot of people. He said that the government with regard to long term capital gains has done what was expected.

**Shri Jyoti Prakash Gadia, Chairman, Banking & Financial Services Committee, PHD Chamber** said that there is a need to deeper understand the issue of blockage of working capital faced by industry as it impacts their functioning and overall productivity. Further ,Government's take on artificial intelligence is highly appreciable as it will help our economy to transfer into a digital innovation ecosystem.

**Dr H P Kumar, Former CMD & Chairman, NSIC & Advisor, PHD Chamber** said that the As 97% of the firms are MSMEs, the announcement of reduction in corporate tax rate is a welcome step. However, this reduction in rate should also be made available to MSMEs in non corporate sector like Partnership firms and Limited Liability Partnerships. Further, the health insurance could have been given greater stress in the Budget, however the announcement on coverage of over 10 crore poor and vulnerable families under National Health Protection Scheme will provide the benefit of coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization.

**After the Post budget session, the Question-Answer round took place wherein the participants discussed their views and queries from the esteemed panelists of the session.**

**Shri Rajeev Talwar, Senior Vice President proposed vote of thanks. The session was sponsored by Chief Event Sponsor- Uflex Ltd, Event Sponsor- KPMG India, Co- Sponsors- SMC Investments, Mefcom Capital and Action Construction Equipment Ltd and Sponsors: Tata Capital, Herbalife, CAS Associates, Hotel Kanha Shyam, ANMI and Learnfly.**

The session was attended by around 300 delegates from corporates, think tanks, research institutes, government organizations, universities as well as educational institutes.

## Glimpses of Budget Viewing Session 2018-19 (Post Budget)

Thursday, 1st February 2018, PHD House, New Delhi



# 17. CONCLUSIONS

India's Agriculture sector contributes at around 15-16% to GDP with the work force dependency still remaining at around 50% declining from around 70% in 1951 with the shift of workforce from agriculture to other sectors majorly the services sector. Since the last few years, reforms in the agriculture sector have come on the fast track to increase the productivity in this sector, increase the content of food processing vis-a-vis an agrarian tag of the economy and to shift workforce from agriculture to manufacturing sector.

Doubling the farmer's income has become a slogan and government has not missed the bus in this move by announcing a MSP to farmers on the tune of 1.5X of the cost of produce. This move will go a long way not only to increase the income of the farmers but also enhance the rural prosperity, give a big push to demand in the economy, growth of manufacturing, opportunities for Make in India, provide lucrative environment for investments, expansion of production possibility frontiers, creation of new employment opportunities in manufacturing with a shift of excessive workforce in agriculture to manufacturing leading to an overall an increase in the economic growth trajectory.

We are a US $ 2.5 trillion dollar economy and this number is going to double in the next 10 years, as projected by Morgan and Stanley. As per their recent projection India is going to become a US $ 6 trillion economy by 2025-26. The Economic Survey for 2017-18 predicts that India's GDP growth will increase from 6.75% in 2017-18 to 7-7.5% in 2018-19. India will recover from the confusing effects of demonetisation and teething problems of goods and services tax (GST), enjoy an export surge arising from the rebound in global demand vis-a-vis global economic boom, and reap the fruits of reforms to resolve the twin balance sheet (TBS) problem of overleveraged banks and companies.

With the revision of fiscal deficit to 3.5% of GDP for 2017-18 and a projection of 3.3% of GDP for 2018-19 the path of fiscal consolidation is disrupted a little bit but that should not be a major worry as the number of indirect tax payers have increased by 50% after the implementation of GST. This signifies well for tax compliance and revenue growth and an improvement in the tax to GDP ratio which currently stands at 16-17% of GDP as compared with the average of the emerging markets which stands at 22-23%.

New income tax payers are also up by 10.1 million since demonetisation, against an annual average increase of 6.2 million in the last two years. Thanks to demonetisation and GST which produced 1.8 million new income tax payers. However, tax revenue has not increased as the level of filing tax returns is barely above the threshold limit of exemptions. So, at this juncture we can expect a long term fiscal consolidation with increased tax compliance.

