

Key Features of Budget 2014-2015

THE CURRENT ECONOMIC SITUATION AND THE CHALLENGES



- ❑ The state of world economy has been the most decisive factor affecting the fortunes of every developing country.
- ❑ The world economy has been witnessing a sliding trend in growth, from 3.9 percent in 2011 to 3.1 percent in 2012 and 3 percent in 2013.
- ❑ The economic situation of major trading partners of India, who are also the major source of our foreign capital inflows, continues to be under stress. United States has just recovered from long recession, Euro zone, as a whole, is reporting a growth of 0.2 per cent, and China's growth has also slowed down.
- ❑ The economic challenges faced by our country are common to all emerging economies. Despite these challenges, we have successfully navigated through this period of crisis.
- ❑ Apart from embarking on the path of fiscal consolidation, the objectives of price stability, self sufficiency in food, reviving the growth cycle, enhancing investments, promoting manufacturing, encouraging exports, quickening the phase of implementation of projects and reducing a stress on important sectors were the goals set in 2012-13.

STATE OF ECONOMY

Deficit and Inflation



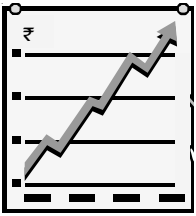
- ❑ The fiscal deficit for 2013-14 contained at 4.6 percent .
- ❑ The current account deficit projected to be at USD 45 billion in 2013-14 down from USD 88 billion in 2012-13.
- ❑ Foreign exchange reserve to grow by USD 15 billion in this Financial Year
- ❑ No more talk of down grade of Indian Economy by Rating Agencies.
- ❑ Fiscal stability at the top of the Agenda.
- ❑ Government and RBI have acted in tandem to bring down inflation.
- ❑ WPI inflation down to 5.05 percent and core inflation down to 3.0 percent in January 2014.
- ❑ Food inflation down to 6.2 percent from a high of 13.8 per cent.



Agriculture

- ❑ Agricultural sector has performed remarkably well.
- ❑ Food grain production estimated for the current year is 263 million tonnes compared to 255.36 million tonnes in 2012-13.

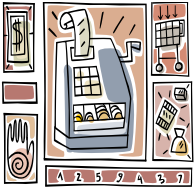




- ❑ Agriculture export likely to cross USD 45 billion higher from USD 41 billion in 2012-13.
- ❑ Agricultural credit to exceed the target of ₹ 7 lakh crores.
- ❑ Agricultural GDP growth for the current year estimated at 4.6 percent compared to 4.0 percent in the last four years.

Investment

- ❑ Savings rate at 30.1 percent and investment rate of 34.8 percent in 2012-13.
- ❑ Government set up a Cabinet Committee on investment and the Project Monitoring Group to boost investment. By end of January 2014, Projects numbering 296 with an estimated project cost of ₹ 660,000 crore cleared.



Foreign Trade

- ❑ Despite a decline in growth of global trade, our export have recovered sharply.
- ❑ The estimated merchandise export is estimated to reach USD 326 billion indicating a growth rate of 6.3 percent in comparison to the previous year.

Manufacturing

- ❑ The sluggish import is a matter of concern for manufacturing and domestic trade sector.
- ❑ Due to deceleration in investment, the manufacturing sector has witnessed a sluggish growth.
- ❑ The National Manufacturing Policy has set the goal of increasing the share of manufacturing in GDP to 25 percent and to create 100 million jobs over a decade.
- ❑ 8 National Investment and Manufacturing Zones (NIMZ) along Delhi Mumbai Industrial Corridor (DMIC) have been announced. 9 Projects had been approved by the DMIC trust.



- ❑ 3 more Industrial Corridors connecting Chennai and Bengaluru, Bengaluru and Mumbai & Amritsar and Kolkata are under different stages of preparatory works.
- ❑ Additional capacities are being installed in major manufacturing industries.
- ❑ Notification of a public procurement policy, establishing technology and common facility centres, and launching the Khadi Mark are steps taken to promote Micro Small and Medium Enterprises.



