



NATIONAL APEX CHAMBER

Union Budget 2019-20

Road to a US\$ 5 trillion economy



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

BUDGET 2019



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July 2019

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PHD Chamber's viewpoint



Shri Rajeev Talwar
President

The Union Budget 2019-20 is an inclusive and balanced budget with a strong focus on socio-economic development of the country. The budget is an excellent vision statement and a positive step towards making India a \$ 5 trillion economy with the proposal for achieving an intermediate goal of \$ 3 trillion economy by this financial year. The emphasis on micro, small and medium, development of infrastructure, provisions in affordable housing, women empowerment and digital India will go a long way to promote all-inclusive development in the economy and achieve the desired 8% growth. Opening various sectors to foreign investments and providing credit to non-banking financial companies from banks will also mean huge liquidity for investments. Hence, it is a budget which will provide massive boost to job creations and provide ease of living.

The Government has very rightly diagnosed the importance of MSMEs for the economy which is evident from the announcement of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform. This will facilitate MSMEs in getting better access to credit and expansion in business activities. The proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years and placing an action plan to deepen the markets for long term bonds will give a big push to infrastructure in the economy. The Budget also has a strong synergy for the new education policy to transform education system with the focus on learning outcomes which will play a big role in revising the current education level.



Shri D K Aggarwal
Sr. Vice President



Shri Sanjay Aggarwal
Vice President

Various praise-worthy announcements made in the Union Budget 2019-20, such as solving the issue of 'Angel Tax' by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups will strengthen the start-up campaign in the economy. The government commitment for the skill development of the youth as per the current technological developments is indicative of the progressive thoughts of the government to steer economy towards growth and prosperity. The announcement of blueprint for developing gas grids, water grids, i-ways, and regional airports on lines of One Nation, One Grid for power availability to all states at affordable rates is highly appreciable.

An impressive budget with the Government's focus on encouraging PPP in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways will promote industrial growth and better service delivery to masses. The proposal to streamline multiple labour laws and allocation of Rs. 70000 crore for the PSU bank recapitalization will enhance the health of the PSU bank and push up the pace of lending in the economy, by increasing the sentiments for credit availability. A massive push to infrastructure connectivity and a further tax deduction of Rs. 1.5 lakhs for interest paid on housing loans sanctioned upto 31st March, 2020 is highly inspiring for the economic growth.



Shri Anil Khaitan
Immediate Former President



Dr Mahesh Y Reddy
Secretary General

The government has presented a very balanced and inclusive budget for the financial year 2019-20 and has given special attention to infrastructure. This Budget aims to lay a strong foundation for New India. The promising Union Budget 2019 – 2020 is unequivocal in emphasizing the government's focus on infrastructure, with the massive push and impetus given to the infrastructure sector through some great initiatives and announcements. In a nutshell, the government aspires to make India a USD 5 trillion dollar economy, thorough focussed reforms and strategic investments in the most critical areas, such as infrastructure, digital economy, job creation, ease of doing business, woman empowerment and kick-starting the virtuous cycle of investments.

EXPERTS' VIEW ON UNION BUDGET 2019-20

Mr Gopal Krishna Agarwal, National Spokesperson of BJP (Economic Affairs)



Macroeconomic parameters like inflation, GDP growth rate, forex reserves etc are in the good terrain. The investment should be for asset creation and infrastructure creation so that it will create demand in the economy and liquidity into the whole economic setup. At this time, disinvestment of large PSUs is only source from where revenue can be generated by the government and the same can be a source for government expenditure.

Mr Akhil Bansal, Chairman, Economic Affairs Committee, PHD Chamber & Deputy CEO, KPMG



India has yet not missed its "manufacturing bus" and it is right time for India to invest in the manufacturing sector, if India has to go in future and to become a USD 5 trillion economy. The manufacturing sector will have to grow at 11-12% in next 3-5 years to be able to sustain and achieve the USD 5 trillion economy and make it stronger economy from what it is today. The biggest job creation can come from the MSME sector.

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



There have been significant improvement made in the field of direct taxes, like collections have increased and a task force is in place that would look in the areas of international standards, rationalisation of income tax, among others. The 25% corporate tax rate for the companies having turnover upto Rs 400 crores is appreciable and this will incorporate 99.3% of companies.

Mr Pratip Chaudhuri, Former Chairman, SBI



The glory has to be brought again to manufacturing sector as that is where the core strength of the country is. Though the repo rate has been reduced but its effect has not been passed on to the customers. The highest market capitalization has been by banking sector. The government initiative of allocation of Rs. 70000 crore for the PSU bank recapitalization is laudable. It is unrealistic to believe that the budget can solve everything, as it is just a roadmap or a broad picture.

Prof. (Dr) Gurbachan Singh, Eminent Economist & Adjunct Faculty, Indian Statistical Institute



The budget has a lot of positive aspects. The schemes, such as affordable housing, skill India, among others reflect planned mind set and not the market mind set, so a lot needs to be done in this direction. In order for markets to work properly, there is a need to focus on overall legal aspects and regulatory environment. The inflation targeting has improved a lot. As far as the stability and macroeconomic environment is concerned the fiscal policy has to go much further.

Mr Bimal Jain, Chairman, Indirect Tax Committee, PHD Chamber



The Budget presented was of macro level and forward looking, which touched upon the areas, such as urban India, rural India, infrastructure, agriculture, energy, roads, women empowerment, banking and finance. The exports are one of the fundamental factors to achieve 8% growth rate.

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1. Executive Summary

Hon'ble Finance Minister Smt. Nirmala Sitharaman has presented a bottoms-up, inclusive and balanced budget with a strong focus on socio-economic development of the country to build a New India, going forward. The proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. The focus on MSMEs, development of infrastructure, affordable housing and women empowerment would go a long way to promote all-inclusive development in the economy. The Union Budget 2019-20 represents the government's long term vision to achieve USD5 trillion economy size and build a new India with inclusive welfare of all .

The vision of the government to build a new India has been reflected in the 10 point vision provided in the Budget, which includes achieving minimum government maximum governance; pollution-free India; digitization in every sector; state of art physical and social infrastructure; self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables; a healthy society with well-nourished women & children, safety of citizens; and emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, among others, under Make in India.

The lowering of tax rates to 25% for companies with annual turnover of Rs 400 crores is encouraging as it was proposed by the industry since the last many years. It will enhance business sentiments and production possibility frontiers in the economy.

Union Budget 2019-2020 (Key takeaways)

S. No.	Dimension	Description
1	Size of the Budget	Rs. 27.86 lakh crore
2	Fiscal Deficit	Rs. 7.03 Lakh Crore; 3.3% of GDP
3	Roadmap to achieve USD 5 trillion economy	Indian economy to become a 3 trillion dollar economy in the current year. Need for investment in infrastructure; digital economy; job creation in small and medium firms; initiatives to be proposed for kick-starting the virtuous cycle of investments.
4	Vision for the Next Decade: 10 Dimensions	Physical and Social infrastructure; Digital India; Pollution free India; Rural Industrialisation; Clean Rivers; Coastline and ocean waters; Space programme –Gaganyaan; Self-sufficiency in Food; Healthy India; Minimum Government Maximum Governance Nation.
5	Agriculture, Allied Activities & Rural Economy	Rs. 80,250 crore has been allocated for upgradation of 1,25,000 kms of road length over the next five years; Setting up of 100 new clusters during FY2020;

6	Industry	Corporate Tax Rate lowered to 25% for companies with annual turnover of Rs. 400 crore; Proposal to streamline multiple labour laws into a set of four labour codes; 2% interest subvention for all GST registered MSMEs on fresh or incremental loans; Funds raised by start-ups to not require scrutiny from Income Tax Department.
7	Infrastructure	Proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years; Bharatmala phase 2 to be launched to help develop state road networks; Higher infrastructure funding through PPP in Indian Railways.
8	Banking, Finance & Taxation	Recapitalization of banks by another Rs 70,000 crore; Surcharge hike on individual taxable income above Rs 2 crore; PAN and Aadhaar to be used interchangeably to file Income Tax returns (ITR).
9	Education & Women Empowerment	Proposal to bring in a new National Education Policy; Proposal to establish a National Research Foundation; Proposal to expand the Women Self Help Group (SHGs) interest subvention programme to all districts

Source: PHD Research Bureau, compiled from Union Budget 2019-20 Speech, Government of India

The proposal to streamline multiple labour laws into a set of four labour codes is inspiring as simplification of labour laws would reduce the compliances for the industry particularly for the MSMEs and provide more room for deployment of workforce in the factories.

The Budget has focused on attracting foreign investors to increase capital flows with the easing of local sourcing norms for FDI in Single Brand Retail and 100% Foreign Direct Investment (FDI) permitted for insurance intermediaries.

MSMEs are the potential growth engine of the Indian economy. The government has very rightly diagnosed the importance of MSMEs in the economy; the announcement of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform for MSMEs would facilitate them in getting better access to credit and expansion in business activities.

The allocation of Rs. 70000 crore for the PSU bank recapitalization will enhance the health of the PSU bank and push up the pace of lending in the economy, by increasing the sentiments for credit availability.

Various praise-worthy announcements such as solving the issue of 'Angel Tax' by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups would strengthen the start-up campaign in the economy.

A big infrastructure push such as a massive program for Railway modernization, a massive push to infrastructure connectivity through the projects such as industrial corridors, Bharatmala etc, the target of building 1.95 crore houses in the second phase of PMAY-Gramin, additional tax benefits for first time home buyer, a further tax deduction of Rs. 1.5 lakhs for interest paid on housing loans sanctioned in the current fiscal year upto 31st March, 2020, will certainly push the infrastructure health of the country to the next level.

The proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years is highly encouraging and put India's infrastructure development really on a high road. The announcement of blueprint for developing gas grids, water grids, i-ways, and regional airports on lines of One Nation, One Grid for power availability to all states at affordable rates is highly appreciable as it would be instrumental in developing infrastructure for not just industry but also for socio-economic development of the masses.

The government's focus on encouraging PPP in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways would not only promote industrial growth but also provide better service delivery to masses. The government has given prime focus to affordable housing in this budget as alignment of the definition of affordable housing in the Income-tax Act with the GST Acts and providing the limit on cost of the house at Rs. 45 lakh in line with the definition in the GST Acts would create demand in the housing and construction sector activity.

The additional income tax deduction of Rs. 1.5 lakh on interest paid on loans taken to buy electric vehicles and additional deduction of up to Rs 1,50,000/- for interest paid on loans borrowed up to 31st March, 2020 for purchase of an affordable house valued up to Rs 45 lakh are highly beneficial for middle class buyers. The Budget has a strong synergy for the new education policy and made comprehensive allocation of Rs. 400 crore for FY2019-20 to transform education system with the focus on learning outcomes which will play a big role in revising the current education level.

The Budget announced to expand the Women SHG interest subvention programme to all districts and made provisions for overdraft of Rs. 5,000 to be given to verified women SHG member. These measures would strengthen women's role in the society, going forward. The government's commitment to skill development of the youth as per the current technological developments is indicative of the progressive thoughts of the government to steer economy towards growth and prosperity.

In a nutshell, the budget represents the government's aspiration to make India a USD 5 trillion dollar economy, thorough focussed reforms and strategic investments in the most critical areas, such as infrastructure, digital economy, job creation, ease of doing business and kick-starting the virtuous cycle of investments. Overall, the Union Budget 2019-2020 is a balanced, pragmatic, welfare inducing budget and would rejuvenate the economic growth trajectory of the nation.

2. Indian Economy on the Eve of Union Budget 2019-2020

During the last five years, India's economy has performed well. By opening up several pathways for trickle-down, the government has ensured that the benefits of growth and macroeconomic stability reach the bottom of the pyramid.

To achieve the objective of becoming a US\$5 trillion economy by 2024-25, India needs to sustain a real GDP growth rate of 8%. International experience, especially from high-growth East Asian economies, suggests that such growth can only be sustained by a "virtuous cycle" of savings, investment and exports catalysed and supported by a favourable demographic phase. Investment, especially private investment, is the "key driver" that drives demand, creates capacity, increase labour productivity, introduces new technology, allows creative destruction and generates jobs.

Exports must form an integral part of the growth model because higher savings preclude domestic consumption as the driver of final demand. Similarly, job creation is driven by this virtuous cycle. While the claim is often made that investment displaces jobs, this remains true only when viewed within the silo of a specific activity. When examined across the entire value chain, capital investment fosters job creation as production of capital goods, research & development and supply chains generate jobs.

In postulating the above growth model, the Survey departs from traditional Anglo-Saxon thinking by viewing the economy as being either in a virtuous or a vicious cycle, and thus never in equilibrium.

