

## A CRITICAL ANALYSIS OF UNION BUDGET 2016

AMITA CHOURASIYA<sup>1</sup> & SOZHIA VELLALAR KAMESH<sup>2</sup>

<sup>1</sup>Research Scholar Amity University Rajasthan, India

<sup>2</sup>Student Amity University Rajasthan, India

### ABSTRACT

Since the current government came into action with a majority win, there has been a great expectation from various stake holders, common man and corporates. The salaried employees were expecting a big relief in income tax slab while the corporate nation were anticipating that the Government will provide a big push to the reformist agenda. The Union Budget made a big speculation within its presentation in the parliament by Honorable Finance Minister Arun Jaitley. This budget is more focused on Rural and Agriculture sector with respect to its development. Thus, this paper tries to analysis on various reforms on sectors proposed by the government in the Union Budget. The Paper also throws light on its impact on individuals or group of individuals.

**KEYWORDS:** Union Budget, 6-Pillars (Agriculture, Rural Sector, Financial Reform, Infrastrure, Start-up India, Social Sector), Impact, Ban or Boon

### INTRODUCTION

The Union Budget made a big speculation within its presentation in the parliament by Honorable Finance Minister Arun Jaitley. The Rural Sector and Agriculture sector truly grabs the limelight of the Union Budget 2016. Various reports state that since India's independence, this is the first budget that is pro-farmer and pro-rural. While almost 70% of the population is rural, therefore allocation of budget is very much necessary. On the Indian economic policy canvas, the Union Budget, in general, and the Finance Minister's budget speech, in particular, has a unique relevance. The economy of India has done very well on the growth front, when viewed in a long term perspective. Consequently, the GDP growth rate has already improved to 7.4% in the first half of this year as compared to 7.1% in the corresponding period of 2013-14. This year's Union budget was well presented with focusing on the nine pillars individually. The nine pillars of the budget are Agriculture, Rural, and Infrastructure and so on. The budget also proposes to boost up the rural economy by deriving the demand from rural areas of the economy. Though the government since its formation has made significant announcements, still a lot needs to be done.

The various objectives of government budget are:

- Reallocation of Resources
- Reducing inequalities in income and wealth
- Economic Stability
- Economic Growth
- Reducing regional disparities and so on

## AGRICULTURE

In a major push for the agriculture in the budget, total allocation made was 35,984 crore. PRANDHAN MANTRI FASAL BIMA YOJANA (PMFBY)<sup>1</sup> also bagged a funding of Rs. 5500 Cr (budget estimate), which is more than double the funding allocated in 2015-16 of Rs. 2589 Cr. The budget placed a renewed focus on the farming sector to revive agriculture growth and improve farming. 28.5 lakh hectares will be brought under irrigation under the PradhanMantriKrishiSinchaiYojana (PMKSY)<sup>2</sup>

- PMFBY – It is mission for the farmers to insure their crops from calamities caused.
- PMKSY - It is national mission to improve farm productivity by proper irrigation system at field level.

Five lakh acres to be brought under organic farming over a three year period. Looking beyond food security, the government in its budget sets its target to double the income of farmers by 2020. Various reports criticized this stating it is impossible for the government to double the income of farmers within a span time of 5 years. In order to finance initiatives to improve the agriculture sector, FM Minister have proposed an additional 0.5% cess on service tax in the name of 'KRISHI KALYAN CESS'. The new cess will come into force from June 1. Thus, now a common man has to pay a service tax of 15% on all the services he avail. The breakdown of the service tax is 14% + 0.5% (Swacch Bharat Cess) + 0.5% (KrishiKalyan Cess). The new cess is' gaining money from the rich and the middle class and providing it to the farmers. The Budget also proposes four new projects: PashudhanSanjivani (animal wellness programme and provision of animal health cards), E-PashudhanHaat (e-market portal for connecting farmers and breeders), an advanced breeding technology and National Genomic Centre for indigenous breeds.

### Review

Agriculture has truly grabbed the limelight of Union Budget 2016-17. Seeds have been sown for agriculture transformation, now the wait is for the growth and see how fruitful the fruit is. Farmers are the pride for the nation, so allocation of huge money is very much necessary. Orientation of income double in 5 years is a great move to stop farmer suicidal. The Budget is futuristic with long terms reforms without any solution to the current farm-crisis.