Infrastructure

- ❑ In 2012-13 and in nine months of the current financial year, 29, 350 MW of power capacity, 3, 928 Kms of National Highways, 39, 144 Kms of Rural Roads, 3,343 Kms of New Railway track and 217.5 million tonnes of capacity per annum in our ports have been created to give a big boost to infrastructure industries.
- ❑ 19 Oil and Gas blocks were given out for exploration and 7 new Air ports are under construction.
- ❑ Infrastructure debt funds have been promoted to provide finances for infrastructure Projects.





Exchange Rates

- ❑ Rupee came under pressure following indications by US Federal Reserve of reduction in asset purchases in May 2013.
- ❑ Government, RBI and SEBI undertook a number of measures to facilitate capital inflows and stabilize the foreign exchange markets. As a result among emerging economy currencies rupee was least affected when actual reduction took place in December 2013.

GDP Growth

- ❑ The GDP slow-down which began in 2011-12 reaching 4.4 percent in Q1 of 2013-14 from 7.5 percent in the corresponding period in 2011-12 has been controlled by numerous measures taken by the Government. Growth in the third and fourth quarter of the current year is expected to be 5.2 percent and that for the whole year has been estimated at 4.9 percent.
- ❑ The declining fiscal deficit, stable Exchange Rate and reducing Current Account Deficit, moderation in inflation, increasing exports are reflection of a more stable economy today.



UPA's record of Growth

- ❑ In India growth is an imperative but sustainable and inclusive growth model must address the concerns of environment, inter generational equity, indebtedness etc.
- ❑ Unparalleled record of growth in 10 years of UPA Government.
- ❑ Production of food grains up from 213 million tonnes to 263 million tonnes, installed power capacity up to 2,34,600 MW from 1,12,700 MW, coal production 554 million tonnes from 361 million tonnes, 3,89,578 Kms of Rural Roads under PMGSY from 51,511 Kms, over a period of 10 years.
- ❑ The expenditure on Health & Family Welfare has reached ₹ 36,322 crore from ₹ 7,248 ten years ago.
- ❑ The expenditure on Education has reached ₹ 79,451 crore from ₹ 10,145 ten years ago.
- ❑ UPA-I & UPA-II Governments have delivered above the trend growth of 6.2 percent, which prevailed over a period of 33 years.



Report Card of 2013-14

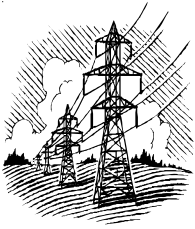
- ❑ De-controlling sugar, gradual correction of diesel prices, rationalization of railway fares, were some of the courageous and long over due decisions taken by the Government.
- ❑ Applications were invited for issue of new bank licences.
- ❑ DISCOMS, mostly sick are being restructured with generous central assistance.
- ❑ 12.8 lakhs land titles covering 18.80 lakh hectare were distributed under the Scheduled Tribes and Other traditional Forest Dwellers Act.
- ❑ The oppressive colonial law of 1894 was substituted with the Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act.



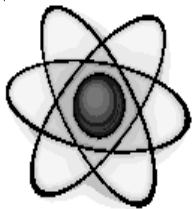
- ❑ National Food Security Act was passed assuring food to 67 percent of the population/ households.
- ❑ The new companies Act replaced a law of 1956 vintage.
- ❑ The PFRDA Act was passed to establish a statutory regulator for the New Pension Scheme.

Economic Initiative

- ❑ Centrally Sponsored Schemes were restructured into 66 Programs for greater Synergy. Funds under these programs will be released as Central assistance to State Plan, thus giving greater authority and responsibility. As a result, Central assistance to plans of States & UTs will rise substantially from ₹136,254 crore in BE 2013-14 to ₹338,562 crore in 2014-15.



- ❑ Record Capital expenditure of ₹ 257,641 crores in 2013-14 by public sector enterprises.
- ❑ About 50,000 MW of Thermal and Hydel Power capacity is under construction after receiving all clearances and approvals. 78,000 MW of power capacity have been assured coal supply.
- ❑ Liberalised FDI policy in tele-communication, pharmaceuticals, civil aviation, power trading exchange, and multi brand retail to attract large investment.