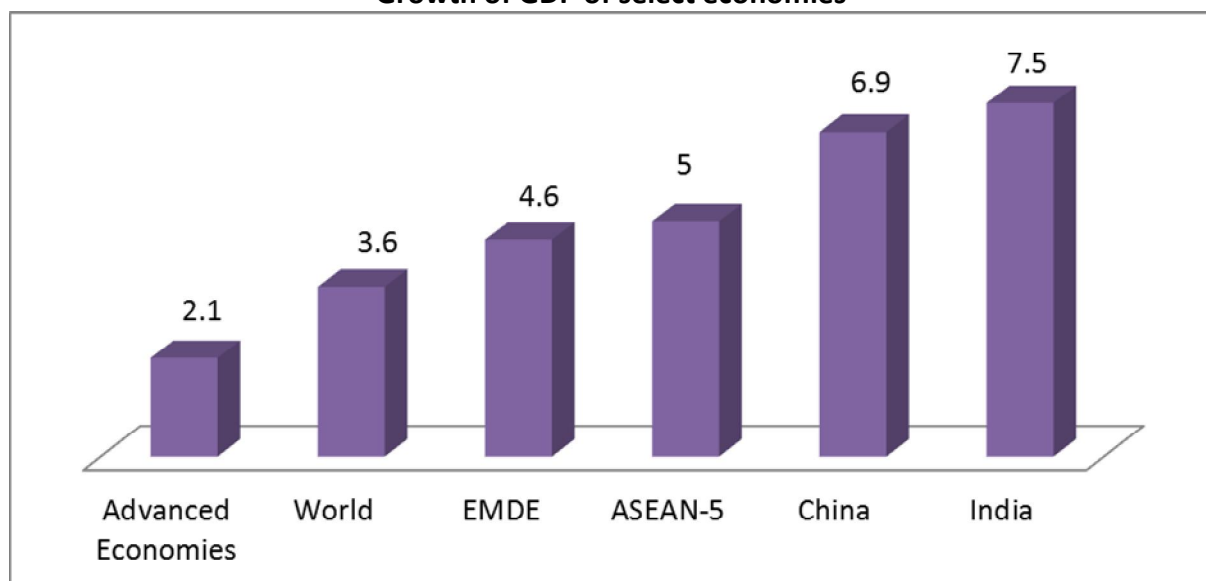
By presenting data as a public good, emphasizing legal reform, ensuring policy consistency, and encouraging behaviour change using principles of behavioural economics, the Survey aims to enable a self-sustaining virtuous cycle. Key ingredients include a focus on policies that nourish MSMEs to create more jobs and become more productive, reduce the cost of capital, and rationalise the risk-return trade-off for investments.

2.1 State of the Economy

The Government has projected the real GDP growth for the year 2019-20 at 7 per cent, on the back of anticipated pickup in the growth of investment and acceleration in the growth of consumption. India's growth of real GDP has been high with average growth of 7.5 per cent in the last 5 years (2014-15 onwards). The Indian economy grew at 6.8 per cent in 2018-19, thereby experiencing some moderation in growth when compared to the previous year.

India continues to remain the fastest growing major economy in the world in 2018-19, despite a slight moderation in its GDP growth from 7.2 per cent in 2017-18 to 6.8 per cent in 2018-19. Gross Value Added reflected a decline in economic activity, registering a growth of 6.6 per cent in 2018-19, lower than 6.9 per cent in 2017-18.

Growth of GDP of select economies



Sources: PHD Research Bureau Compiled from World Economic Outlook, April 2019, IMF

Note: (1). EMDE = Emerging Market and Development Economics; (2). ASEAN: Composed of 5 Countries: Indonesia, Malaysia, Philippines, Thailand, and Vietnam

Service sector is the most dynamic sector in the economy and has remained the key driver of economic growth along with being a major contributor to GVA and export basket of the Indian Economy. Real growth in 'Agriculture & allied' sector was lower in 2018-19 at 2.9 per cent, after two years of good agriculture growth. As per the 3rd Advance Estimates released by Ministry of Agriculture & Farmers Welfare, the total production of foodgrains during 2018-19 is estimated at 283.4 million tones in 2017-18. Growth in the industry accelerated during 2018-19 on the strength of improving manufacturing and construction activity, which have more than offset the declaration in the other two sub sectors, 'Mining & quarrying' and 'Electricity, gas, water supply & other utility services'. Manufacturing accounted for 16.4 per cent in total GVA in 2018-19, marginally higher than that of 'Agriculture & allied' sector.

On the external front, current account deficit (CAD) increased from 1.9 per cent of GDP in 2017-18 to 2.6 per cent in April-December 2018. The widening of the CAD was largely on account of a higher trade deficit driven by rise in international crude oil prices (Indian basket). The trade deficit increased from US\$ 162.1 billion in 2017-18 to US\$ 184 billion 2018-19.

Rupee depreciated by 7.8 per cent vis-à-vis US dollar, 7.7 per cent against Yen, and 6.8 per cent against Euro and Pound Sterling in 2018-19. The foreign exchange reserves in nominal terms (including the valuation effects) decreased by US\$ 11.6 billion end-March 2019 over end-March 2018.

Net Foreign Direct Investment (FDI) inflows grew by 14.2 per cent in 2018-19. Indian banking sector has been dealing with twin balance sheet problem, which refers to stressed, corporate and bank balance sheets.

2.2 Nourishing Dwarfs to become Giants: Reorienting policies for MSME Growth

MSMEs that grow not only create greater profits for their promoters but also contribute to job creation and productivity in the economy. Our policies must, therefore, focus on enabling MSMEs to grow by unshackling them. Job creation in India, however, suffers from policies that foster dwarfs, i.e. small firms that never grow, instead of infant firms that have the potential to grow and become giants rapidly. While dwarfs, i.e., firms with less than 100 workers despite being more than ten years old, account for more than half of all organized firms in manufacturing by number, their contribution to employment is only 14 per cent and to productivity is a mere 8 per cent. In contrast, large firms (more than 100 employees) account for three-quarters of such employment and close to 90 percent of productivity despite accounting for about 15 per cent by number. The perception of small firms being significant job creators pervades because job destruction by small firms is ignored in this calculus: small firms find it difficult to sustain the jobs they create. In contrast, large firms create permanent jobs in larger numbers. Also, young firms create more jobs at an increasing rate than older firms. Size-based incentives that are provided irrespective of firm age and inflexible labour regulation, which contain size-based limitations, contribute to this predicament. To unshackle MSMEs and thereby enable them to grow, all size based incentives must have a sunset clause of less than ten years with necessary grand-fathering. Deregulating labour law restrictions can create significantly more jobs, as seen by the recent changes in Rajasthan when compared to the rest of the states.

2.3 Policy for Homo Sapiens, Not Homo Economicus

Decisions made by real people often deviate from the impractical robots theorized in classical economics. Drawing on the psychology of human behaviour, behavioural economics provides insights to ‘nudge’ people towards desirable behaviour. The key principles of behavioural economics are ‘emphasising the beneficial social norm’, ‘changing the default option’ and ‘repeated reinforcements’. Swachh Bharat Mission (SBM) and the Beti Bachao Beti Padhao (BBBP) have successfully employed behavioural insights. Insights from behavioural economics can be strategically utilised to create an aspirational agenda for social change: (i) from BBBP to BADLAV (Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi); (ii) from Swachh Bharat to Sundar Bharat; (iii) from “Give It Up” for the LPG subsidy to “Think about the Subsidy”; and (iv) from tax evasion to tax compliance.

2.4 Data “Of the People, By the People, For the People”

Given technological advances in gathering and storage of data, society’s optimal consumption of data is higher than ever. As private sector may not invest in harnessing data where it is profitable, government must intervene in creating data as a public good, especially of the poor and in social sectors of the country. Governments already hold a rich repository of administrative, survey, institutional and transactions data about citizens, but these data are scattered across numerous government bodies. Merging these distinct datasets would generate multiple benefits with the applications being limitless. Given that

sophisticated technologies already exist to protect and share confidential information, data can be created as a public good within the legal framework of data privacy.

2.5 Ramp Up Capacity In The Lower Judiciary

Delays in contract enforcement and disposal resolution are arguably now the single biggest hurdle to the ease of doing business in India and higher GDP growth. Around 87.5 per cent of pending cases are in the District and Subordinate courts. Therefore, this segment must be the focus of reform. The study found that 100 per cent clearance rate can be achieved by merely filling out the vacancies in the lower courts and in the High Courts (even without the productivity gains). Simulations of efficiency gains and additional judges needed to clear the backlog in five years suggest that the numbers are large but achievable. The states of Uttar Pradesh, Bihar, Odisha and West Bengal need special attention.

2.6 Policy uncertainty affecting investments

Economic Policy Uncertainty has reduced significantly in India over the last decade. Continued decline in economic policy uncertainty in India post 2015 is exceptional because it contrasts sharply with the increase during this period in economic policy uncertainty in major countries, especially the U.S. An increase in economic policy uncertainty dampens investment growth in India for about five quarters. Unlike generic economic uncertainty, which cannot be controlled, policymakers can reduce economic policy uncertainty to foster a salutary investment climate in the country. Forward guidance, consistency of actual policy with forward guidance, and quality assurance certification of processes in Government departments can help to reduce economic policy uncertainty.

2.7 India's Demography at 2040: Planning Public Good Provision for the 21st Century

India is set to witness a sharp slowdown in population growth in the next two decades. Although the country as a whole will enjoy the “demographic dividend” phase, some states will start transitioning to an ageing society by the 2030s. A surprising fact is that population in the 0-19 age bracket has already peaked due to sharp declines in total fertility rates (TFR) across the country. The national TFR is expected to be below replacement rate by 2021. Working-age population will grow by roughly 9.7mn per year during 2021-31 and 4.2mn per year in 2031-41. The proportion of elementary school-going children, i.e. 5-14 age group, will witness significant declines. Contrary to popular perception, many states need to pay greater attention to consolidating/merging schools to make them viable rather than building new ones. At the other end of the age scale, policy makers need to prepare for ageing. This will need investments in health care as well as a plan for increasing the retirement age in a phased manner.

2.8 From Swachh Bharat to Sundar Bharat via Swasth Bharat

SBM (Swachh Bharat Mission), one of the largest cleanliness drives in the world, has brought in a remarkable transformation and traceable health benefits. Even 67 years after India's

independence, in 2014, around 10 crore rural and about 1 crore urban households in India were without a sanitary toilet; over 56.4 crore, i.e. close to half the population, still practiced open defecation. Through SBM, 99.2 per cent of the rural India has been covered. Since October 2, 2014 over 9.5 crore toilets have been built all over the country and 564,658 villages have been declared ODF. Becoming ODF has reduced deaths due to diarrhoea, malaria especially in under-five children, still births and new-borns with weight less than 2.5 kg and thereby improved child health and nutrition. This effect is particularly pronounced in districts where IHHL coverage was lower. Financial savings from a household toilet exceed the financial costs to the household by 1.7 times, on average and 2.4 times for poorest households. Going forward, SBM needs to incorporate environmental and water management issues for sustainable improvements in the long-term.

2.9 Enabling Inclusive Growth through Affordable, Reliable and Sustainable Energy

India with a per-capita energy consumption of about one-third of the global average will have to increase its per capita energy consumption at least 2.5 times to increase its real per capita GDP by \$5000 per capita, in 2010 prices, to enter the upper-middle income group. Additionally, if India has to reach the HDI level of 0.8, which corresponds to high human development, it has to quadruple its per capita energy consumption. India has set ambitious targets for renewable energy and has been undertaking one of the world's largest renewable energy expansion programmes in the world. Now, globally India stands 4th in wind power, 5th in solar power and 5th in renewable power installed capacity.

Energy efficiency programmes in India have generated cost savings worth more than Rs 50,000 crore and a reduction in about 11 crore tonnes of CO₂ emission. The share of renewables in total electricity generation has increased from 6 per cent in 2014-15 to 10 per cent in 2018-19 but thermal power still plays a dominant role at 60 per cent share. The market share of electric vehicles is only 0.06 per cent in India when compared to 2 per cent in China and 39 per cent in Norway. Access to fast charging facilities must be fostered to increase the market share of electric vehicles.

2.10 Effective Use of Technology for Welfare Schemes

Use of technology in streamlining MGNREGS has helped increase its efficacy. Adoption of NeFMS and DBT in MGNREGS helped to reduce delays in the payment of wages significantly. Both demand and supply of work under MGNREGS increased, especially in districts suffering from distress. The vulnerable sections of the society viz., women, SC and ST workforce increased under MGNREGS during times of economic distress. Skilful use of technology when combined with an unwavering commitment to monitoring effectiveness of government schemes can make a substantial difference on the ground.

2.11 Redesigning a Minimum Wage System in India for Inclusive Growth

The present minimum wage system in India is complex with 1,915 minimum wages defined for various scheduled job categories across various states. One in every three wage workers

in India is not protected by the minimum wage law. Minimum wages should be fixed for four categories namely, unskilled, semi-skilled, skilled and highly skilled based on the geographical region and should cover all workers, irrespective of any wage ceilings. A simple, coherent and enforceable Minimum Wage System should be designed with the aid of technology as minimum wages push wages up and reduce wage inequality without significantly affecting employment. An effective minimum wage policy is a potential tool not only for the protection of low paid workers but is also an inclusive mechanism for more resilient and sustainable economic development.

2.12 Fiscal Developments

Over the last six years, budgetary expenditure of the Central Government, as per cent of GDP, has seen considerable moderation with most of the reduction in the revenue expenditure. Total expenditure fell by 0.3 percentage points in 2018-19 PA (Provisional Actuals) over 2017-18, with 0.4 percentage points reduction in revenue expenditure and 0.1 percentage points increase in capital expenditure. Within revenue expenditure, major subsidies comprising food, fertiliser and petroleum continued their downward trend and have further declined by 0.1 percentage point of GDP in 2018-19 over 2017-18. Improving the quality of expenditure remains the key priority. Meeting allocational requirements without diversion from the newly revised fiscal glide path remains the foremost challenge.

2.13 Monetary Management and Financial Intermediation

Monetary policy witnessed a change over the last year. The benchmark policy rate was first hiked by 50 bps and later reduced by 75 bps due to weaker-than anticipated inflation, growth slowdown and softer international monetary conditions. Liquidity conditions, however, have remained systematically tight since September 2018. The performance of the banking system has improved as NPA ratios declined and credit growth accelerated. However, financial flows to the economy remained constrained because of decline in the amount of equity finance raised from capital markets and stress in the NBFC sector. The ecosystem for insolvency and bankruptcy is getting systematically built out. It has already led to recovery and resolution of significant amount of distressed assets as well as palpably improved business culture.