According to the financials of Union Budget 2018-19, it has been observed that the fiscal deficit which is the gap between the revenue and expenditure is estimated at Rs. 6,24,276 crore in 2018-19, out of which 92.2% (Rs. 5,75,795 crore) is the interest payments. Also, the size of fiscal deficit is around 25.6% of the total budget of Rs. 24,42,213 crore.

Revenue receipts have shown a good increasing trend from 66.7% in FY2015-16 to 70.7% in FY2018-19 whereas capital receipts have decelerated from 33.3% in FY2015-16 to 29.3% in FY2018-19. Borrowing and other liabilities have shown a good trend by decelerating from 29.7% in FY2015-16 to 25.6% in FY2018-19 which means the government's fiscal expansion is in the right direction. The size of the budget is on the rising mode as it rose from Rs.17,90,783 crore in FY2015-16 to Rs. 24,42,213 crore in FY2018-19(BE) with a growth of (-) 0.97% in FY2015-16 to 10.1% in FY2018-19. However, despite the expansion in economic activities and rising population particularly the young population seeking employment, the size of the budget as a percentage of GDP during the recent years has decelerated

from around 15% of GDP in FY2013-14 to around 13% of GDP in FY2018-19 according to the budget estimates.
Economies such as USA, China and Japan have an expansionary fiscal policy and the size of the budget as a percentage of GDP in USA and China is estimated high at 21.4% and 20.9% and Japan at 17.2%. Therefore, at this juncture, we also need to enhance our budget to GDP ratio to the level of USA and China with the increased sources of revenue majorly the revenue from the non-tax sources.

However, the Budget has focused rightly on seven most important ingredients for developing India which includes (1) Agriculture and rural development, (2) infrastructure, (3) MSMEs, (4) Labour reforms, (5) Make in India, (6) Inclusive health and (7) Quality Education to promote the inclusive growth of the country.

**1. Agriculture and Rural Development -** Agriculture and rural development is at the top agenda. Lot of announcements for the agriculture sector including increase in Minimum Support Price (MSP) at the rate of 1.5x of the cost of farm produce among others have been announced.

- Agri-market infrastructure fund with a corpus of Rs. 200crore, supporting the food processing industry by doubling the allocation from Rs. 715crore in 2017-18 (RE) to Rs. 1400crore in 2018-19(BE).
- Liberalizing export of agriculture commodities to realise agriculture exports to the level of US$100bn against the current exports of US$ 30bn to create employment opportunities in the food processing sector.
- Allocating a total fund of Rs. 10,000crore for the Fisheries and Aquaculture Infrastructure Development Fund (FAIDF).
- Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector along with institutional credit to farmers raised to Rs. 11 lakh crore for FY2019.

These developments will go a long way and contribute to doubling the income of the farmers by 2022 in addition to improving the agri-infrastructure. This will not only uplift the agriculture sector but also the rural demand which will ultimately increase the demand for consumer durables further giving a push to the manufacturing sector.

- The rural sector has also been focused as there has been a substantial increase in allocation of National Rural Livelihood Mission to Rs.5750crore in 2018-19.
- Prime Minister's Ujjwala Scheme is proposed to be increased with the target of providing free connection to 8crore poor women from earlier target of 5crore women.
- Announcement to enable broadband access to over 20crore rural Indians in about two lakh fifty thousand villages and more than one crore houses would be constructed exclusively in rural areas by FY19.

These measures will significantly enhance the livelihood of masses and promote all inclusive development in the country.

**2. Infrastructure -** The government has made an all-time high allocation in the Budget to rail and road sectors. Significant announcements have been announced in roads, rail and airports. The government has announced development of 35000 kms of roads in Phase-I of Bharatmala Pariyojana at an estimated cost of Rs. 5.35 lakh crore as well as a policy to introduce toll system on ''pay as you use'' basis.

