



# Union Budget 2020-21

a corruption free, policy driven system of governance.

## Programmes and Plans

With these laudable goals, the FM made a number of policy announcements. These have been similar to the policy prescriptions used to be made in the 'five year plan' prepared by the erstwhile 'Planning Commission' duly approved by the 'National Development Council' which has been disbanded and substituted with Team India.

The FM while reiterating the goal of doubling farmers' incomes by 2022, laid emphasis on Agriculture, Irrigation and Rural Development. The following 16 action points were indicated as the focus:

1. Encouraging the State governments to implement model laws, i.e., a) Model Agricultural Land Leasing Act, 2016; b) Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017; and c) Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018.
2. Comprehensive measures for one hundred water stressed districts.
3. Expansion of PM-KUSUM scheme to provide two million farmers for setting up stand-alone solar pumps and enabling farmers to set up solar power generation capacity on their fallow/barren lands.
4. Balanced use of all kinds of fertilizers including the traditional organic and other innovative fertilizers.
5. Viability Gap funding for setting up of efficient warehouses at the block/*taluk* level.
6. Village Storage Scheme to be run by the Self Help Groups (SHGs).
7. Setting up a "Kisan Rail" with refrigerated coaches through PPP arrangements.
8. *Krishi Udaan* by the Ministry of Civil Aviation on international and national routes.
9. Supporting States adopting a cluster basis to focus on "one product one district" in horticulture sector.
10. Expansion of integrated farming systems in rain fed areas.
11. Integration of financing on Negotiable Warehousing Receipts (e-NWR) with National Agriculture Market (e-NAM).
12. Expansions of NABARD re-finance scheme and coverage of all eligible beneficiaries of *Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)* under the *Kisan Credit Card (KCC)* scheme.
13. Coverage of artificial insemination from the present 30% to 70% and doubling of milk processing capacity from 53.5 million MT to 108 million MT by 2025.
14. Development, management and conservation of marine fishery resources.
15. Raising fish production to 200 lakh tonnes through involvement of youth.
16. Expansion of SHGs under *Deen Dayal Antyodaya Yojana*.

Although, there are number of action points on Agriculture, Irrigation and Rural Development but the budgeted allocation of ₹ 2.83 lakh crore is only slightly higher by 13.2% than the revised estimates of the previous year. Under wellness, water and sanitation, viability gap funding (VGF) has been provided for setting up hospitals in PPP mode. Eradication of Tuberculosis by 2025 has also been announced. Total allocation for *Swachh Bharat Mission* and *Jal Jeevan Mission* has been enhanced to 12,300 crore and 3.60 lakh crores respectively in 2020-21. New Education Policy will be announced soon, it has been stated.

₹ 27, 300 crore has been provided for the development and promotion of industry and commerce for the year 2020-21. Under the theme of economic development, the focus is on entrepreneurship and infrastructure to create employment opportunity for India's youth.

Table 1

Government Budgeted Expenditure on Major Sectors			
	(In ₹ billion)		
Sectors	2019-20 (RE)	2020-21 (BE)	Variation
Interest Payments	6,251	7,082	13.3%
Grants in aid to State Governments	4,470	5,148	15.2%
Capital Expenditure excluding Defence & Communications	2,338	2,725	16.5%
Agriculture & Allied Activities	2,346	2,650	12.9%
Pensions	1,841	2,107	14.4%
Communications	206	655	217.3%
Defence	3,163	3,231	2.1%
Relief on account of Natural Calamities	183	232	26.8%
Census, Surveys & Statistics	30	67	121.4%
Police	906	936	3.3%
Medical & Public Health	256	298	16.4%
Rural Employment	710	615	-13.4%
Others	4,285	4,678	9.2%
Total Expenditure	26,986	30,422	12.7%

Source: *Budget at a Glance, 2020-21*

Similarly, the focus under the theme of 'caring society' has been on women & child, social welfare, culture and tourism and environment and climate change.

## Expenditure on Sectors

Table 1 shows budget estimates of expenditure for 2020-21.