2.14 Sustainable Development and Climate Change

India continues to target and maintain its economic growth by introducing and implementing various policies and measures relating to sustainable development, climate change, resource efficiency and air pollution. India has been progressing rapidly towards achieving the Sustainable Development Goals (SDGs). With increasing demand for resources to cater to the different developmental needs, policies need to nudge economic agents towards achieving the maximum output from the available resources. Developing countries like India need to endeavor to do the best possible within their own domestic resources, keeping in mind the sustainable development imperatives. It is time for the global

community to exhibit the requisite momentum to act upon their responsibilities on establishing the enabling environment for sustainable development and climate actions.

2.15 Social Infrastructure, Employment and Human Development

As India is a developing economy with resource constraints, we have to prioritize and optimize the expenditure on social infrastructure to promote sustainable and inclusive growth. It is critical at this juncture to focus on public investments in human capital and strengthen the delivery mechanisms of government interventions to ensure transparency and accountability. With India having the demographic advantage, improving educational standards, skilling the youth, enhancing job opportunities, reducing disease burden and empowering women will help in realizing the potential of a buoyant economy in the future.

3. Union Budget 2019-2020: Key Highlights

The Budget is an inclusive and balanced budget with a strong focus on socio-economic development of the country. The proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. Overall, the Union Budget 2019-2020 is a balanced, pragmatic, welfare inducing budget. Going ahead, the announcements made in the budget is expected to rejuvenate the economic growth trajectory of the nation and would go a long way to promote all-inclusive development in the economy.

Key highlights of the Union Budget 2019-20:

- Tax rate reduced to 25% for companies with annual turnover up to Rs. 400 crore.
- Insurance Intermediaries to get 100% FDI and local sourcing norms will be eased for FDI in single brand retail sector.
- Proposal to invest Rs 100 lakh crore in development of infrastructure over the next 5 years.
- Surcharge increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above.
- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.
- Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
- Capital gains exemptions from sale of residential house for investment in start-ups extended till FY21.
- Funds raised by start-ups to not require scrutiny from Income Tax Department.
- International Financial Services Centre (IFSC)- 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
- Profit-linked deduction was introduced for start-ups.
- A television programme within the DD bouquet of channels exclusively for start-ups.
- Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.; 5% Basic Custom Duty imposed on imported books; custom duty on gold and other precious metals increased.
- Exemptions from Custom Duty on certain electronic items now manufactured in India withdrawn; end use based exemptions on palm stearin, fatty oils withdrawn; exemptions to various kinds of papers withdrawn; defence equipment not manufactured in India exempted from basic customs duty.
- Projected Fiscal Deficit at 3.3% of GDP for the year 2019-20.

- Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel.
- 10,000 new Farmer Producer Organizations to be formed, to ensure economies of scale for farmers.
- New National Education Policy to be brought in.
- Study in India proposed to bring foreign students to study in Indian higher educational institutions.
- A massive program of railway station modernization to be launched.
- Overdraft of Rs. 5,000 to be allowed for every verified women SHG member having a Jan Dhan Bank Account and one woman per SHG to be eligible for a loan up to Rs. 1 lakh under MUDRA Scheme.
- Rs. 70,000 crore proposed to be provided to Public Sector Banks to boost credit.
- Reduction in Net Owned Fund requirement for Non Banking Financial Companies (NBFCs) from Rs. 5,000 crore to Rs. 1,000 crore proposed.
- Target of Rs. 1, 05,000 crore of disinvestment receipts set for the FY 2019-20.
- Tax Deduction at Source (TDS) of 2% on cash withdrawal exceeding Rs. 1 crore in a year from a bank account.
- Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore, under Pradhan Mantri Karam Yogi Maandhan Scheme.
- Stock exchanges to be enabled to allow AA rated bonds as collaterals.
- SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.
- Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve "Housing for All" by 2022.
- One woman per SHG to be eligible for a loan up to Rs. 1 lakh under MUDRA Scheme.
- 17 iconic Tourism Sites being developed into model world class tourist destinations.
- In order to discourage the practice of avoiding Dividend Distribution Tax (DDT) through buy back of shares by listed companies, it is proposed to provide that listed companies shall also be liable to pay additional tax at 20% in case of buy back of share, as is the case currently for unlisted companies.

4. Vision for the Next Decade: 10 Dimensions

The Government in the Union Budget 2019-20 has continued its focussed on the 10 point agenda (dimensions) for the vision for the next decade, as given in the Interim Budget 2019-20, as India is poised to become USD 5 trillion economy in next few years and aspire to become USD 10 trillion economy in next 8 years thereafter. The ten dimensional vision for the next decade has the potential to build new India, characterised by sustainable growth trajectory. The dimensions such as Digital India, Pollution-free India, Rural Industrialization, Cleaning of the rivers, self sufficiency in food, vision of a healthy society among others are inspiring and promising. In addition, the government has also set the roadmap to achieve USD 5 trillion economy in the next few years, as follows:

- Indian economy to become a 3 trillion dollar economy in the current year.
- Need for investment in:
 - Infrastructure.
 - Digital economy.
 - Job creation in small and medium firms.
 - Initiatives to be proposed for kick-starting the virtuous cycle of investments.

Vision for the Next Decade: 10 Dimensions

S.No	Dimension	Description
1	Physical and Social infrastructure	The vision is to build physical as well as social infrastructure for a ten Trillion Dollar economy and to provide ease of living. It will comprise next generation infrastructure of roads, railways, seaports, airports, urban transport, gas and electric transmission and inland waterways. On the social infrastructure side, every family will have a roof on its head and will live in a healthy, clean and wholesome environment. The Government will also build a quality, science oriented educational system with Institutes of Excellence providing leadership at the top.
2	Digital India	The vision is to create a Digital India reaching every sector of the economy, every corner of the country and impacting the life of all Indians. Digital Infrastructure and digital economy of 2030 will be built upon the successes achieved in recent years in digitisation of Government processes and private transactions. The youth will lead in this endeavour with innumerable start-ups creating digital India, and millions of jobs in this eco-system.
3	Pollution free India	The vision is to make India a pollution free nation with green Mother Earth and blue skies. India will drive on Electric Vehicles with Renewables becoming a major source of energy supply. India will lead the world in the transport revolution through electric vehicles and energy storage devices, bringing down import-dependence and ensuring energy security for our people.

4	Rural Industrialisation	The vision is to expand rural industrialisation using modern digital technologies to generate massive employment. This will be built upon the Make in India approach to develop grass-roots level clusters, structures and mechanisms encompassing the MSMEs, village industries and start-ups spread in every nook and corner of the country. India is now on the way to becoming a global manufacturing hub in various sectors including automobiles and electronics, defence and medical devices.
5	Clean Rivers	The vision is to have clean rivers and water bodies. The Government has worked vigorously for cleaning River Ganga. The vision for India of 2030 is Clean Rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation using micro-irrigation techniques.
6	Coastline and ocean waters	The vision is to ensure better standards and quality of life for a large number of people living in the coastal areas. Government's efforts in the Sagarmala programme will be scaled up and we will develop other inland waterways faster.
7	Space programme - Gaganyaan	This vision aims at the outer skies. Government's space programme – Gaganyaan, India becoming the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022 reflect this dimension of the vision of Government.
8	Self-sufficiency in Food	The vision is to make India self-sufficient in food, export to the world to meet their food needs and produce food in the most organic way. High farm production and productivity will be achieved through modern agricultural practices and value addition. An integrated approach towards agro and food processing, preservation, packaging and maintenance of the cold chain will be the focus of attention.
9	Healthy India	The Government will be aiming at healthy society with an environment of health assurance and the support of necessary health infrastructure. By 2030, the Government will work towards a distress free health care and a functional and comprehensive wellness system for all.
10	Miniumum Government Maximum Governance Nation	India of 2030 will have a proactive and responsible bureaucracy which will be viewed as friendly to people. The vision is that team India i.e employees and elected Governemnt will transform India into a Miniumum Government and Maximum Governance Nation.

Source: PHD Research Bureau, compiled from Union Budget 2019-20

5. Budget at a Glance

Fiscal deficit in Revised Estimates (RE) 2018-19 has been increased marginally to 3.4% from 3.3% (BE) and in BE 2019-20 is pegged at 3.3%.	Revenue Deficit stands at 2.2% in BE and RE 2018-19. The Revenue Deficit for 2019-20 is pegged at 2.3%.	Total expenditure in Budget for 2019-20 has been placed at Rs 27.86 lakh crores.
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5.1. Budget at a Glance

(Amount in Rs. Crore)

S. No.	Particulars	2017-18	2018-19		2019-20	2019-20 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	Revenue Receipts (2+3)	1435233	1725738	1729682	1962761	13.48
2	Tax Revenue (Net to Centre)	1242488	1480649	1484406	1649582	11.13
3	Non-tax revenue	192745	245089	245276	313179	27.68
4	Capital Receipts (5+6+7)^{\$}	706740	716475	727553	823588	13.20
5	Recoveries of loans	15633	12199	13155	14828	12.72
6	Other Receipts	100045	80000	80000	105000	31.25
7	Borrowings & other liabilities [#]	591062	624276	634398	703760	10.93
8	Total Receipts (1+4)	2141973	2442213	2457235	2786349	13.39
9	Total Expenditure (10+13)	2141973	2442213	2457235	2786349	13.39
10	On Revenue Account of which	1878833	2141772	2140612	2447780	14.35
11	Interest Payments	528952	575795	587570	660471	12.41
12	Grants in Aid for creation of Capital assets	191034	195345	200300	207333	3.51
13	On Capital Account	263140	300441	316623	338569	6.93
14	Revenue deficit (10-1)	443600	416034	410930	485019	18.02
15	as % of GDP	2.6	2.2	2.2	2.3	...
16	Effective Revenue Deficit (14-12)	252566	220689	210630	277686	31.84
17	as % of GDP	1.5	1.2	1.1	1.3	...
18	Fiscal deficit {9-(1+5+6)}	591062	624276	634398	703760	10.93
19	as % of GDP	3.5	3.3	3.4	3.3	...
20	Primary deficit (16-11)	62110	48481	46828	43289	-7.56
21	as % of GDP	0.4	0.3	0.2	0.2	...

Source: PHD Research Bureau compiled from Union Budget 2019-20. BE: Budget Estimates, RE: Revised Estimates

Notes: \$ Excluding receipts under Market Stabilisation Scheme; #Includes drawdown of Cash Balance; GDP for BE 2019-2020 has been projected at Rs 21100607 crore assuming 12.0% growth over the estimated GDP of Rs 18840731 crore for 2018-19 (RE). Individual items in this document may not sum up to the totals due to rounding off; Figures in parenthesis are as a percentage of GDP. Y-O-Y growth is of BE of 2019-20 over RE of 2018-19.

5.2. Summary of Receipts

(Amount in Rs. Crore)

S. No	Component	2017-18	2018-19		2019-20	2019-20
		Actuals	BE	RE	BE	Y-o-Y growth %
1	Tax Revenue Gross Tax Revenue	1919009	2271242	2248175	2461195	9.48
a.	Corporation Tax	571202	621000	671000	766000	14.16
b.	Taxes on Income	430772	529000	529000	569000	7.56
c.	Wealth Tax	63	..	..	..	..
d.	Customs	129030	112500	130038	155904	19.89
e.	Union Excise Duties	259431	259600	259612	300000	15.56
f.	Service Tax	81228	..	9283	..	..
g.	GST	442562	743900	643900	663343	3.02
	- CGST	203262	603900	503900	526000	4.39
	- IGST	176688	50000	50000	28000	-44.00
	- GST Compensation Cess	62612	90000	90000	109343	21.49
h.	Taxes on Union Territories	4721	5242	5342	6948	30.06
	Less - NCCD transferred to the NCCF/NDRF	3515	2500	2315	2480	7.13
	Less - State's share	673006	788093	761454	809133	6.26
1a.	Centre's Net Tax Revenue	1242488	1480649	1484406	1649582	11.13
2	Non-Tax Revenue	192744	245089	245276	313179	27.68
	Interest receipts	13574	15162	12047	13711	13.81
	Dividend and Profits	91361	107312	119264	163528	37.11
	External Grants	3582	2667	1270	1006	-20.79
	Other Non Tax Revenue	82338	117886	110619	132784	20.04
	Receipts of Union Territories	1890	2062	2076	2149	3.52
	Total Revenue Receipts(1a + 2)	1435233	1725738	1729682	1962761	13.48
3	Capital Receipts					
A.	Non-debt Receipts	115678	92199	93155	119828	28.63
(i)	Recoveries of loans and advances@	15633	12199	13155	14828	12.72
(ii)	Disinvestment Receipts	100045	80000	80000	105000	31.25
B.	Debt Receipts*	586971	581210	593197	652702	10.03
	Total Capital Receipts (A+B)	702649	673409	686352	772529	12.56
4	DRAW-DOWN OF CASH BALANCE	4091	43066	41201	51059	23.93
	Total Receipts (1a+2+3)	2137882	2399147	2416034	2735290	13.21
	Receipts under MSS (Net)	...	...	...	...	...

Source: PHD Research Bureau compiled from Union Budget 2019-20. 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.