- Government has announced strengthening the railway network and enhancing railways' carrying capacity.
- The Railways' Capex for the year 2018-19 has been pegged at Rs.1.48 lakh crore and the focus is to transform the entire network into Broad Gauge.
- Strengthening infrastructure at the Goods sheds and fast track commissioning of private sidings, maintenance of track infrastructure with 3600 kms of track renewal targeted
- Redevelopment of 600 major railways stations.
- For the development of airports, the government has proposed to expand the airport capacity more than five times to handle a billion trips a year under a new initiative

All these measures are expected to facilitate state of the art infrastructure development which will support the growth of the industry sector and promote overall well being of the population of the country. Budgetary and extra budgetary expenditure on infrastructure for 2018-19 has witnessed an increase of 20.7% to Rs. 5.97 lakh crore against estimated expenditure of Rs. 4.94 lakh crore in 2017-18.

**3. MSMEs -** The MSMEs have been a given a major impetus in the Budget 2018-19 as the government has announced a slew of measures for the promotion and growth of this sector.

- The government has provided Rs. 3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations.
- Corporate Income tax for companies with annual turnover upto Rs. 250 crores in the financial year 2016-17 has been reduced to 25%.

The reduction in corporate income tax for companies is a big relief for the MSMEs as it will help meet their capital requirements including working capital. These measures will give a boost to the sector further contributing to higher growth in the economy in the coming times.

**4. Labour reforms -** Initiatives in the past three years has helped to create 7 million formal sector jobs this year. The Budget extended the government's provident fund subsidy for new employees to all industries.

- The Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years.
- The facility of fixed term employment will be extended to all sectors. This will create millions of employment opportunities.
- The use of fixed – term labour contracts, earlier restricted to apparel and footwear, was also extended to all industries.

**5. Make in India -** To incentivize the domestic value addition through Make in India Initiative, the Government has announced customs duty hike in 48 odd items including processed fruit juices from 30% to 50%, perfumes and toiletry preparations from 10% to 20%, and Automobile and automobile parts from 10% to 15%, among others. This will strengthen our domestic industry by providing a level playing field for the domestic players and expanding the employment opportunities in the mentioned sectors in India.

**6. Inclusive health -** The government has proposed path breaking announcements in the health sector in the Budget. The government has announced the launch of flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization which will be the world's largest government funded health care programme.

- Development of 1.5 lakh Health and Wellness Centres for providing comprehensive healthcare to the people of the country.
- 24 new Government Medical Colleges and Hospitals to be set up by upgrading existing district hospital.
- Rs 600 crore for providing nutritional support to TB patients during their treatment and increase in the limit of deduction for health insurance premium for senior citizens from Rs 30,000 to Rs 50,000.

The total amount allocated to health sector witnessed an increase of around 12% from Rs. 48878 crore in FY18 (BE) to Rs. 54667 crore in FY19 (BE). All these measures would go a long way in addressing the quality and reach of healthcare system in India and provide people with quality healthcare which would give a boost to socio-economic development in the economy, going forward.

**7. Quality Education -** The Hon'ble Finance Minister has addressed the issue of quality education in the Budget and has launched a major initiative namely "Revitalising Infrastructure and Systems in Education (RISE) by 2022'' with a total investment of Rs. 1,00,000 crore in next four years for setting up of investments in research and related infrastructure in premier educational institutions.

- This will promote innovation in the country with facilitation of state of the art infrastructure for the students which will place India on global knowledge map.
- The government has also announced significant measures such as Prime Minister's Research Fellows (PMRF) scheme for 1000 best B-Tech students each year from premier institutions and 18 new Schools of Planning and Architecture (SPAs).
- The government has also announced an integrated B.Ed. programme for teachers to improve the quality of education in the country and setting up of Ekalavya Schools to provide the best quality education to the tribal children in their own environment.

The total allocation to the sector has witnessed an increase of around 7% at Rs. 85010 crore in FY19 from Rs. 79686 crore in FY18 (BE). All these developments will go a long way to extend quality education to the last mile which will promote all inclusive growth and development in the country in the coming times.