## RURAL SECTOR

The total amount that the rural sector bagged from the FM Minister was Rs. 87,765 Cr. Out of the total population of India, 70% of the population is Rural and therefore, allocation of such a huge amount is a good move by the current government. Every block under drought and distress will be taken up as an intensive block under the **Deen DayalAntyodaya Mission (DDAM)**<sup>3</sup>. 300 Rurban Clusters will be developed under the **Shyama Prasad Mukherjee Rurban Mission (SPMRM)**<sup>4</sup>. The current government since it came into power has lived up to its manifesto by providing electricity to the villages and the budget has also 100% Village electrification by 1<sup>st</sup> May 2018. Out of the total 18,452 unelectrified villages, a total of 4,319 villages have been electrified as of January 19 2016.

**3. DDAM:** It is a scheme initiated for helping the poor by providing skill training. The target is training 0.5 million people in urban area per annum and 1 million people in rural areas.

**4. SPMRM:** The Mission aims at development of rural growth clusters which have latent potential for growth, in all States and Union Territories (UTs).

There is also a priority allocation from Centrally Sponsored Scheme to be made to reward villages that have become free from open defecation. A new **Digital Literacy Mission Scheme** for rural India will be set up to cover around 6 crore additional household within the next 3 years. A New scheme **Rashtriya Gram Swaraj Abhiyan** has been proposed with allocation of 655 crore. A sum of Rs. 2.87 lakh Cr has been allotted for Grant in Aid to Gram Panchayat and Municipalities. Quantum jump of 228% has been recorded to the previous 5 year period.

## **REVIEW**

Union Budget 16-17 surely is a pro-Rural and pro-agriculture. Electrification is very much necessary in rural areas. Electrification builds infrastructure, it bridges the gap between the rural India and urban India in terms of connectivity, technology as well as culture. This will boost up setting up of Industries in Rural India, which in turn will generate employment. Schemes like DDAM will bring out skilled employees. Digital Literacy Mission Scheme is riding high with 58,20,961 candidates already enrolled. This mission have produced 42,27,121 trained candidates and 17,14,248 have been certified under this scheme. If the allocations are implemented the way it is proposed it will surely revive demand from the Rural Market and will surely boost the economic growth.

## **FINANCIAL REFORMS**

### **Financial Data Management Centre**

The budget proposes to establish a body named Financial Data Management Centre under the recommendation of Financial Sector Legislative Reforms Commission. This will help to detect sources of systemic risk. It will be established with the protection of Financial Stability Development Council to facilitate integrated data aggregation and analysis in the financial sector.

### **Retail Participation in Government Securities**

RBI has facilitated retail participation in Government securities. This move by RBI is to deepen the country's debt markets and help cushion them from global volatility. Retail participation in financial instruments has assumed critical importance as the decline in the overall saving rate, which has been one of the strong points of our economy, has declined from the high of about 37% to about 32% of the GDP.

### **SEBI to Launch Derivative Commodity Product**

New derivative products will be developed by SEBI in the Commodity Derivatives market. This move by SEBI will pave a way for entry of banks and FPIs into the segment. This will also deepen the commodity futures market and to encourage new products and participation.

### **Amendments in the SARFAESI Act 2002**

FM Minister have opened the gates for foreign investors to enable the sponsor of an ARC to hold up to 100% stake which was 49% earlier in the ARC and permit non institutional investors to invest in Securitization Receipts.

### **Recapitalization of Public Sector Banks**

The budget has bailout Rs 25,000 cr in form of recapitalization to the Public Sector Banks. However, this fund is not enough to bail out the PSUs which are roiled by soaring non-performing assets (NPAs) and losses. If looking at the current scenario of the banks, the amount announced is barely 10% of the capital required. The actual capital that is

required is Rs 2,50,000 Cr to 3,00,000 Cr. The banks' ability to raise capital in market will be dependent on capital market performance and valuation. Gross Non-performing assets are expected to jump 31.84% by the end of FY March 2016 from Rs 3,24,300 Cr to Rs 4,26,400 Cr.

### General Insurance Companies to be Listed in the Stock Exchanges

The general insurance companies that are fully owned by government will now be listed in stock exchanges. Listing would provide the capital required by public sector general insurers. The four such companies that are fully owned by government are New India Assurance, National Insurance, Oriental Insurance Company and United India Insurance. The Budget has also proposed foreign investments in the insurance and pension sector in the automatic route up to 49%.