5.3. Summary of Expenditure

(Amount in Rs. Crore)

S.No.	Particulars	2017-18	2018-19		2019-20	2019-20 Y-o-Y growth
		Actuals	BE	RE	BE	%
A	Centre's Expenditure					
I	Establishment Expenditure	473031	508400	517025	546296	5.66
II	Central Sector Schemes/ Projects	587785	708934	736796	870794	18.19
III	Other Central Sector Expenditure of which	622898	678017	695609	772129	11.00
	Interest Payments	528952	575795	587570	660471	12.41
B.	Transfers					
IV	Centrally Sponsored Schemes	285448	305517	304849	331610	8.78
V	Finance Commission Grants	92244	109374	106129	120466	13.51
VI	Other Grants/Loans/Transfers	80567	131973	96827	145054	49.81
	Grand Total	2141973	2442213	2457235	2786349	13.39
Capital Expenditure of the Government						
1	Gross Budgetary Support	263140	300441	316624	338570	6.93
2	Ministry of Railways (IEBR)	58568	93440	85798	94071	9.64
3	IEBR (excluding Ministry of Railways)	552118	383476	526816	443568	-15.80
	Total	873826	777357	929238	876209	-5.71

Source: PHD Research Bureau compiled from Union Budget 2019-20. 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

5.4. Resources Transferred to State and U.T.

(Amount in Rs. Crore)

S.No.	Indicators	2017-18	2018-19	2019-20	2019-20 Y-o-Y growth%
		Actuals	RE	BE	
I.	Devolution of States' share in taxes	673005	761454	809133	6.26
II.	Some Important Items of Transfer	37236	55558	54581	-1.76
a	Assistance to States from NDRF	4723	10000	10000	0.00
b	Central Pool of Resources for North Eastern Region and Sikkim	702	657	392	-40.33
c	Externally Added Projects - Grants	3000	3500	4500	28.57
d	Externally Aided Projects - Loan	17500	23801	19723	-17.13
e	Schemes of North East Council	772	422	326	-22.79
f	Schemes under Proviso to Article 275(1) of the Constitution	1509	1565	2321	48.31
g	Special Assistance under the demand- Transfer to States	6951	13500	15000	11.11
h	Special Central Assistance to Scheduled Castes	731	876	1074	22.60
i	Special Central Assistance to Tribal Area	1348	1238	1245	0.57
III.	Finance Commission Grants	92244	106129	120466	13.51
a	Grant for Rural Local Bodies	34448	42815	52558	22.76

b	Grants for Urban Local Bodies	12594	18879	23359	23.73
c	Grants-in-Aid for SDRF	9383	9852	10344	4.99
d	Post Devolution Revenue Deficit Grants	35819	34582	34206	-1.09
IV.	Total Transfer to States [Other than (I)+(II)+(III)]	278812	315132	335220	6.37
a	Under Centrally Sponsored Schemes (Revenue)	262043	277414	292003	5.26
b	Under Central Sector Schemes (Revenue)	15964	36637	42076	14.85
c	Under Other Categories of Expenditure (Revenue)	788	934	1033	10.60
d	Capital Transfers	16	148	109	-26.26
V.	Total Transfer to Delhi and Puducherry	3832	8310	10028	20.67
a	Under Centrally Sponsored Schemes (Revenue)	1016	1336	2026	51.65
b	Under Central Sector Schemes (Revenue)	70	77	89	15.58
c	Under Other Categories of Expenditure (Revenue)	2673	6767	7613	12.50
d	Capital Transfers	72	130	300	130.77
Total Transfers to States/UTs		1085130	1246583	1329428	6.65

Source: PHD Research Bureau, compiled from Union Budget 2019-20. Note: BE-Budget Estimates, RE-Revised Estimates. UT stands for Union Territories and NDRF stands for National disaster Response Fund (NDRF), SDF: State's Disaster Relief Fund

5.5. Debt and Deficit Statistics

(Amount in Rs. Crore)

S. No.	Particulars	2017-18	2018-19		2019-20	2019-20 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	Fiscal Deficit	591062	624276	634398	703760	10.93
	as a % of GDP	3.5	3.3	3.4	3.3	
2	Primary Deficit	62110	48481	46828	43289	(-)7.56
	as a % of GDP	0.4	0.3	0.2	0.2	
3	Revenue Deficit	443600	416034	410930	485019	18.03
	as a % of GDP	2.6	2.2	2.2	2.3	
4	Effective Revenue Deficit	252566	220689	210630	277686	31.84
	as a % of GDP	1.5	1.2	1.1	1.3	
Sources of Financing Fiscal Deficit						
5	Debt Receipts (Net)					
	6. Market Borrowings (G-Sec + T Bills)	455207	407120	447737	448122	0.09
	7. Securities Against Small Savings	102628	75000	125000	130000	4.00
	8. State Provident Funds	15799	17000	17000	18000	5.88
	9. Other Receipts (Reserve Fund, Deposit & Advances)	5406	84679	8353	59531	612.69
	10. External Debt	7931	(-)2589	(-)4893	(-)2952	(-)39.67
11	Draw Down of Cash Balance	4091	43066	41201	51059	23.93
12	Grand Total	591062	624276	634398	703760	10.93

Source: PHD Research Bureau compiled from Union Budget 2019-20. Note: Individual items may not sum up to the totals due to rounding off; BE - Budget Estimates, RE - Revised Estimates

5.6. Sectoral Allocations

(Amount in Rs. Crore)

S.No.	Particulars	2017-18	2018-19		2019-20	2019-20 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	Pension	145745	168466	166618	174300	4.61
2	Defence	276572	282733	285423	305296	6.96
3	Subsidy					
4	- Fertiliser	66468	70090	70086	79996	14.14
5	- Food	100282	169323	171298	184220	7.54
6	- Petroleum	24460	24933	24833	37478	50.92
7	Agriculture and Allied Activities	52628	63836	86602	151518	74.96
8	Commerce and Industry	24087	27956	28394	27043	-4.76
9	Development of North East	2514	3000	2629	3000	14.11
10	Education	80215	85010	83626	94854	13.43
11	Energy	42155	41104	46150	44638	-3.28
12	External Affairs	13738	15011	15582	17885	14.78
13	Finance	17392	20341	18852	20121	6.73
14	Health	52994	54668	55949	64999	16.18
15	Home Affairs	87547	93450	99034	103927	4.94
16	Interest	528952	575795	587570	660471	12.41
17	IT and Telecom	16899	22379	16282	21783	33.79
18	Others	66306	72837	74895	76665	2.36
19	Planning and Statistics	4559	5199	5415	5814	7.37
20	Rural Development	134973	138097	135109	140762	4.18
21	Scientific Departments	22115	24906	25099	27431	9.29
22	Social Welfare	37440	44220	46492	50850	9.37
23	Tax Administration	71756	105541	67448	117285	73.89
	of which, Transfer to GST Compensation Fund	56146	90000	51735	101200	95.61
24	Transfer to States	107501	142858	141353	155447	9.97
25	Transport	110399	134572	145399	156137	9.28
26	Union Territories	14216	14123	14133	15098	6.83
27	Urban Development	40061	41765	42965	48032	11.79
Grand Total		2141973	2442213	2457235	2786349	13.39

Source: PHD Research Bureau compiled from Union Budget 2019-20. Note: Individual items may not sum up to the totals due to rounding off. BE - Budget Estimates, RE - Revised Estimates.

6. Impact on Economy

The Union Budget 2019-20 very well represents and will prove as the first step forward towards the government's vision to emerge as a US\$ 5 trillion economy in the next few years. This is visible from the ambitious plans on several fronts including infrastructure, Affordable Housing, MSMEs, NBFCs, Blue Economy, water management and Women empowerment. The budget reiterated the focus of the government's 'Vision for Decade' by unveiling proposals on various socio-economic fronts of the economy. These proposals indicate a promising progression in the coming times. The budget sticks to fiscal consolidation with fiscal deficit pegged at 3.3% of GDP in FY20. To boost liquidity in the economy, Non-Banking Financial Companies (NBFCs) have been given Rs. 1 lakh crore in the current financial year with the government's promise to bear the first loss of upto 10% of the high-rated pooled assets purchased by state run banks. The government's initiative to recapitalize the Public Sector Banks (PSBs) with a proposed Rs 70,000 crore will provide the much needed relief to the stressed financial sector and ease the liquidity sentiments in the economy.

To provide a booster to the industrial sentiments, the corporate tax rate has been lowered to 25% for companies with annual turnover of Rs 400 crores. The MSMEs have been given due recognition in the budget and significant reforms in terms of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform for MSMEs are appreciable. There is a concerted effort to attract foreign capital by increasing FDI limits in insurance, aviation and media. The government will spend Rs 100 lakh crore over the next five years on infrastructure development to give a boost to economy and to create jobs. Further, the sops announced in the affordable housing segment are a welcome move not just for home-seekers but also for builders, banks and Housing Finance Corporations.

The government's focus on encouraging Public Private Partnerships (PPPs) in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways would not only promote industrial growth but also provide better service delivery to masses. Thrust has been given to digital economy. The move to discourage cash payments will help expand digital ecosystem, going forward. On the social front, the government has given strong focus to New Education Policy and a sum of Rs 400 crore has been allocated in FY2020 to transform education system with the focus on learning outcomes which will play a big role in revising the current education level.

Going ahead, there are certain areas which need to be addressed in the coming times to spur economic growth trajectory of the country to the next level, such as introduction of agricultural marketing reforms, provision of adequate and efficient warehousing support within easy reach of villages, particularly for marginal farmers; educating farmers to adopt mechanized farming; minimising the wastages to less than 10% from the current level of 30 to 35%; increasing public investments in agriculture sector, modernizing agriculture along with technological reforms; and promoting food processing exports.

In a nutshell, the government has given a bottoms-up, inclusive and balanced budget to build New India and rejuvenate the economic growth trajectory of the nation to become a US\$5 trillion economy in the next few years.

Impact on the Indian Economy

S.No	Parameter	Announcement	Impact
1	Macro-economic stability	The Budget proposals focus on infrastructure development, affordable housing, MSMEs, digital economy, attracting foreign investors, capital markets, strengthening the domestic manufacturing, rural India, homebuyers, education and women empowerment.	The focus on infrastructure creation will increase economic activity and create jobs. Focus on MSMEs, attracting foreign investors, strengthening the domestic manufacturing would boost industrial growth and accelerate overall economic activity through multiplier effect. The focus on rural India, education and empowering women will lead to all-inclusive development in the country, going forward. All these measures would result in India becoming a US\$ 5 trillion economy in the next few years.
2	Fiscal Prudence	The fiscal deficit in 2019-20 (Budget Estimates) is pegged at 3.3% of GDP. The disinvestment target has been increased sharply to Rs. 1,05,000 crore in FY2020 from Rs. 80,000 crore in FY2019	It shows the government's growing commitment towards maintaining fiscal prudence. This will position India as a nation committed towards enhanced consolidation of debt.
3	Agriculture, Allied Activities & Rural Economy	Rs. 80,250 crore has been allocated for upgradation of 1,25,000 kms of road length over the next five years under the Prime Minister's Gram Sadak Yojana Setting up of 100 new clusters during FY2020 under 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) with focus on Bamboo, Honey and Khadi clusters 1.95 crore houses with amenities such as toilets, electricity and LPG connections to be provided in FY2020 to FY2022 to rural beneficiaries under Pradhan Mantri	Better connectivity with the development of roads will provide better market access for farmers, job creation from construction activity and overall socio-economic upliftment of the masses. Better market access for village based artisans in khadi and bamboo to enable them to join the economic value chain and improve their standards of living, going forward. With basic amenities, the standards of living of the rural population would be enhanced along with big boost to health through clean cooking and

4		Awas Yojana – Gramin (PMAY-G).	improved sanitation. This will lead to ease of living for farmers, going forward.
		Har Ghar Jal (piped water supply) to all rural households by 2024 under the Jal Jeevan Mission	This will give a boost to rural infrastructure. Further, this will lead to better sanitation thereby leading to better health outcomes
		Pradhan Mantri Matsya Sampada Yojana (PMMSY) scheme to establish a robust fisheries management framework	This will address critical gaps in the value chain and give a boost to fisheries in the country. In the long term, this will lead to increase in gross value added by the agriculture sector.
		50% increase in outlay for Price Support Schemes (PSS) with the intent to increase oilseeds production	This will reduce the import dependence for oilseeds and promote self sufficiency in production of oilseeds going forward.
	Industry	Corporate Tax Rate lowered to 25% for companies with annual turnover of Rs. 400 crore	This will cover and benefit 99.3 percent of the companies and will enhance business sentiments and production possibility frontiers in the economy
		Proposal to streamline multiple labour laws into a set of four labour codes	Simplification of labour laws will reduce the compliances for the industry particularly for the MSMEs and provide more room for deployment of workforce in the factories
		Customs duty reductions proposed on certain raw materials and capital goods such as CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha, wool fibres, inputs for manufacture of artificial kidney and disposable sterilized dialyser, and fuels for nuclear power plants	This will reduce the cost of manufacturing and increase the price-cost margins of the forms thereby expanding their production-possibility frontiers.
		Customs Duty increased on PVC, vinyl flooring, tiles etc	This will provide level-playing field to domestic manufacturers and give a boost to 'Make in India'
		2% interest subvention for all GST registered MSMEs on fresh or	This will facilitate MSMEs in getting better access to credit and