In a nutshell, with the current account deficit at a modest 1.5% of GDP, foreign exchange reserves at $432 billion, India seems resilient to global shocks. As evident from the government data past three years had helped to create around seven million jobs. The focus of the government at this juncture is to enhance the job growth trajectory as they have very rightly expanded the fixed term labour contracts to all the industries which were earlier for apparel and footwear only. This move is expected to increase employment opportunities particularly in the MSMEs. The focus on the food processing industry to enhance the food processing exports to the tune of US$ 100 billion from the current level of US$ 30 billion would open opportunities for the rural youth in the food processing sector. Increasing the import duties on certain products is a move to set a level playing field to promote Make in India programme and to restrict the rising import volumes in the products which can be produced at the domestic level. The budget is prepared in a long term perspective from the grass root level which would not only strengthen the economic growth trajectory but also put it on a sustainable growth path.

# INDIA: STATISTICAL SNAPSHOT

| Indicators | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---|---|---|---|---|---|---|
| GDP at FC - Constant prices (Rs cr) | 9215125 | 9817822 | 10536984 | 11381002 | 12189854 | 12985363#^ |
| GDP at FC-Constant prices growth YOY (%) | 5.5* | 6.4* | 7.5* | 8* | 7.1@# | 6.5 #^ |
| Agriculture growth | 1.5 | 5.6 | (-)0.3 | 0.7* | 4.9@# | 2.1 #^ |
| Industry growth | 3.4 | 4.2 | 6.9 | 8.2 | 5.8@# | 4.4 #^ |
| Services growth | 7.7 | 9.5 | 9.8 | 7.9 | 7.9@# | 8.3 #^ |
| Consumption (% YOY) | 5.2 | 4.7 | - | - | - | - |
| Private consumption (% YOY) | 5.5 | 6.8 | 6.2 | 7.3 | 7.2 | - |
| Gross domestic savings as % of GDP | 30.1 | 30.5 | 30.6"' | - | - | - |
| Gross Fixed Capital Formation as % of GDP | 34.1 | 33 | 32.3 | 31.2 | 29.5 | - |
| Gross fiscal deficit of the Centre as a % GDP | 4.9 | 4.5 | 4.1'' | 3.9 | 3.5 | 3.5^* |
| Gross fiscal deficit of the states as a % GDP | 1.9 | 2.5 | 2.3'' | - | - | - |
| Gross fiscal deficit of Centre & states as a % GDP | 7.2 | 6.7 | 6.6'' | - | - | - |
| Merchandise exports (US$Bn) | 300.2 | 312.35 | 310.5 | 261.14 | 274.64 | 24.38^^^^ |
| Growth in exports | -1.8 | 3.98 | (-)1.2 | (-)15.9 | 4.7 | 9.07^^^^ |
| Imports (US$Bn) | 490.3 | 450.94 | 447.5 | 379.59 | 380.37 | 40.68^^^^ |
| Growth in imports (YOY) | 0.2 | -8.1 | -0.59 | (-)15.3 | (-)0.17 | 26.1^^^^ |
| Trade deficit (US$Bn) | 190.1 | 138.6 | 137 | 118.46 | 46.42 | 16.29^^^^ |
| Net invisibles US$Bn | 107.5 | 115.0 | - | 107.9^^ | - | - |
| Current account deficit US$Bn | 88.2 | 32.4 | 26.8^^ | 22.1^^ | 15.2^^* | 7.2#^ |
| Current account deficit as % of GDP | 4.8 | 1.7 | 1.3 | 1.1^^ | 0.7^^* | 1.2#^ |
| Net capital account US$Bn | 94.2 | 33.3^^ | 11.8 | 23.2 | 14.9^^* | -` |
| Overall balance of payments US$Bn | 3.8 | 15.5^^ | 6.9 | - | - | - |
| Foreign exchange reserves US$Bn | 292.04 | 304.22 | 316.2 | 355.56~~ | 367.9~~~ | 419.76~~~ |
| External debt - Short term US$Bn | 96.7 | 89.2`` | 86.4``` | 83.6&&& | 88^^* | 92.7&^ |
| External debt - Long term US$Bn | 293.4 | 351.4`` | 376.4``` | 398.6&&& | 383.9^^* | 403.0&^ |
| External debt - US$Bn | 392.1 | 441`` | 462``` | 480.18&&& | 472^^* | 495.7&^ |
| Money supply growth | 13.6 | 13.2 | 11.1&& | 11.3&&&& | 6.3^^ | 6&&^ |
| Bank credit growth | 13.5 | 14 | 8.6 | 9~~~~ | 7^^ | 6** |
| WPI inflation | 7.4 | 5.7# | 2.1 | (-)0.85^^^ | 1.33 | 2.8^^^^ |
| CPI inflation | 10.2 | 9.8 | 6.4 | 4.83^^^ | 4.5 | 5.1^^^^ |
| Exchange rate Rs/US$ annual average | 54.4 | 60.68 | 61.14 | 66.43@@ | 64.39^^ | 63.9@@@ |