### Pradhan Mantri Mudra Yojana: (PMMY)

MUDRA Stands for Micro Units Development and Refinancing Agency' bank is a new institution set up by Government of India for development and refinancing activities relating to micro-units. The total allocation made for PMMY is 1,80,000 Cr. As far as, loan up to Rs 1 Lakh Crore have been sanctioned to small entrepreneurs under this scheme. As of September 2015, Banks have already disbursed a sum of US\$3.6 Billion to 27 lakh small entrepreneurs under this scheme. There are three categories of interventions they are SHISHU: Loan up to Rs 50,000, KISHORE: Loan ranging from Rs. 50,000 to 5 Lakh Rs and TARUN: Loan above Rs. 5 Lakh and below 10 lakh Rs. This is boost entrepreneurship and in turn will generate employment.

### INFRASTRUCTURE

FM ArunJaitleyhas announced a sum of Rs. 97,000 crore towards laying road for the next fiscal year. Out of this 97,000 Crore, 55,000 Cr have been allotted to roads and highways. Further it will be topped by an additional amount of 15,000 crore which will be raised by NHAI<sup>5</sup> Bonds.

### CURRENT STATUS OF NATIONAL HIGHWAYS

NHDP Component Total	Total Length (km)	Completed length (km) as on Dec, 31 2015	In progress (km)	Estimated cost (in rupees Crore)
GQ under NHDP <sup>6</sup> Phase I	5,846	5,846	0	30,300 (NHDP Phase I)
NS-EW Corridors under Phase (I & II)	7,142	6,422	463	+ 34,339 (NHDP) Phase II) = 64,639
Port Connectivity under NHAI	431	379	52	
Others NHs with NHAI	1,844	1,578	266	
NHDP Phase III	12,608	6,734	3,402	80,626
NHDP Phase IV	20,000	2,877	7,483	27,800
NHDP Phase V	6,500	2,319	1,356	41,210
NHDP Phase VI	1,000	0	0	16,680
NHDP Phase VII	700	22	19	16,680
<b>SUBTOTAL</b>	<b>56,071</b>	<b>26,177</b>	<b>13,041</b>	<b>2,47,635</b>

(SOURCE: Ministry of Road, Transport & Highways)

The budget proposes to approve nearly 10,000 km of national highways in the FY 16-17. The proposals will be much higher than in the two preceding previous year. With addition to this, Nearly 50,000 km of state highways will be upgraded to national highways. In the road sector, over 70 projects were languished at the beginning of the year due to legacy factors. The Road Transport and Highways Ministry's allocation for 2014-15 stood at Rs 33,048 crore while the Revised Estimate for 2015-16 was Rs 47,107 crore. The Budget estimate for 2016-17 was Rs 57,976 crore. Allocation of Rs. 19,000 crore has been funded towards rural road development.

**5. NHAI:** National Highways Authority of India' responsible for management of over 70,000 km National Highways of India.

**6. NHDP:** It stands for National Highways Development Project. It comprises of different Phases.

---

### START UP INDIA- STAND UP INDIA

Start-ups have become a trend in India. Therefore, to promote entrepreneurship, the budget has announced a number of incentives for the start-ups. 'Start-up India' is a campaign by the NDA-led government to promote bank financing for start-up venture to boost entrepreneurship and create jobs. The budget has also proposed to provide a deduction of one hundred percent of the profits and gains derived by an eligible start-up for 3 years out of the first five years. Bengaluru has been ranked at 15<sup>th</sup> position within the world's start-up ecosystem. India may boast of being home to around 19,400 technology-enabled-start-ups. The year 2015 has been a glorious year for the start-ups. Indian start-ups have raised \$3.5 billion in funding in the first half of 2015. Investors have also showed a huge interest in Indian start-ups over the years. E-Commerce in India is expected to grow at 21.4% in 2015-16 and will reach at \$17 billion. Indian Start-ups have grown by 40%, creating 80,000 to 85,000 jobs in 2015. The tax-holiday is a positive step by the government but it looks good on paper. But kept this into practice, start-ups hardly make any profit in the first three to five years, which is why they seek investors to support their business. It would have been more effective if instead of tax exemptions, emphasis is given on providing access to infrastructural benefits to start-ups. For example, Indian start-ups must be given electricity at a concessional rate. Easy of doing business must be encouraged to increase entrepreneurship.