		<p>incremental loans and creation of payment platform for MSMEs</p> <p>Proposal to relax the condition for carry forward and set off of losses in cases of eligible start-ups on satisfaction of any one of the two conditions</p> <p>Startups and investors filing necessary declarations are no more constrained to any kind of scrutiny with respect to the valuation of the share premium.</p> <p>80 new livelihood and 20 technology incubators are announced</p> <p>Startups funded by Category-II Alternative Investment Fund (AIF) are now exempted from angel tax, they no longer will be questioned where funding exceeds the face value of share.</p> <p>Easing of local sourcing norms for FDI in Single Brand Retail and 100% Foreign Direct Investment (FDI) permitted for insurance intermediaries</p>	<p>expansion in business activities</p> <p>This will encourage more start-ups to come up in the economy</p> <p>This will promote ease of doing business for the start-ups</p> <p>This will help aspiring entrepreneurs to come up with their own start-ups.</p> <p>This will promote ease of doing business for the start-ups</p> <p>This will attract more foreign investors to invest in India and give a boost to the industrial growth in the economy, going forward.</p>
5	Infrastructure	<p>Proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years</p> <p>Proposal to set up of Credit Guarantee Enhancement Corporation. Formulation of an action plan to deepen markets for long term bonds with specific focus on infrastructure sector</p> <p>The announcement of blueprint for developing gas grids, water grids, i-ways, and regional airports on lines of One Nation, One Grid for power availability to all states</p> <p>Bharatmala phase 2 to be launched</p>	<p>This will put India's infrastructure development on a high road</p> <p>This will give a big push to development of state of the art infrastructure in the economy</p> <p>This will be instrumental in developing infrastructure thereby promoting industrial growth and provide better service delivery to masses</p> <p>This will enhance greater</p>

		to help develop state road networks	connectivity thereby boosting economic growth
		Higher infrastructure funding through PPP in Indian Railways	This will give a boost to projects relating to tracks, rolling stock and delivery of passenger and freight services
		Proposal to finalize Model Tenancy Law. Joint development of public infrastructure and affordable housing to be taken up on land parcels held by Central Ministries and Central Public Enterprises	Housing for All Initiative to get a boost
6	Banking, Finance & Taxation	It is proposed that the interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non deposit-taking NBFC shall be charged to tax on receipt basis.	This will provide a level-playing field to NBFCs with banks, public financial institutions, state financial corporations, state industrial investment corporations, cooperative banks and certain public companies like housing finance companies, among others
		Non-Banking Financial Companies (NBFCs) have been given Rs. 1 lakh crore in the current financial year with the government's promise to bear the first loss of upto 10% of the high-rated pooled assets purchased by state run banks	This will inject liquidity in the system and break the logjam thereby giving a push to economic growth
		Recapitalization of banks by another Rs 70,000 crore	This will boost credit and translate into higher economic growth
		Investments by FIIs and FPIs in debt securities of Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) may be sold to a domestic investor within the lock-in period	This will deepen the corporate bond market
		Additional deduction of upto Rs. 1.5 lakhs for interest paid on loans availed till March 2020 for buying house valued up to Rs 45 lakhs	This will revive demand in the real estate market
		Surcharge hike on individual taxable income above Rs 2 crore	This will lead to a gain of approximately Rs 12,000 crore in revenue to the Government

		Hike in special additional excise duty and road and infrastructure cess on petrol and diesel	This will lead to a significant increase in government's revenue
		PAN and Aadhaar to be used interchangeably to file Income Tax returns (ITR)	This will promote ease of filing taxes as those with only Aadhaar can now file ITR
7	Education & Women Empowerment	Proposal to bring in a new National Education Policy	The policy will enable better Governance systems and greater focus on research and innovation to retain top talent.
		Proposal to establish a National Research Foundation (NRF)	This will promote Research and Development in the economy and strengthen the research ecosystem in the country.
		Proposal to expand the Women Self Help Group (SHGs) interest subvention programme to all districts. For every verified women SHG member having a Jan Dhan Bank Account, an overdraft of 5,000 shall be allowed. One woman in every SHG will also be made eligible for a loan up to 1 lakh under the MUDRA Scheme.	These measures will strengthen women's role in the society

Source: PHD Research Bureau

7. Impact on Industry

The Government has provided impetus in the Union Budget 2019-20 with the objective of achieving higher domestic value addition through make in India, reducing import dependence, protection to MSMEs sector, promoting clean energy, curbing non essential imports, among others. To further promote domestic manufacturing, custom duty reductions are being proposed on certain raw materials and capital goods. The announcement of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform for MSMEs would facilitate them in getting better access to credit and expansion in business activities. Various announcements such as solving the issue of 'Angel Tax' by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups would strengthen the start-up campaign in the economy.

Impact on Indian Industry

S.No	Industry/Sector	Announcement	Impact
1	Micro, Small and Medium Enterprises (MSMEs)	An amount of Rs. 350 crore allocated for FY2020 for 2% interest subvention for all GST registered MSMEs on fresh or incremental loans.	This will provide ease of access to credit for MSMEs.
		Creation of Payment platform for MSMEs by the Government.	This will enable MSMEs to file bills and receive payment thereof on the platform itself.
		Extension of the pension benefit to about three crore retail traders & small shopkeepers whose annual turnover is less than Rs 1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme.	This will promote old age protection and social security of workers in the MSMEs sector.
2	Real estate	Deduction upto Rs. 1,50,000 for interest paid on loan taken for a purchase of residential house having a value upto Rs. 45 lakh.	This will incentivize purchasing of houses and boost the real estate sector.
		Increase the limit of carpet area from 30 square meters to 60 square meters in metropolitan regions and 60 square meters to 90 square meters in non metropolitan cities.	This will align the definition of affordable housing in the Income tax Act with GST Acts and provide much need push to the housing sector.

3	Start-Ups	Propose to provide a limit on cost of the house at Rs. 45 lakh in line with the definition in the GST Acts.	This will create demand in the housing and construction sector activity
		Announcement on solving the issue of 'Angel Tax' by introducing e-verification	This will promote the growth of Start-ups in the economy.
		Allowed to carry forward and set off of losses and exempt capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021	This will strengthen the start-ups in the economy.
4	Stand-up India Scheme	Starting a Television programme with Doordarshan bouquet of Channel exclusively for Start-ups.	This will serve as a platform for promoting start-ups, discussing issues affecting their growth, match-making with venture capitalists for funding and tax planning.
		The scheme would be continued for the entire period coinciding with the 15 th finance commission period of 2020-2025.	This will provide assistance to entrepreneurs to set up their businesses and industry with capital provided under this scheme.
5	Defence sector	Defence Equipment that are not manufactured in India are being exempted from the basic custom duty	This will help in the modernization and up gradation of defence sector.
6	Women Entrepreneurship	For every verified women Self Help Group (SHG) member having a Jan Dhan Bank Account, an overdraft of Rs 5,000 shall be allowed. One woman in every SHG will also be made eligible for a loan up to Rs 1 lakh under the MUDRA Scheme.	This will encourage women entrepreneurship in the economy.

Source: PHD Research Bureau

7.1 Budget Impact of changes in basic custom duties on selected key sectors:

S.No	Industry/Sector	Announcement	Impact
1	Textile Sector	Custom Duty on wool fibre and wool tops has been reduced to 2.5% from 5%	This will reduce the cost of imported wool fibre and wool tops for the textile sector.
2	Steel and other base metals	Custom duty on the inputs for manufacturing CRGO steel has been reduced to 2.5% from 5%.	This will decrease the cost of inputs for manufacturing CRGO steel and likely to promote steel and other base metals sector.
		Custom duty on amorphous alloy ribbon has been reduced to 5% from 10%.	This will help in reducing cost of imported amorphous alloy.
3	Food Processing	Custom duty on cashew kernels has been increased to 70% from 45%.	This will increase the cost of imported cashew, thus, promoting the domestic producers.
4	Chemicals, Plastics and Rubber	Custom duty on palm stearin and other oils for use in manufacture of oleochemicals and soaps has been increased to 7.5% from NIL.	This will increase the cost of imported chemical materials and promote domestic manufacturing.
		Custom duty on articles of plastic has been increased to 15% from 10%.	This will increase the cost of imported articles of plastic.
		Custom duty on poly Vinyl Chloride has been increased to 10% from 7.5%.	This will encourage the domestic manufacturing of chemicals.
		Custom duty on butyl rubber has been increased to 10% from 5%.	This will increase the cost of imported butyl rubber and encourage the domestic manufacturing of butyl rubber.
5	Paper Industry	Custom duty on Newsprint has been increased to 10% from NIL.	This will increase the cost of imported paper and encourage the domestic manufacturing.
		Custom duty on printed books and printed manuals has been increased to 5% from NIL.	This will increase the cost of imported printed books.
6	Ceramic Products	Custom duty on ceramic tiles has been increased to 15% from 10%	This will increase the cost of imported ceramic tiles and promote domestic manufacturing.

7	Automobile and Automobile parts	Custom duty on friction material has been increased to 15% from 10%	This will increase the cost of imported friction material.
		Custom duty on oil or petrol filters for internal combustion engines has been increased to 10% from 7.5%.	This will increase the cost of imported oil / petrol filters and boost domestic manufacturing.
		Custom duty on catalytic converter has been increased to 10% from 5%.	This will increase the cost of imported catalyst converter.
		Custom duty on visual or sound equipment for bicycle and motor vehicle has been increased to 15% from 7.5%.	This will increase the cost of imported equipment for bicycle and motor vehicle and promote indigenous manufacturing.
		Custom duty on completely built unit has been increased to 30% from 25%.	This will increase the cost of imported motor vehicles thus, encouraging local manufacturing and generating employment opportunities.
		Custom duty on bodies for motor vehicles of headings has been increased to 15% from 10%.	This will increase the cost of imported bodies of the motor vehicles and help in incentivizing the domestic players in this segment.
8	Renewable Energy	Custom duty on all uranium ores and concretes has been decreased to NIL from 2.5%.	This will reduce the cost of generation of nuclear power.
		Custom duty on uranium enriched has been decreased to NIL from 7.5%.	This will reduce the cost of generation of nuclear power.
9	Duty Rationalization / Additional Revenue measures	Custom duty on petroleum crude has been increased to Rs. 1 per tonne from NIL.	This will increase the cost of petroleum crude oil.
		Custom duty on Gold dore bar has been increased to 11.85% from 9.35%.	This will reduce the demand for Gold dore bar due to increase in its custom duty.
		Custom duty on Gold and Silver imported has been increased to 12.5% from 10%.	This will increase the cost of imported Gold and Silver.

10	Road and Infrastructure Cess	Custom duty on motor spirit has been increased to Rs. 9 per litre from Rs. 8 per litre.	This will increase the price of imported motor spirit fuel.
11	Export Duty	Export duty on Eastern India (EI) tanned leather has been decreased to NIL from 15% and hides, skins and leathers has been decreased to 40% from 60%.	This will help positively to export the surplus production from the domestic market.

Source: PHD Research Bureau

8. Impact on Infrastructure

The promising Union Budget 2019 – 2020 is seen as the first step, by the government, towards the impressive goal, of doubling the Indian Economy to 5 trillion dollars within the next 5 years. The path to be undertaken for achieving the set desirable goal is also on the correct lines, which is evident from the government's massive push and impetus given to the infrastructure sector through some great initiatives and announcement made in the Present Budget. The announcement and coverage of development, as proposed in the Union Budget 2020, shall prove to be a holistic, sustainable and impactful development to the infrastructure sector. The government's proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years is highly encouraging and is sure to put India's infrastructure development on a high road. The announcements highlight the Government's vision to strengthen both the physical and the social infrastructure.

Impact on Infrastructure

S.No	Parameter	Announcement	Impact
1	Railways	A proposed required investment of Rs. 50 Lakh crore during 2018 – 2030. The Railways' overall capital expenditure programme is of Rs 1.5 – 1.6 lakh crore.	This will play a huge role in transforming the state of infrastructure in the country. The increase in the budgetary support along with the increase in capital expenditure reassures the Government's commitment towards the progressive development of Railways.
		A proposed use of Public-Private Partnership to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services	The Public – Private Partnership will prove as a booster to the respective industries also.
2	Roads	National Highway Programme to be restructured to ensure a National Highway Grid, using a financeable model.	This will promote the development of infrastructure and enhanced connectivity in the country.
3	Cargo Movement	Two more multi modal terminal at Sahibganj and Haldia and a navigational lock at Farakka to be completed in 2019-20.	This will lead to cheaper freight and passenger movement and reducing the import bill.

4	Housing	<p>Pradhan Mantri Awas Yojana Gramin (PMAY-G) aims to achieve "Housing for All" by 2022 in the rural areas. Target of building 1.95 crore houses in the second phase of PMAY-Gramin.</p> <p>Additional tax benefits for first time home buyer. A further tax deduction of Rs. 1.5 lakh for interest paid on housing loans sanctioned in the current fiscal year upto 31st March 2020.</p>	<p>This will play a major role in fulfilling the dream of housing in the rural areas.</p> <p>This would give fillip to housing sector in the economy</p>
5	Power and Water availability	<p>Ensured Availability of power to States at affordable rates.</p> <p>Hag Ghar Jal (piped water supply) to all rural households by 2024.</p>	<p>This will help take connectivity infrastructure to the next level.</p> <p>This would provide water sources to rural households and reduce wastages</p>
6	Boost to Electric Vehicles	<p>Outlay of Rs. 10,000 crore for 3 years approved for Phase-II of FAME Scheme.</p> <p>Upfront incentive proposed on purchase and charging infrastructure, to encourage faster adoption of Electric Vehicles.</p>	<p>This will initiate a faster adoption of Electric Vehicles and also contribute significantly to the clean and green environment mission of the government.</p> <p>This will lead to a sustainable and impactful development in the infrastructure sector.</p>
7	State of Art Tourism	<p>Development of 17 iconic Tourism Sites into world class tourist destinations and to serve as a model for other tourism sites.</p>	<p>These tourism sites will enhance the visitor experience which will lead to increase in number of both domestic and international tourists.</p>

Source: PHD Research Bureau

9. Impact on Banking, Finance & Taxation

The Union Budget 2019-20 has delivered some quality and dynamic taxation reforms particularly for the corporates, start-ups, middle class, among others. The tax proposals have aimed to stimulate growth, incentivize affordable housing and encourage start-ups by releasing entrepreneurial spirits and promoting digital economy. Additionally, announcements that have been made with regards to TDS, Corporate tax, surcharge on income, among others will go a long way in helping the taxpayers to contribute in nation building. The lowering of tax rates to 25% for companies with annual turnover of upto Rs 400 crores is encouraging. It will enhance business sentiments and production possibility frontiers in the economy. The allocation of Rs. 70,000 crore for the PSU banks recapitalization will enhance the health of the PSU banks and push up the pace of lending in the economy.