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of Annual National Income 2016-17 from MOSPI, '' Handbook of Statistics of Indian Economy 2014-15 from RBI, ''' Data pertains to Annual Report of RBI 2013-14, *@Data pertains to Budget Estimates of 2017-18, '' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, "'Data pertains to the new Series Estimates from economic survey 2014-15. ^^Data pertains to India's Balance of payment for 2015-16 from RBI, ^^^Data pertains to March 2016, ``India's external debt end Dec 2013 from RBI, ``` Data pertains to end Dec 2014 from RBI, # Data pertains to Mar 2013, ~ Data pertains to 2014-15 from the Economic Survey,^^* Data pertains to fy 2016-17 ~~Data as on week ending 25th March 2016 from RBI, ~~~ Data as on Feb 11,2018 from RBI, && Data pertains to March 2015, &&& External debt at end December 2015 (Quick Estimates), @@ Data pertains to 13th April 2016 from RBI, ^^^^Data pertains to January 2018, @@@ Data as on Feb 19, 2018 from RBI, &&&& Y-o-Y Growth of Money Supply, 2015-16 from RBI. # Data pertains to end March 2017, compiled from RBI, ** Bank credit growth as on October 2017 &&^ as on January 20, 2017.@# GDP growth and agriculture growth is as per Provisional Estimates of Annual National Income, 2016-17and Industry and service growth is from Office of economic advisor, @## pertains to First Advance estimates of National Income 2017-18., #^Data pertains to Q2 2017-1, ^* pertains to the data compiled from Union Budget 2018-19, &^ pertains to data at end September 2017.

# TEAM, PHD RESEARCH BUREAU

**Dr. SP Sharma**
**Chief Economist**
Email: spsharma@phdcci.in

| Department of Economic Affairs and Research | Department of Financial markets, Taxation and Research | Department of Foreign Trade and Investments and Research |
|---|---|---|
| **Ms. Megha Kaul**<br>**Associate Economist**<br>Developments in Economic Policy | **Ms. Surbhi Sharma**<br>**Senior Research Officer**<br>Banking, Finance and Taxation | **Ms. Ankita Upadhyay**<br>**Senior Research Officer**<br>International Trade & Investments Relations |
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**Ms. Sunita Gosain, Secretarial Assistant**
Secretarial and Administrative Processes

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# Trade & Investment Facilitation Services

TIFS

## SINGLE WINDOW INFORMATION AND PROCEDURAL FACILITATION

**Trade and Investment Facilitation Services (TIFS)** is a vital component for international trade and investment community. It is envisioned to facilitate firms across the globe for trade and investments in India while simultaneously meeting India's rapidly growing appetite for new markets to enhance trade and investments.

Considering the thirst of the Nation to place India at the forefront of Global Economic Architecture, PHD Chamber of Commerce and Industry launched a specialized desk on Trade and Investment Facilitation Services (TIFS) on 31st March 2017. TIFS is an information and advisory hub to provide requisite and detailed information to facilitate national and international business firms to invest in India; advising them on prospective business opportunities in India in general and in States and promising sectors in particular.

### Vision of TIFS

We aim to make India a US$ 100 billion (per annum) investment destination in the next five years and to enhance India's trade trajectory to the higher level. We envisage US$ 1000 billion merchandize trade (exports and imports) and US$ 500 billion services trade (exports and imports) per annum in the next five years.

### Geographical Area

TIFS covers pan India from Jammu Kashmir in the North to Tamil Nadu in the South and from Gujarat in the West to Arunachal Pradesh in the East.