### SOCIAL SECTOR

The budget allocation for the health ministry went up from Rs 33,765 Cr in 2015-16 to Rs 38,892 Cr. The revised estimates for the current financial year 2016-17 is Rs 35,534 Cr. This is part from Rs 1,326.20 Cr for AYUSH<sup>7</sup> that brought the total sectorial allocation to 38,892 Cr. The break-up of the above amount is Rs 19,037 crore for National Health Mission, Rs 16,555 Cr for health, Rs 1,500 Cr for Rashtriya Swasthya Bima Yojana (RSBY)<sup>8</sup>.

Honourable FM ArunJaitley has announced a dialysis service programme, an important measure for a country with a very high load of diabetes and hypertension, both, in long term, known to affect kidneys. He also proposed to start a 'National Dialysis Service Programme.' Funds for this will be made available through PPP mode under the National Health Mission, to provide dialysis services made available in all district hospitals. Government has also announced to give 5 crore LPG connections at a concessional rate to below poverty line (BPL) families over three years until 2018-19.

**7. AYUSH:** Ministry of AYUSH (Ayurveda, Yoga, Unani, Siddha & Homeopathy) is a governmental body in India to develop Research and Development in the following areas

**8. RSBY:** Rashtriya Swasthya Bima Yojana is a government - run health insurance scheme for the Indian poor. It

provides cashless insurance for hospitalisation in public as well as private hospitals.

This will surely benefit about 1.50 crore households below the poverty line. These LPG connections will be provided under the name of women members of the family for which Rs 2000 Cr has been kept aside. The budget has also come up with a new health protection scheme for health cover upto 1 lakh per family. PradhanMantri Jan AushadhiYojana to be strengthened by opening 3000 generic drug store.

## CONCLUSIONS

“Overall the budget is novel, reasonable and constructive and a well taught through with focus on agricultural and rural development. Small business and Professionals have been given a boost in the budget. It has the capability to achieve twin objectives of economic growth, equitable distribution of benefits and resources at an accelerated pace. The budget do have negative points but somehow positive surpasses. Big ideas are better than one ideas. Fiscal Deficit Target stuck to at 3.9% of GDP in 2015-16 and 3.5% of GDP in 2016-17 is the best announcement in the budget. The budget also seems to be the game changer with various schemes. Emphasis on Rural Sector is very appreciable as 70% of the population is rural. The budget thus builds a platform to connect rural to urban in terms of economy, technology, culture, etc. The initiative has been taken to “EXPLORE THE UNEXPLORED”. But more than that the only thing needed now is IMPLEMENTATION, IMPLEMENTATION & IMPLEMENTATION.”

## REFERENCES

1. Acharya, N. (2016, March 4). *Budget 2016: At the time of deepening distress, govt's rural push may not be adequate*. Retrieved March 5, 2016, from irstpost.com: <http://www.firstpost.com/business/budget-2016-at-the-time-of-deepening-distress-govts-rural-push-may-not-be-adequate-2656902.html>
2. Aiyar, Y. (2016, March 1). *Budget 2016 and the social sector*. Retrieved March 4, 2016, from livemint.com: <http://www.livemint.com/Opinion/fvy92kqNt82tWu0Q6FFQIM/Budget-2016-and-the-social-sector.html>
3. ET. (2016, January 18). *Here's the tax payers' wishlist for Budget 2016* . Retrieved March 3, 2016, from <http://economictimes.indiatimes.com/>: <http://economictimes.indiatimes.com/wealth/personal-finance-news/heres-the-tax-payers-wishlist-for-budget-2016/articleshow/50601320.cms>
4. Singh, G. (2016, January 4). Key Features of Budget 2016-2017.
5. Wilkes, T. (2016, February 29). *HIGHLIGHTS: India 2016/17 budget focuses on rural economy*. Retrieved March 4, 2016, from business-standard: [http://www.business-standard.com/article/reuters/highlights-india-2016-17-budget-focuses-on-rural-economy-116022900238\\_1.html](http://www.business-standard.com/article/reuters/highlights-india-2016-17-budget-focuses-on-rural-economy-116022900238_1.html)