Impact on Banking, Finance & Taxation

S.No	Parameter	Announcement	Impact
1	Corporate Tax	The threshold limit for reduced tax rate of 25% for all companies having annual turnover has been increased from upto Rs. 250 crores to upto Rs. 400 crores.	This will provide relief to 99.3% of the companies. It will enhance business sentiments and production possibility frontiers in the economy.
2	Start-Ups	Allowed to carry forward and set off of losses and exempt capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021.	This will strengthen and encourage the start-ups in the economy.
3	Banking Sector	Public Sector Banks are proposed to be further provided Rs 70,000 crore capital.	This will boost credit expansion to provide strong impetus to the economy.
4	Deduction of Interest for affordable housing	It is proposed to provide a deduction of upto Rs. 1,50,000 for interest paid on loan taken for purchase of residential house having value upto Rs. 45 lakh. This shall be in addition to the existing interest deduction of Rs. 2 lakh.	This will boost demand in the housing and construction sector activity and will give relief to the taxpayers.

5	Tax Deducted at Source (TDS)	It is proposed to levy tax deduction at source (TDS) of 2% on cash withdrawal exceeding Rs.1 crore in a year from a bank account.	This will promote more usage of digital platforms.
6	GST Electronic Invoice System	Proposed to move to an electronic invoice system wherein invoice details will be captured in a central system at the time of issuance. This will eventually be used to prefill the taxpayer's returns and hence, no need for a separate e-way bill. Its roll out would begin from January, 2020.	This will significantly reduce the compliance burden.
7	International Financial Services Centre (IFSC)	<p>Proposed to reduce Net Owned Fund requirement from Rs 5,000 crore to Rs 1,000 crore.</p> <p>Direct tax incentives to an IFSC including 100 % profit-linked deduction under section 80-LA in any ten-year block within a fifteen-year period, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to Category-III Alternative Investment Fund (AIF) and interest payment on loan taken from non-residents</p> <p>No additional tax on distribution of any amount, on or after 1st September, 2019, by a specified Mutual Fund out of its income derived from transactions made on a recognized stock exchange located in any IFSC is proposed.</p>	<p>This will facilitate on-shoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the IFSC.</p> <p>This will promote the growth of IFSC and development of world class financial infrastructure in India.</p> <p>This will facilitate in setting up of mutual funds in the IFSC.</p>

8	Non-Banking Financial Companies (NBFCs)	The requirement of creating a Debenture Redemption Reserves (DRR), which is currently applicable for only public issues as private placements are exempt, will be done away with for NBFCs.	This will help NBFCs to raise funds in public issues.
9	Incentive to purchase electric vehicles	It is proposed to provide additional income tax deduction of Rs. 1,50,000 on the interest paid on loans taken to purchase electric vehicle. The loan is required to be taken on or before 31 st March 2023.	This will incentivize the purchase of electric vehicle by an individual and are highly beneficial for middle class buyers.

Source: PHD Research Bureau

10. Impact on Agriculture and Allied sector & Rural Economy

The budget has given strong focus to rural economic development. The budget is an attempt to maintain continuity with added focus on developing rural infrastructure and also durable assets for allied sector of agriculture that is fisheries, animal husbandry and dairying. The Ministry of Agriculture and Farmers' Welfare expenditure has increased remarkably from Rs 67800 crore (revised) in 2018-19 to Rs 130485 crore (budgeted) in 2019-2020, a jump of more than 92%. Thus the move towards direct income transfer is the biggest policy shift.

The budget has stated the achievements of Hon'ble Prime Minister's two mega initiatives of Ujjwala Yojana and Saubhagya Yojana. The initiatives have transformed the lives of every rural family, dramatically improving ease of their living. Household access to clean cooking gas has seen an unprecedented expansion, through provision of more than 7 crore LPG connections. All villages, and almost 100% households across the country have been provided with electricity. A combination of efficient implementation and enthusiastic adoption has significantly improved access to energy for rural households. By 2022, the budget has ensured that every single family of the rural household would have connection to electricity and clean cooking facility.

Impact on Agriculture, Allied Activities & Rural Economy

S.No	Parameter	Announcement	Impact
1	Pradhan Mantri Awas Yojana-Gramin (PMAY-G)	The budget proposes that in the second phase of PMAY-G during 2019-20 to 2021-22, 1.95 crore houses are to be provided to the eligible beneficiaries. These houses are also being provided with amenities like toilets, electricity and LPG connections.	The announcement is a big boost for improved health through clean cooking and improved sanitation that would boost the quality of living of people in the rural areas.
2	Pradhan Mantri Matsya Sampada Yojana (PMMSY)	In the budget it has been proposed that through a focused Scheme – the Pradhan Mantri Matsya Sampada Yojana (PMMSY) – the Department of Fisheries will establish a robust fisheries management framework.	Pisciculture and fishing will be thrust areas in the coming fiscal, with the proposal of government on Pradhan mantra Matsya Sampada Yojana. This will address critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.
3	Pradhan Mantri Gram Sadak Yojana (PMGSY)	The budget has proposed to upgrade roads connecting villages to rural markets. For this PMGSY-III is envisaged to upgrade 1,25,000 kms	The third phase of PMGSY would enable creating rural infrastructure. This will also provide a big boost for rural

		of road length over the next five years, with an estimated cost of Rs 80,250 crore.	incomes. Also, better connectivity could mean better market access for farmers, job creation from construction activity and better access to advanced healthcare. The PMGSY will improve rural connectivity and give companies easier access to rural markets. This would improve the standard of living in rural areas.
4	Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI)	The Union Budget has proposed that Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) aims to set up more Common Facility Centres (CFCs). The SFURTI envisions setting up 100 new clusters during 2019-20 which should enable 50,000 artisans to join the economic value chain. Further, to improve the technology of such industries, the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) has been consolidated for setting up of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs). The Scheme contemplates to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.	This will facilitate cluster based development to make the traditional industries more productive, profitable and capable for generating sustained employment opportunities. The focused sectors are Bamboo, Honey and Khadi clusters which would get better market access for village based artisans in khadi and bamboo.
5	Annadata can also be Urjadata	The budget states that government will support private entrepreneurs in driving value-addition to farmers' produce from the field and for those from allied activities like Bamboo and timber from hedges and for generating renewable energy.	The government would support the private enterprise working on other revenue streams from farm activities such as the generation of renewable energy. The farmers can benefit from existing schemes on farm based solar generation and grid connectivity.

6	Agricultural Infrastructure	The budget has proposed to invest widely in agriculture infrastructure. It has been proposed that dairying through cooperatives shall also be encouraged by creating infrastructure for cattle feed manufacturing, milk procurement, processing & marketing.	This will create a conducive environment for growth of Dairy farming in India.
7	Farmer Producer Organizations	The budget has proposed to form 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years.	This will boost market access to farmers and aid in achieving the goal of doubling farmers' income by 2022. This will help farmers reduce input costs and realise better prices. More marketable surplus will then be moving from rural to urban and FPOs can be the critical link between producers and organised retail.
8	Zero Budget Farming	The budget proposes Ease of doing business and ease of living both will be applied to farmers too for which it has advocated Zero Budget Farming.	This innovative method will boost market access to farmers and aid in achieving the goal of doubling farmers' income by 2022. Zero Budget Farming is a lucrative livelihood option for small farmers. The Zero Budget Farming can promote farming without the use of chemical fertilisers, insecticides and pesticides. In small geographical areas, it seems to have been successful in eliminating the use of chemicals. The Zero budget Farming would help millions of farmers bring down their input costs and follow sustainable farming. This will help mitigate rural distress to a great extent.
9	Jal Shakti Mantralaya	Constitution of the Jal Shakti Mantralaya, integrating the Ministry of Water Resources, River Development and Ganga Rejuvenation and Ministry of Drinking Water and Sanitation to ensure Har Ghar Jal (piped water supply) to all rural households by 2024 under the Jal Jeevan Mission.	The Jal Jeevan Mission will focus on integrated demand and supply side management, including rainwater harvesting, groundwater recharge and management of household wastewater for reuse in agriculture. This will address the challenges of water scarcity in the agriculture sector.

10	Digital Literacy	Under the Pradhan Mantri Gramin Digital Saksharta Abhiyan, to bridge rural-urban digital divide, Bharat-Net is targeting internet connectivity in local bodies in every Panchayat in the country.	This will boost connectivity in the rural areas and promote digital literacy in the rural economy.
11	Swachh Bharat Abhiyan	The budget has proposed to expand the Swachh Bharat Mission to undertake sustainable solid waste management in every village.	This will boost the sanitation in rural households, bolster waste management techniques and methods, provide employment and raise the standards of living of people in the rural areas.

Source: PHD Research Bureau

11. Impact on Socio-Economic Segments

The Union Budget 2019-20 has focused on education, health & sanitation, welfare of women, employment, sports, and skill development. The Budget has laid an enhanced focus on the up-liftment of socio-economic segments. This will lead to an increase in domestic demand and enhance the level of economic growth along with all inclusive development.

Impact on socio-economic segments

S.No	Parameter	Announcement	Impact
1	Education	Bring in New National Education Policy	This will help in transforming India's higher education system to one of the global best education systems. The move will bring breakthroughs in both school and higher education and improve education outcomes.
		Establish a National Research Foundation (NRF) to fund, coordinate and promote research in the country	This will catalyse and energise research and innovation across all academic disciplines, particularly at the university and college levels. The move will help in bridging the deficit in research and will ensure better governance systems and enhanced focus on research & innovation.
		Allocation of Rs 400 crore under the head, "World Class Institutions" for FY 2019-20	This will provide the required impetus to the idea of bringing more and more Indian educational institutions to feature amongst various world rankings
		To start a programme 'Study in India' that focuses on bringing foreign students to study in our higher educational institutions	This will stimulate the idea of making India a global hub of education
		Setting up Higher Education Commission of India (HECI)	This will effectively help in reforming the higher education system in the country by promoting greater autonomy resulting in better academic results.
		A Gandhipedia is being developed by National Council for Science Museums to sensitize youth and society at large about positive Gandhian values.	The move will help in promoting Gandhian values among the country's youth.

2	Welfare of women	1 woman in every Self Help Group will be made eligible for a loan up to Rs 1 lakh under the MUDRA Scheme	This will ensure greater women participation in India's growth story and spur women empowerment through enhanced women entrepreneurship.
		To expand the Women SHG interest subvention programme to all districts	This will provide a boost to women-led initiatives of the Government and will encourage the role of women in public life.
		To allow overdraft of Rs 5,000 for every verified women SHG member having a Jan Dhan Bank Account	This will give further impetus to the mission of women-led development.
3	Skill development	To increase focus on skill sets needed abroad including language training for preparing India's youth to also take up jobs overseas	This will ensure to address the skill deficit gap and prepare a big pool of competent manpower.
		Focus on new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics.	This will lay focus on new-age skills which will boost efforts to equip the country's youth with new-age technology and skills that are market-relevant today.
		100 new clusters to be set up during 2019-20 under the 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI).	The move will help enterprises to become more productive in clusters where there are common facilities, training, and better opportunities to market. This will enable large chunk of artisans to join the economic value chain.
		To set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors by consolidating the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE)	This will unleash the entrepreneurial spirit in rural India. Furthermore, promoting skill development in these industries will make traditional industries more productive.

4	Employment	Propose to streamline multiple labour laws into a set of 4 labour codes.	This will promote ease of doing business in the country due to which more industries would hire workforce leading to creation of employment opportunities.
5	Sports	National Sports Education Board for Development of Sports persons to be set up under Khelo India Scheme	This will strengthen the sports ecosystem in the country by encouraging mass participation and promotion of excellence in sports at all levels.
6	Health & Sanitation	Propose to expand the Swachh Bharat Mission to undertake sustainable solid waste management in every village	This will give enhanced impetus to the Swachh Bharat mission which is one of the largest cleanliness drives in the world by focussing on environmental and water management issues for long term sustainability and improvements.
7	All inclusive development	To ensure that every single rural family has electricity and a clean cooking facility, except those who are unwilling to take the connection, by 2022	This will lead to all inclusive development of rural families leading to improvements in quality of life.
		To speed up Bharat-Net with assistance from Universal Service Obligation Fund and under a Public Private Partnership arrangement	This will effectively help in bridging the rural-urban digital divide by giving the required momentum to the Pradhan Mantri Gramin Digital Saksharta Abhiyan
		To continue the Stand-Up India Scheme for the entire period coinciding with the 15th Finance Commission period of 2020-25 for the Scheduled Castes and Scheduled Tribes	This will help in raising the sentiments of human dignity and self esteem among the Scheduled Castes and Scheduled Tribes.
		To further enrich the digital repository of preserving the rich tribal cultural heritage having documents, folk songs, photos & videos regarding their evolution, place of origin, lifestyle, architecture, education level, traditional art, folk dances and other anthropological details of the tribes in India.	This will further strengthen India's tribal cultural heritage highlighting the enormous contribution made by the tribals in the country.