- ❑ Approval to establish 2 semi conductor wafer fab units.
- ❑ Approval of IT modernization project of Department of Post.
- ❑ Kudankulam Nuclear Power Plant Unit-I achieved criticality and is generating 180 Million Units of power.
- ❑ Fast breeder Reactor at Kalpakkam and 7 Nuclear Power Reactors under construction.
- ❑ National Solar Mission to add 4 Ultra Mega Solar Power Projects each with the capacity of over 500 MW in 2014-15.
- ❑ Ministry of MSME will create the 'India Inclusive Innovation Fund' to promote grass root innovations with social returns to support enterprises in the MSME sector with an initial contribution of ₹100 crore to the corpus of the fund.

Social Sector Initiative

- ❑ A Venture Capital Fund to provide concessional finance to Scheduled Caste will be set up by IFCI with an initial capital of ₹ 200 crore which can be supplemented every year.
- ❑ The restructured ICDS, under implementation in 400 districts, will be rolled out in remaining districts from 1.4.2014.
- ❑ A National Agro-Forestry Policy 2014 has been approved.
- ❑ A mechanism for marketing minor Forest produce has been introduced and an allocation of ₹ 444.59 crore has been made to continue the Scheme in 2014-15.

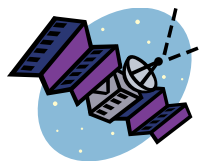


- ❑ A new Plan Scheme with an allocation of ₹100 crore has been approved to promote community radio station
- ❑ New technologies such as JE vaccine, a diagnostic test for Thalassaemia and Magnivisualizer for detection of Cervical cancer have been delivered to people.

Additional Central Assistance to some States

- ❑ A sum of ₹1200 crore as additional central assistance to North Eastern states, Himachal Pradesh and Uttarakhand in this financial year.

Space



- ❑ India joined a handful of countries when it launched the Mars Orbiter Mission.
- ❑ The Country has acquired capability in launch vehicle technology, cryogenics and navigation, meteorological and communication satellites.
- ❑ Several flight tests, navigational satellites and space missions are planned for 2014-15

Redeeming promises



- ❑ A Corpus has been created for 'Nirbhaya Fund' with a non lapsable grant of ₹ 1000 crore. 2 Proposals to ensure the dignity and safety of women have been approved which will be funded from the Nirbhaya Fund. A sum of ₹ 1000 crore has again been provided in FY 2014-15
- ❑ The National Skill Certification and monetary reward schemes launched in August 2013 with an allocation of ₹ 1000 crore has been widely hailed as a success. A sum of ₹ 1000 crore is proposed to be transferred to the NSD Trust to scale up its programme rapidly.
- ❑ Government remains fully committed to Aadhar under which 57 crore Unique Numbers have been issued so far and to opening bank accounts for all Aadhar holders to promote financial inclusion.
- ❑ Through the Direct Benefic Transfer (DBT) Scheme, a total of ₹ 628 crore (54,20,114 transactions) has been transferred directly to the beneficiaries till 31st January 2014 under 27 Schemes.

OVERVIEW OF THE INTERIM BUDGET



- ❑ In order to sustain the pace of plan expenditure, it has been kept at the same level in 2014-15 at which, it was budgeted in 2013-14.
- ❑ Ministries/Departments which run key flagship programmes have been provided adequate funds in 2014-15 either equal to or higher than in the BE 2013-14. These include Ministries namely, Minority Affairs, Tribal Affairs, Housing & Poverty Alleviation, Social Justice & Empowerment, Panchayat Raj, Drinking Water and Sanitation, Women & Child Development, Health & Family Welfare, Human Resource Development and Rural Development.

Railways

- ❑ Budgetary support to Railways has been increased from ₹ 26,000 crore in BE 2013-14 to ₹ 29,000 crore in 2014-15.

- ❑ It is proposed to identify new instruments and new mechanisms to raise funds for Railway Projects.

SC Sub-Plan and Tribal Sub-Plan, Gender Budget and Child Budget

- ❑ ₹ 48,638 crore and ₹ 30,726 crore are allocated to the SC Sub-Plan and Tribal Sub-Plan respectively.
- ❑ Gender Budget and Child Budget has ₹ 97,533 crore and ₹ 81,024 crore respectively.