₹ 3,43,678 crore or 12.7% has been the increase over the Revised Estimates of 2019-20. The table shows major items of expenditure where variations have occurred. Maximum increase of 217% can be noticed in 'Communication' due to capital infusion in BSNL/MTNL for 4G spectrum, implementation of VRS and payment of ex-gratia for employees of BSNL/MTNL. The next highest increase is in Census, Survey & Statistics, i.e., 121%, for obvious reason to conduct population census by the Registrar General and Census Commissioners, India. Higher capital is needed for Road Transport, Railways & for infrastructure projects in pipeline, hence 16.5% increase over previous year can be noted.

This year, for the first time in the history of independent India, the Union Finance Commission has submitted an interim report only for a year, i.e. 2020-21. The report has been partially accepted and higher provision is made for post devolution revenue deficit grant, devolution for Panchayats and Municipalities, grants for State Disaster Response Fund, assistance to States from National Disaster Response Fund and releases of compensation to States for revenue losses on roll out of GST.

With the subdued demand in rural consumption, higher allocation to rural development and particularly to rural employment was expected. However, sharp decline of 13.4% over previous year in rural employment is seen due to lower requirement under Mahatma Gandhi National Rural Employment Guarantee Programme.

## Fiscal Deficit

Due to significant shortfall in revenue collection particularly in

Table 2  
Union Budget 2020-21: A Bird's Eye View

In ₹ billion)			
	2018-19	2019-20 (RE)	2020-21 (BE)
GDP*		2,04,422	2,24,894
Total Expenditure	23,151	26,986	30,422
of which:	-	-	-
On Revenue Account	20,074	23,496	26,301
On Capital Account	3,077	3,489	4,121
Total Receipts	16,657	19,317	22,459
of which:			
Revenue Receipts	15,529	18,501	20,209
Capital Receipts**	1,128	816	2,250
Total Receipts (without borrowings)	16,657	19,317	22,459
Revenue Deficit (% of GDP)	2.4%	2.4%	2.7%
Fiscal Deficit (% of GDP)	3.4%	3.8%	3.5%

*Source: Budget at a Glance, Union Budget Documents 2020-21*

Notes: \*GDP for BE 2020-21 has been projected at ₹ 224894 billion assuming 10% growth over the estimated GDP of ₹ 204422 billion for 2019-2020 (RE)  
\*\*includes recovery of loans and disinvestments but excludes borrowings and other liabilities

GST, slippage in fiscal deficit target set in the budget estimate of 2019-20 was apprehended. As table 2 indicates, the FM invoked 'escape clause' in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and relaxed the fiscal deficit – GDP ratio by 0.5%, i.e. from 3.3% to 3.8% in the current year and 3.5% for the next year, though FRBM Act stipulates the necessity to return to the original target in the next year.

This has been due to three reasons; first, the nominal GDP growth rate of 7.5% in the current year has been below the assumed rate of 12% in the budget of the previous year. Second, the revenue deficit-GDP ratio, as can be seen from table 2, rose to 2.7% from 2.4% in the revised estimate of 2019-20. Third, the disinvestment target of ₹ 1.03 lakh crores as budgeted for 2019-20 could not be achieved. This estimate has been revised by bringing it down to ₹ 65000 crores. Towards this, the FM announced a threefold increase of ₹ 2.1 crore as disinvestment target. This includes divestment of government stake in public

sector banks and other financial institutions including IDBI Bank and partial sale of its stake in Life Insurance Corporation (LIC), Air India and CONCOR for the year 2020-21. Thus, fiscal deficit target of 3.5% of GDP for the year 2020-21 depends largely on disinvestment. With expansionary fiscal policy and high fiscal deficit there is also need to arrest the issue of slowdown.

## Conclusions

The Finance Minister in her speech stated that "the fundamentals of the economy are so strong and that ensured macroeconomic stability." However, in view of reduced growth, there is a need for further diagnosis of health of Indian economy so that more effort can be made to boost consumption, revive investment climate and increase exports. When the growth in economy is low there are constraints on resources and it becomes extremely challenging to achieve economic expansion. The economy has potential and reversal is only a matter of time and it is hoped that high rates of growth will be achieved sooner than later. ■