	Proposal to consider issuing Aadhaar Card for Non-Resident Indians (NRIs) with Indian Passports after their arrival in India without waiting for 180 days	This will lead to hassle free experience for Non-Resident Indians (NRIs).
	To open another 4 new Embassies in the year 2019-20.	This will help in leveraging India's stature in the Global architecture by increasing the footprint of India's overseas presence. Further, it will provide better and more accessible public services, especially to the local Indian community in these countries.
	To extend the pension benefit to about 3 crore retail traders & small shopkeepers whose annual turnover is less than Rs 1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the Scheme will be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.	This will help in bringing the smaller entrepreneurs into the formal financial system and promote their well being.

Source: PHD Research Bureau

Impact of Union Budget on States

The total transfers to states and UTs has increased by 6.6% to Rs. 13.2 trillion in 2019-20, against Rs 12.5 trillion in revised estimates of financial year 2018-19. The devolution of States' share in taxes has the highest share in the composition of transfers to states & UTs and has increased to around Rs 8.1 trillion in 2019-20 from Rs 7.6 trillion in financial year 2018-19, with the growth rate of 6.3% followed by Scheme related and Other Transfers with the growth rate of 5.5% and Finance Commission Grants with the growth rate of 13.5%.

Transfer of resources to states and union territories with legislature (in Rs.crore)

	2018-2019 (Revised Estimates)	2019-2020 (Budget Estimates)	% Growth
Devolution of States share in taxes	761454	809133	6.3
Scheme related and Other Transfers	379001	399829	5.5
Finance Commission Grants	106129	120466	13.5
Total Transfer to States/UTs	1246583	1329428	6.6

Sources: PHD Research Bureau compiled from Union Budget 2019-20

The following table shows the expenditure profile of centrally sponsored schemes during 2019-20. The budget allocation towards centrally sponsored schemes has increased from around Rs 3050 billion to Rs 3300 billion with the growth rate of around 9%. In the total budget allocation for centrally sponsored scheme, the Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA) has been allocated the highest amount of Rs. 600 billion in FY 2019-20 followed by National Education Mission (Rs 385.5 billion), National Health Mission (Rs 336.5 billion), Umbrella ICDS (Rs 275.8 billion) and Rs 258.5 billion for Pradhan Mantri Awas Yojna (PMAY).

Expenditure Profile 2019-2020 for centrally sponsored schemes

S. No	Schemes	Revised Estimates (2018-2019)	Budget Estimates (2019-2020)
1	Mahatma Gandhi National Rural Employment Guarantee Program	61084	60000
2	National Education Mission	32334	38547
3	National Health Mission	31187	33651
4	Umbrella ICDS	23357	27584
5	Pradhan Mantri Awas Yojna (PMAY)	26405	25853
6	Pradhan Mantri Gram Sadak Yojna	15500	19000

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7	Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	12569	13750
8	Swachh Bharat Mission	16978	12644
9	National Programme of Mid Day Meal in Schools	9949	11000
10	National Rural Drinking Water Mission	5500	10001
11	National Livelihood Mission - Ajeevika	6294	9774
12	Pradhan Mantri Krishi Sinchai Yojna	8251	9682
13	Jobs and Skill Development	6830	7260
14	Rashtriya Swasthya Bima Yojna	2700	6556
15	Modernisation of Police Forces	3192	3462
16	Mission for Protection and Empowerment for Women	1156	1330
17	Others Scheme	41563	41515
	Grand Total	304849	331610
Sources: PHD Research Bureau compiled from Union Budget 2019-20			

12. Budget Viewing Session 2019-20: India Inc. Speaks^{LIVE}

The Economic Affairs Committee of PHD Chamber of Commerce & Industry organized the Budget Viewing session 2019-20 on Friday, 5th July 2019 at PHD House, New Delhi. The pre-budget discussions was moderated by **Mr Frank Pereira**, Noted Anchor, Rajya Sabha TV. In the Pre-Budget Session, the speakers were **Mr Gopal Krishna Agarwal**, National Spokesperson of BJP (Economic Affairs), **Mr Pratip Chaudhuri**, Former Chairman, SBI, **Mr Rajeev Talwar**, President, PHD Chamber, **Mr DK Aggarwal**, Senior Vice President, PHD Chamber, **Mr Sanjay Aggarwal**, Vice President, PHD Chamber, **Mr Akhil Bansal**, Chairman, Economic Affairs Committee, PHD Chamber. In the Post-Budget session, the speakers were **Mr Pratip Chaudhuri**, Former Chairman, SBI, **Mr Rajeev Talwar**, President, PHD Chamber, **Mr DK Aggarwal**, Senior Vice President, PHD Chamber, **Mr Sanjay Aggarwal**, Vice President, PHD Chamber, **Mr Binay Kumar**, Former President, PHD Chamber, **Mr KS Mehta**, Former President, PHD Chamber, **Mr Alok Shriram**, Former President, PHD Chamber, **Mr Gopal Jiwarajka**, Former President, PHD Chamber, **Prof. (Dr) Gurbachan Singh**, Eminent Economist & Adjunct Faculty, Indian Statistical Institute, **Mr Bimal Jain**, Chairman, Indirect Tax Committee, PHD Chamber and **Mr Anil Chopra**, Chairman, Direct Tax Committee, PHD Chamber, **Dr Mahesh Y Reddy**, Secretary General, PHD Chamber, **Dr S P Sharma**, Chief Economist and some of the Members of Managing Committee were also present at the event.

Glimpse of the Budget Viewing Session 2019-20



From left to right: Mr Anil Chopra, Chairman, Direct taxes Committee, PHD Chamber; Mr Pradip Chaudhuri, Former Chairman, SBI; Mr DK Aggarwal, Sr. Vice President, PHD Chamber; Mr Rajeev Talwar, President, PHD Chamber; Mr Sanjay Aggarwal, Vice President, PHD Chamber; Mr Bimal Jain, Chairman, Indirect Taxes Committee, PHD Chamber; Mr Akhil Bansal, Chairman, Economic Affairs Committee, PHD Chamber; Prof (Dr) Gurbachan Singh, Eminent Economist & Adjunct Faculty, Indian Statistical Institute; Dr Mahesh Y Reddy, Secretary General, PHD Chamber



From left to right: Dr S P Sharma, Chief Economist, PHD Chamber, Mr Anil Chopra, Chairman, Direct taxes Committee, PHD Chamber; Mr Pradip Chaudhuri, Former Chairman, SBI; Mr DK Aggarwal, Sr. Vice President, PHD Chamber; Mr Rajeev Talwar, President, PHD Chamber; Mr Sanjay Aggarwal, Vice President, PHD Chamber; Mr Bimal Jain, Chairman, Indirect Taxes Committee, PHD Chamber; Mr Akhil Bansal, Chairman, Economic Affairs Committee, PHD Chamber; Prof (Dr) Gurbachan Singh, Eminent Economist & Adjunct Faculty, Indian Statistical Institute; Dr Mahesh Y Reddy, Secretary General, PHD Chamber



From left to Right: Mr Gopal Krishna Agarwal, National Spokesperson of BJP (Economic Affairs); Mr Pradip Chaudhuri, Former Chairman, SBI; Mr Rajeev Talwar, President, PHD Chamber; Mr Gopal Jiwarajka, Former President, PHD Chamber; Mr Alok Shriram, Former President, PHD Chamber; Dr Mahesh Y Reddy, Secretary General, PHD Chamber



Audience Watching the Budget Viewing Session 2019-20

Mr Gopal Krishna Agarwal, National Spokesperson of BJP (Economic Affairs) said that as far as macroeconomic parameters are concerned, the macroeconomic parameters like inflation, GDP growth rate, forex reserves etc are in the good terrain. He said that the investment should be for asset creation and infrastructure creation so that it will create demand in the economy and liquidity into the whole economic setup. He said that this would create high consumption which will attract private investment and for that private investment there is need for Ease of Doing Business. He verbalised that the manufacturing sector needs a big push which government is aware of and is working towards it. He said that at this time, disinvestment of large PSUs is only source where revenue can be generated by the government and from there government will go for expenditure. He concluded by saying that the Budget will be a roadmap to achieve a USD 5 trillion economy and manufacturing sector is an important area where several initiatives and decisions of the government will come in the budget.

Mr Pratip Chaudhuri, Former Chairman, SBI said that the highest market capitalization has been by banking sector and not by core industries. He suggested that the glory has to be brought again to manufacturing as that is where the core strength of the country is. He said that the high real rate of interest is coming in the way because if an entrepreneur sets up a facility, he expects the sales to grow by the rate of inflation, apart from the output growth. Secondly he pointed towards the large volume of exchange reserves. He said that government is borrowing at 6.8% or 7% and investing in dollar bonds at 0.5% or maximum at 1%. So there is negative carry of 6%, so is there a need for such high level of reserves. He also said that though the repo rate has been reduced but its effect has not been passed on to the customers. Mr Pratip Chaudhuri, in his remarks post the budget announcements, said that it is unrealistic to believe that the Budget can solve everything, as it is just a roadmap or a broad picture, however individual assessment have its own position and individual ministries are present for that. He concluded by saying that all present at the session have been benefited significantly by the Budget speech and he simultaneously thanked all the panellists for providing their viewpoints.

Mr Rajeev Talwar, President, PHD Chamber said that there has been an unimaginable mandate given to this government after 5 years. He said that the government in its multifarious tasks has huge responsibility and opportunity of boosting exports, high liquidity, manufacturing, infrastructure, high tax revenues, low tax rates and large number of tax assesses. He highlighted that the target of USD 5 trillion economy to raise the per-capita income of the population from USD 2000 to USD 4000 or USD 6000, is a very major change. He asserted that people in this country single mindedly will pursue high growth path in manufacturing through higher credit, whether it be exports or through elevated highways, construction, housing, real estate. He said that there are some sectors which are craving attention which include developing infrastructure, the cost of travel, transportation and the time taken in transportation has to be reduced. He finally concluded the session with hopes and expectations that what would the Union Budget 2019-20 would have in store for country; will the 28% slab of GST tax would be done away with or there is a reduction in number of items under 18% and 28% slab.

Mr Rajeev Talwar, while sharing his views on the budget announcement, said that this budget is an excellent vision statement to make India a USD 5 trillion economy. He said that an intermediate goal has been announced for achieving a USD3 trillion economy in this financial year. He stressed that emphasis on infrastructure, micro, small and medium enterprises and Digital India are going to be the key sectors for achieving 8% growth. He added that provisions for affordable housing and a new rental policy, 19.5 million homes in rural areas, education and monetization of public sector asset will give impetus to job creation and ease of living. He said that a blueprint for building national grids through Bharat Mala, Sagarmala and highways as well as freight corridors will provide large avenues for investment and fast movement of goods and passenger traffic. He said that opening various sectors to foreign investment and providing credit to non-banking financial companies from banks will also mean huge liquidity for investment. He concluded by saying that this budget will provide massive boost to the employment market but this is a budget that will also require detailed implementation and close monitoring.

Mr DK Aggarwal, Senior Vice President, PHD Chamber, said that after the country's biggest festival, the Lok Sabha Elections, and the subsequent great victory of NDA government, it was now time when the government presents the Union Budget. He further stated that every year, the Budget has been awaited by not just the business community but common man also, however, this time, the expectations are huge as this would be the first budget presented in the second consecutive regime of the current government. He appreciated the continuous efforts of government and said that going ahead, he believed that the Union Budget must also address the reforms, such as rise in investments by increasing government spending, creation of jobs by making labour laws flexible, rationalization of direct taxes, reforms in MSMEs, infrastructural development, among others.

Mr DK Aggarwal, shared his viewpoint on the budget announced and stated that the lowering of tax rates to 25% for companies with annual turnover of Rs 400 crores is a great decision in right direction as it was proposed by the industry since the last many years. He appreciated the positive development regarding ease of liquidity, as it would be beneficial for the corporates. He further opined that the reduction in the corporate tax would mean corporates having more money at their disposal. He further stated that private investment has really got a significant boost in the budget. He suggested that continuous efforts are required to sustain the higher economic growth trajectory and insulating the economy from global headwinds by focussing on key engines of economic growth.

Mr Sanjay Aggarwal, Vice President, PHD Chamber said that the share of manufacturing sector in GDP of India is around 17% which is lower than many of the leading and comparable economies. He verbalized that the manufacturing sector needs to be given a huge impetus for the Indian economy to move to a higher growth trajectory. He said India has nearly 6 crore MSMEs but they are unable to deploy much labour due to stringent labour laws. He said that if the labour laws are made flexible and if each and every MSME employs an individual, then MSMEs would succeed in giving employment to crores of people in the country. He therefore called for extension of special support to the MSMEs as they have the potential to create millions of job opportunities. He said that the loan of Rs. 1 crore must be extended by banks without any collateral and at reduced rate of interest to the MSMEs.

Mr Sanjay Aggarwal said that the Hon'ble Finance Minister Smt. Nirmala Sitharaman presented a balanced budget with a strong focus on socio-economic development of the country to build a New India. He said that the proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. He asserted that the focus on MSMEs, development of infrastructure, affordable housing and women empowerment would go a long way to promote all-inclusive development in the economy. He highlighted that the lowering of tax rates to 25% for companies with annual turnover of Rs 400 crores is encouraging as it was proposed by the industry since the last many years. He said that the allocation of Rs. 70,000 crore for the PSU bank recapitalization will enhance the health of the PSU bank and push up the pace of lending in the economy, by increasing the sentiments for credit availability. He added that the proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years is highly encouraging and put India's infrastructure development on a high road.