Non Plan Expenditure

- ❑ Non Plan expenditure is estimated at ₹ 12,07,892 crore.
- ❑ The expenditure on subsidies for food, fertilizer & fuel will be ₹ 246,472 crore slightly higher than the revised estimates of ₹ 245,453 crore in 2013-14.
- ❑ ₹ 115,000 crore has been allocated for food subsidies taking in to account, Government's firm and irrevocable commitment to implement the National Food Security Act throughout the country.

Defence

- ❑ 10 per cent hike in Defence allocation has been given in comparison to BE 2013-14.
- ❑ Government has accepted the principle of one rank one pension for the Defence Forces which will be implemented prospectively from the FY 2014-15. A sum of ₹ 500 crore is proposed to be transferred to the Defence Pension Account in the current Financial Year itself.

Central Armed Police Forces

- ❑ A modernization Plan at a cost of ₹11,009 crore has been approved to strengthen the capacity of Central Armed Police Forces and to provide them the state-of-art, equipment and technology.

FINANCIAL SECTOR

- ❑ All the announcements concerning the Financial sector made in the Budget Speech of February 2013 have been implemented.
- ❑ ₹ 11,300 crore is proposed to be provided for Capital infusion in Public Sector Banks.
- ❑ 5,207 new branches have been opened against the target of 8,023.
- ❑ Bhartiya Mahila Bank has been established.
- ❑ ₹ 6,000 crore and ₹ 2,000 crore have been provided to Rural and Urban Housing Funds respectively.
- ❑ The target of ₹ 700,000 crore of Agricultural Credit is likely to be exceeded by the Banks. The target for 2014-15 is ₹ 800,000 Crore.
- ❑ ₹ 23,924 crore has been released under the Interest Subvention Scheme on farm loans, with effective rate of interest on farm loans at 4 percent including subvention of 2 percent and incentive of 3 percent for prompt payment.



Credit to Minority Communities

- ❑ The number of bank accounts of minorities has increased to 43,52,000 at the end of March 2013 from 14,15,000 ten years ago. The volume of lending has soared to ₹ 66,500 crore from ₹ 4,000 crore in the same period.
- ❑ Loans to minorities stood at ₹ 211,451 crore at the end of Decemeber 2013.



Self-Help Groups (SHGs) Loans

- ❑ Ten years ago, only 9,71,182 women Self-Help Groups (SHGs) had ben credit linked to banks. At the end of December 2013, 4,11,6000 women SHGs had been provided credit and the outstanding amount of credit was ₹ 36,893 crore

Education Loans

- ❑ A moratorium period is proposed for all education loans taken up to 31.3.2009 and outstanding on 31.12.2013. Government will take over the liability for outstanding interest as on 31.12.2013 but the borrower would have to pay interest for the period after 1.1.2014. An amount of ₹ 2,600 crore has been provided this year and it will benefit nearly 9 lakh student borrowers.



Insurance

- ❑ LIC and the four public sector general insurance companies have opened arround 3000 offices in towns with a population of 10,000 or more to serve peri-urban and rural areas.

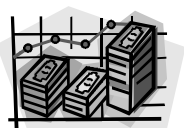
Financial Markets

- ❑ Steps envisaged to deepen the Indian Financial Market :
 - ADR/GDR Scheme revamp, an enlargement of the scope of depository receipt
 - Liberalization of rupee denominated corporate bond market.
 - Currency Derivatives Market to be deepened and strengthened to enable Indian Companies to fully hedge against foriegn currency risk
 - To create one record for all financial assets of every individual
 - To enable smoother clearing and settlement for international investors looking to invest in Indian bonds.



Commodity Derivatives Markets

- ❑ Swift action taken to sequester National Spot Exchange Limited (NSEL) after the payment crisis in the NSEL, this prevented spill over of the crisis to the other regulated segment of the financial markets.
- ❑ Proposal to amend the Forward Contracts (Regualtion) Act.



Key Pending Bills

- ❑ The Insurance Laws (Amendment) Bill and the Securities Laws (Amendment) Bill have not been passed by Parliament for reasons that have nothing to do with the merits of the Bills.

Public Debt Management Agency

- ❑ Public Debt Management Agency Bill is ready with the Government. It is proposed to establish a non statutory PDMA that can begin work in 2014-15.

VISION FOR FUTURE

- ❑ India poised to be third largest economy along with US and China, to play a leading an important role in global economy.