### Three role dimensions

1. **Information role:**
Serving as a key link to all information centres on all national and regional/local regulations and clearances. This includes maintaining or having direct and easy access to such information. This also means constant updating of such information.

2. **Catalyst role:**
Providing facilitative advisory services to help overcome key obstacles and strengthen key positive enablers for enhanced trade and investments. This includes providing information or "leads" on opportunities that would benefit international business community to invest in India.

3. **Networking role:**
Effective networking with relevant Indian and overseas agencies and leveraging of such networks in the direction of risk mitigation and enhancing trade and investments.

## Strategic Collaborators of TIFS

TIFS work in close coordination with Trade Consulars' of different countries as well as international trade and business community and international chambers of commerce. Further, for facilitating and providing information on procedural requirements, TIFS also work in close coordination with the government both at the central and the state level as well as industry associations in India.

- Trade Consular's of different countries
- Government including Central and State
- Industry Associations
- International Trade and Business Community
- International Chambers of Commerce
- International Consulting Firms

### How TIFS work in assisting investors?

It is envisaged to be the first-point-one-stop reference for potential investors from around the world. Our team of domain and functional experts provides sector-and state-specific inputs, and hand- holding support to investors. We assist with location identification, expediting regulatory approvals, facilitating meetings with relevant government and corporate officials among others. For instance, if an investor A from Germany wants to invest USD 100 million in a textile business in India.

- A team of trained staff will be associated with the task for maintaining a physical helpdesk and provide the investor with all the help required regarding the relevant approvals to set up a business and information related to investment areas across India.
- Facility to set up meetings of the investors with Government officials for specific investor queries, both at the state government and central government level.
- Regular updates on various economic developments in India in general and sector specific in particular.
- Updates on state level developments related to policy amendments, sectoral developments, taxation mechanism, infrastructural, etc.
- Updates on Foreign Direct Investment norms, Foreign Trade Policy, etc.

## TIFS undertakes the following activities

i. Through regular research and networking with Government bodies, Entrepreneurs, Industry associations, Embassies/Consulates, Investment delegations, etc., the TIFS gather information on possible trade and investment opportunities in various sectors of the Indian economy.

ii. TIFS advises prospective traders and investors, national and international, in their process of filing applications and helping them meet other procedural and regulatory requirements. For this purpose, information on specific trade and investment guidelines at the state and central level is provided by TIFS.

iii. TIFS provides information at a broad level to international investors about possible potential joint venture partners in India. If TIFS is aware of any Indian parties interested in formation of Joint Ventures (JVs) with some global partners, such information is made available to interested investors.

iv. In case of requests made by individual investors to undertake specific research assignments, financial analysis or due diligence of any specific joint venture partner or Mergers & Acquisitions (M&A) targets, TIFS provides adequate resources to carry out such requests on an agreed cost.

v. In a nutshell, TIFS increases understanding amongst national and international investors on the promising investment areas and requirements and regulations for making investments. Facilitates in dealing with the Government in application procedures amongst the national and international Investors. Reduce lead time in investment processes and procedural transactions.

## Registration

Registration is open to both Indian and foreign entities.

Registration fee is for your registration with TIFS program to receive updates on trade and investment scenario regularly for 1 year from the date of registration. However, for your specific queries consultancy charges would vary from case to case basis for facilitation services on detailed projects and exhaustive research studies.

### For details, contact:

**Dr. S P Sharma,** Chief Economist

**PHD Chamber of Commerce and Industry**

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi-110016

Ph.: + 91-11-26863801-04, 49545454; Fax: +91- 26855450, 49545451 | Email: **tifs@phdcci.in** Website: www.phdcci.in

## Notes

# About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.

**PHD signifies**
**PROGRESS • HARMONY • DEVELOPMENT**


## Seven Thrust Areas

- Industrial Development
- Infrastructure
- Housing
- Health
- Education and Skill Development
- Agriculture and Agribusiness
- Digital India

***"We Walk Our Talk"***

**PHD CHAMBER OF COMMERCE AND INDUSTRY**
PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : president@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947