Prof. (Dr) Gurbachan Singh, Eminent Economist & Adjunct Faculty, Indian Statistical Institute, shared his views on the Union Budget announcements and opined that the budget has a lot of positive aspects, however, there exists a basic issue of planning verses the market economy and in the last five years there has been a shift from planned economy to market economy. He stated that the schemes, such as affordable housing, skill India, among others reflect planned mind set and not the market mind set and therefore, a lot needs to be done in this direction. According to him, in order for markets to work properly, there is a need to focus on overall legal aspects and regulatory environment. He opined that the inflation targeting has been improved a lot. He suggested that the fiscal policy has to go much further so far as the stability and macroeconomic environment is concerned. Further, he suggested that doing something for the rural development is important, there is a need to increase the tax GDP ratio by having focus on public investments and emphasis on weaker sections of economy is required

Mr Akhil Bansal, Chairman, Economic Affairs Committee, PHD Chamber, said that India has yet not missed its "manufacturing bus" and it is right time for India to invest in the manufacturing sector, if India has to go in future and to become a USD 5 trillion economy. He said that the manufacturing sector will have to grow at 11-12% in next 3-5 years to be able to sustain to require the USD 5 trillion economy and make stronger than what the economy is today. He added that the biggest job creation can come from the MSME sector. He suggested that regulatory hurdles have to be brought down for the efficient progress of MSMEs. He stressed that digital technology will certainly make the difference of how jobs will be created.

Mr Anil Chopra, Chairman, Direct Tax Committee, PHD Chamber, said that there has been significant improvements going on in direct taxes, collections have increased and a task force is in place that would look in the areas of international standards, rationalisation of income tax, among others. He stated that the 25% corporate tax rate for the companies having turnover upto Rs 400

crores is appreciable and would incorporate 99.3% of companies. He further said that the budget covered many important areas, such as housing, start-ups, incentivising growth, digital economy, simplification of taxes, among others. He related the focus on the promotion of start-up with new age skills, products, innovation, employment, technology and opportunities for youth. He stated that the difficulties for the investors in the start-ups have been reduced and he referred real estate as one of the largest indirect creators of employment and economic growth. He welcomed the interchangeability of Aadhar and PAN and faceless assessment for the ease of living. He suggested that there needs to be reconciliation in the GST audit, GST returns and also stated that the work on all this is going around the clock. He stated that promotion of ease of assessment, simplification, ease of living through faceless assessment; digital payments, are appreciable. He further said that ease of business, fair play, removal of hardship has been the part of budget. He suggested that increasing tax on the super-rich would promote sharing and caring.

Mr Bimal Jain, Chairman, Indirect Tax Committee, PHD Chamber, stated that the Budget presented was of macro level and forward looking and touched upon the areas, such as urban India, rural India, infrastructure, agriculture, energy, roads, banking and finance. He opined that the GST has been beneficial and has subsumed many taxes, however, there still exists a lot of things that needs to be discussed to make it more simpler and efficient. He further stated that 28% slab should be done away, especially on cement, to be in sync with affordable housing target. He opined that petroleum products and diesel should be brought under ambit of GST as they are used by every industry and no GST credit is available on them as pre GST rates are applicable on them and it causes increase in the pricing and hit the cost of production. He appreciated the decisions regarding Make in India, withdrawn certain exemptions, among others, however, surcharge on imported goods must be removed as it causes cascading effect. Further, he said that the exports are one of the fundamental factors to achieve 8% growth rate, however, there are issues related to GST in exports that needs to be dealt with. He suggested that the government must take steps regarding the GSTN network, as it is not giving effective outcome.

Mr Frank Pereira, Anchor/Consultant Rajya Sabha TV moderated the session and stated that agriculture, investment, exports, job creation among other parameters would be the prime focus of the government and that it has been trying to tackle it at the war footing.

Dr S P Sharma, Chief Economist, PHD Chamber, gave introductory remarks in the session and welcomed the distinguished speakers in the session. In his introductory remarks, Dr S P Sharma said that the economy remained the fastest growing economy in 2018-19. He highlighted the Economic Survey which says that India forms part of 30% of the global growth and India's contribution has become much more valuable to global economy. He then initiated the session and introduced Mr Frank Pereira to moderate the experts, businesses conglomerates, financial markets honchos, media experts, tax experts, economists for their view point to strengthen economy not only to perform better at the domestic level but also to strengthen its role as an engine of world economic growth.

Budget Viewing Session 2019-20

Hon'ble Finance Minister Smt. Nirmala Sitharaman presented Union Budget 2019-20. She announced that 100% FDI would be permitted to insurance Intermediaries. Announcement on reduction in tax rate to 25% for companies with annual turnover up to Rs. 400 crore was also made. She said that surcharge to be increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above. Additional deduction has been done up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45

lakh. Further, additional income tax deduction was announced of Rs. 1.5 lakh on interest paid on electric vehicle loans.

She announced the capital gains exemptions from sale of residential house for investment in start-ups has been extended till FY21; funds raised by start-ups would not require scrutiny from Income Tax Department. In reference to International Financial Services Centre (IFSC), 100 % profit-linked deduction was announced in any ten-year block within a fifteen-year period. In the Budget, basic Customs Duty was increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.; 5% Basic Custom Duty imposed on imported books; custom duty on gold and other precious metals increased.

Hon'ble Finance Minister announced withdrawal of exemptions from Custom Duty on certain electronic items which are now manufactured in India; end use based exemptions on palm stearin, fatty oils withdrawn; exemptions to various kinds of papers withdrawn; defence equipment not manufactured in India exempted from basic customs duty.

The Hon'ble Finance Minister projected Fiscal Deficit at 3.3% of GDP for the year 2019-20. Increase in Special Additional Excise Duty and Road and Infrastructure Cess each was announced by Rs. 1 per litre on petrol and diesel. She further said that 10,000 new Farmer Producer Organizations to be formed, to ensure economies of scale for farmers. New National Education Policy was proposed to be brought and Study in India' was also proposed to bring foreign students to study in Indian higher educational institutions.

A massive program of railway station modernization was announced to be launched. She said that overdraft of Rs. 5,000 to be allowed for every verified women SHG member having a Jan Dhan Bank Account and one woman per SHG to be eligible for a loan up to Rs. 1 lakh under MUDRA Scheme.

Further, Rs. 70,000 crore was proposed to be provided to Public Sector Banks (PSBs) to boost credit. Target of Rs. 1, 05,000 crore of disinvestment receipts was set for the FY 2019-20. In addition, tax Deduction at Source (TDS) of 2% on cash withdrawal exceeding Rs. 1 crore in a year from a bank account was announced.

The session was attended by more than 250 delegates from diverse fields. The session was supported and sponsored by KPMG.

13. Conclusions

The Union Budget 2019-20 is an inclusive and balanced budget with a strong focus on socio-economic development of the country to build a New India. The proposals unveiled in the budget on various socio-economic fronts of the economy indicate promises of progress in coming times. The focus on MSMEs, development of infrastructure, affordable housing and women empowerment would go a long way to promote all-inclusive development in the economy. The Union Budget 2019-20 represents the government's long term vision to achieve USD5 trillion economy size and build a new India with inclusive welfare of all.

The corporate tax rate has been lowered to 25% for companies with annual turnover of Rs 400 crores, to incentive the industries. It will enhance business sentiments and production possibility frontiers in the economy. This will cover and benefit 99.3 percent of the companies and will enhance business sentiments and production possibility frontiers in the economy.

The MSMEs have been given due recognition in the budget and significant reforms in terms of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform for MSMEs are appreciable. This will facilitate MSMEs in getting better access to credit and expansion in business activities. The focus on infrastructure creation will increase economic activity and create jobs. The focus on rural India, education and empowering women will lead to all-inclusive development in the country, going forward.

The budget proposal to streamline multiple labour laws into a set of four labour codes will reduce the compliances for the industry particularly for the MSMEs and provide more room for deployment of workforce in the factories. The Budget has focused on attracting foreign investors to increase capital flows with the easing of local sourcing norms for FDI in Single Brand Retail and 100% Foreign Direct Investment (FDI) permitted for insurance intermediaries. This will attract more foreign investors to invest in India and give a boost to the industrial growth in the economy.

The allocation of Rs. 70000 crore for the PSU bank recapitalization will enhance the health of the PSU bank and push up the pace of lending in the economy, by increasing the sentiments for credit availability. This will boost credit and translate into higher economic growth. It is proposed that the interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non deposit-taking NBFC shall be charged to tax on receipt basis. This will provide a level-playing field to NBFCs with banks, public financial institutions, state financial corporations, state industrial investment corporations, cooperative banks and certain public companies like housing finance companies, among others. Non-Banking Financial Companies (NBFCs) have been given Rs. 1 lakh crore in the current financial year with the government's promise to bear the first loss of upto 10% of the high-rated pooled assets purchased by state run banks. This will inject liquidity in the system and break the logjam thereby giving a push to economic growth.

Various praise-worthy announcements such as solving the issue of 'Angel Tax' by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups would strengthen the start-up campaign in the economy.

A big infrastructure push such as a massive program for Railway modernization, a massive push to infrastructure connectivity through the projects such as industrial corridors, Bharatmala phase 2 etc, the target of building 1.95 crore houses in the second phase of PMAY-Gramin, additional tax benefits for first time home buyer, a further tax deduction of Rs. 1.5 lakhs for interest paid on housing loans sanctioned in the current fiscal year upto 31st March, 2020, will certainly push the infrastructure health of the country to the next level. The announcement of blueprint for developing gas grids, water grids, i-ways, and regional airports on lines of One Nation, One Grid for power availability to all states, will be instrumental in developing infrastructure thereby promoting industrial growth and provide better service delivery to masses.

The Budget has a string focus on the new education policy and made comprehensive allocation of Rs. 400 crore for FY 2019-20 to transform education system. This will help in transforming India's higher education system to one of the global best education systems. The move will bring breakthroughs in both school and higher education and improve education outcomes. Further, the allocation of Rs 400 crore under the head, "World Class Institutions" for FY 2019-20 will provide the required impetus to the idea of bringing more and more Indian educational institutions to feature amongst various world rankings.

The Budget announced to expand the Women SHG interest subvention programme to all districts and made provisions for overdraft of Rs. 5,000 to be given to verified women SHG member. These measures would strengthen women's role in the society and will provide a boost to women-led initiatives of the Government and will further give impetus to the mission of women-led development.

The government's commitment to skill development of the youth as per the current technological developments is indicative of the progressive thoughts of the government to steer economy towards growth and prosperity. Focus on new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics will boost efforts to equip the country's youth with new-age technology and skills that are market-relevant today.

Overall, the budget has been made with a 10- year vision in mind. All the targets given in the budget, be it disinvestment or tax revenues are achievable. The announcements made in the budget regarding the NBFCs are comprehensive, given that the NBFCs are a critical component of financial system. The budget has focused on promoting ease of doing business and therefore start-ups have been given several tax incentives in the budget. The government through this budget has signalled its intentions to revive growth through investments and reducing the cost of capital to boost the economy at large. Going ahead, the budget is balanced, pragmatic and is a roadmap for US\$ 5 trillion economy.



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Secretary General, PHD Chamber

About Us

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 1,30,000 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 the National level, the PHD Chamber is well represented in 16 States with its own offices and MOUs with eleven Partner Chambers in different States.

At the Global level we have been working with the Concerned Ministries, Embassies and High Commissions to bring in the International Best Practices and Business Opportunity.

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"Towards an Inclusive & Prosperous India"

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and state governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Macro Economy 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> States Development 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS) newsletter 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> International Trade 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
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Ms Neelam Karan
Secretarial Assistant

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry- 2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)

59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
60. India-Israel Relations: Building Bridges of Dynamic Trade(October 2017)
61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN(January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
66. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters (April 2018)
68. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
69. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural Economy: Road to US \$5 Trillion Economy(September 2018)
73. Indian Economy on the Eve of Union Budget 2019-20 (Interim): Steady...strong...fastest moving economy (January 2019)
74. Interim Budget 2019-2020: A Dynamic, Inclusive & Pragmatic Budget (February 2019)
75. Women Entrepreneurship: Transforming from Domestic Households to Financial Independence (March 2019)
76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next five Years (March 2019)
78. Job Creation: A Pan India Survey of Households (March 2019)
79. India Inc. Speaks Live: Wish List for the Next Five Years (May 2019)
80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019)

B: State profiles

81. Rajasthan: The State Profile (April 2011)
82. Uttarakhand: The State Profile (June 2011)
83. Punjab: The State Profile (November 2011)
84. J&K: The State Profile (December 2011)
85. Uttar Pradesh: The State Profile (December 2011)
86. Bihar: The State Profile (June 2012)
87. Himachal Pradesh: The State Profile (June 2012)
88. Madhya Pradesh: The State Profile (August 2012)
89. Resurgent Bihar (April 2013)
90. Life ahead for Uttarakhand (August 2013)
91. Punjab: The State Profile (February 2014)
92. Haryana: Bolstering Industrialization (May 2015)
93. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
94. Suggestions for Progressive Uttar Pradesh (August 2015)
95. State profile of Telangana- The dynamic state of India (April 2016)
96. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
97. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
98. Rising Jharkhand: An Emerging Investment Hub (February 2017)
99. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
100. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
101. Kashmir: The way forward (February 2018)
102. Analysis of State Budgets for 2018-19: Select Sates (March 2018)
103. Rising Uttar Pradesh One District One Product Summit (August 2018)
104. Rajasthan: Steady Strides into the Future- Emerging Growth Dynamics and the Way Forward (September 2018)
105. Rising Jharkhand: Economic Profile (January 2019)
106. Rising Jharkhand: Skill Development to Spur Socio-Economic Growth (January 2019)
107. Progressive Haryana: Economic Profile (February 2019)
108. Progressive Haryana: The Agricultural Hub of India (February 2019)
109. Indian Economy on the Eve of Union Budget 2019-20 (July 2019)

Notes



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