- ❑ 10 Tasks as part of the road map ahead include :
 - Fiscal consolidation : We must achieve the target of fiscal deficit of 3 percent of GDP by 2016-17 and remain below that level always.
 - Current Account Deficit : CAD will be inevitable for some more years which can be financed only by foreign investment. Hence, there is no room for any aversion to foreign investment.
 - Price Stability and Growth : In a developing economy, a high growth target entails a moderate level of inflation. RBI must strike a balance between price stability and growth while formulating the monetary policy.
 - Financial Sector reforms to be completed as laid down by Financial Sector Legislative Reforms Commission.
 - Massive investment in infrastructure : to be mobilized through the Public Private Partnership.
 - Manufacturing sector to be the base of India's development : All taxes, Central and State that go into an exported product should be waived or rebated. There should be a minimum tariff protection to incentivise domestic manufacturing.
 - Subsidies, which are absolutely necessary should be chosen and targeted only to the absolutely deserving.
 - Urbanisation to be managed to make cities governable and liveable.
 - Skill development must be given priority at par with secondary and university education, sanitation and universal health care.
 - States to partner in development so as to enable the Centre to focus on Defence, Railways, National Highways and Tele-communication.



REVENUES

GST and DTC

- ❑ Government appeals to all political parties to resolve to pass the GST Laws and the Direct Tax Code in 2014-15

Funding Scientific Research

- ❑ It is proposed to set up a Research Funding Organisation that will fund Research Projects selected through a competitive process. Contribution to that organisation will be eligible for tax benefits. The required legislative changes can be introduced at the time of regular Budget.

Off-shore Accounts

- ❑ The Government has succeeded in obtaining information on illegal off-shore accounts held by Indians in 67 cases and action is under way. Prosecution for wilful tax evasion have also been launched in 17 other cases. More enquiries have been initiated in to accounts reportedly held by Indian entities in no tax or low tax jurisdictions.

Changes in Tax Rates

- ❑ Following changes in some indirect tax rates are proposed:
 - States to partner in development so as to enable the Centre to focus on Defence, Railways, National Highways and Tele-communication.
 - The Excise Duty on all goods falling under Chapter 84 & 85 of the Schedule to the Central Excise Tariff Act is reduced from 12 percent to 10 percent for the period upto 30.06.2014. The rates can be reviewed at the time of regular Budget.
 - To give relief to the Automobile Industry, which is registering unprecedented negative growth, the excise duty is reduced for the period up to 30.06.2014 as follows:

Small Cars, Motorcycle, Scooters and Commercial Vehicles	-	from 12 % to 8%
SUVs	-	from 30% to 24%
Large and Mid-segment Cars	-	from 27/24% to 24/20%
 - It is also proposed to make appropriate reductions in the excise duties on chassis and trailers - The rates can be reviewed at the time of regular Budget
 - To encourage domestic production of mobile handsets, the excise duties for all categories of mobile handsets is restructured. The rates will be 6% with CENVAT credit or 1 percent without CENVAT credit.
 - To encourage domestic production of soaps and oleo chemicals, the custom duty structure on non-edible grade industrial oils and its fractions, fatty acids and fatty alcohols is rationalized at 7.5 percent.
 - To encourage domestic production of specified road construction machinery, the exemption from CVD on similar imported machinery is withdrawn.
 - A concessional custom duty 5 percent on capital goods imported by the Bank Note Paper Mill India Private Limited is provided to encourage domestic production of security paper for printing currency notes.
- ❑ The loading and un-loading, packing, storage and warehousing of rice is exempted from Service Tax.
- ❑ The services provided by cord blood banks is exempted from Service Tax.



BUDGET ESTIMATE

- ❑ The current financial year will end on a satisfactory note with the fiscal deficit at 4.6 percent (below the red line of 4.8 percent) and the revenue deficit at 3.3 percent.
- ❑ Fiscal Deficit in 2014-15 estimated to be 4.1 percent which will be below the target set by new Fiscal Consolidation Path and Revenue Deficit is estimated at 3.0 percent.
- ❑ The estimate of Plan Expenditure is ₹555,322 crore. Non Plan expenditure is estimated at ₹12,07,892 crore.