

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

Union Budget 2017-18

Three changes in this year Budget (FY 2017-18) Presentation

Before starting the union budget, note the following three changes in this year budget presentation -

1. The **date** of budget presentation in Lok Sabha is **advanced** to **February 1** to ensure that the budget proposals take effect smoothly from **April 1** (which usually presented in the last working day of February).
2. The **Railway Budget** is now merged with the **Union Budget** (i.e., no separate rail budget by railway minister)
3. It is also decided to scrap any distinction between **plan** and **non-plan expenditures**.

Three major challenges for Emerging economies like India

1. The current **monetary policy** stance of the **US Federal Reserve**, to increase the **policy rates** more than once in 2017, may lead to **lower capital inflows** and **higher outflows** from the **emerging economies**.
2. The **uncertainty** around **commodity prices**, especially that of **crude oil**, has implications for the fiscal situation of **emerging economies**.
3. In several parts of the world, there are signs of **increasing threat** from **globalization of goods, services and people**, as pressures for **protectionism** are building up.

- These developments have the potential to **affect exports** from a number of emerging markets, including **India**.

Some Macro-economic facts of FY 2016-17

Amidst all the developments, India stands out as a bright spot in the world economic landscape.

1. India's **macro-economic stability** continues to be the foundation of **economic** success.
2. **CPI inflation** declined from **6 %** in July 2016 to **3.4 %** in December 2016, and is expected to remain within **RBI's mandated range (inflation target)** of **2 % - 6 %**
3. Favorable **price developments** reflect prudent **macroeconomic management**, resulting in higher **agricultural production**, especially in **pulses**.
4. India's **Current Account Deficit (CAD)** had declined from about **1 % of GDP** last year to **0.3 % of GDP** in the first half of 2016-17.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

5. **Foreign Direct Investment (FDI)** has increased from **Rs. 1.07 lakh crore** in the first half of last year to **Rs. 1.45 lakh crore** in the first half of 2016-17. This marks an increase by **36 %**, despite **5 % reduction in global FDI inflows**.
6. **Forex Reserves** have reached **USD 361 billion**, as on **Jan 20, 2017**, which represents a comfortable cover for about 12 months of **imports**.
7. According to **IMF**, India is expected to be one of the **fastest growing** economies of 2017.
8. India has become the **6th largest manufacturing country** (up from 9th previously) in the world
9. **Demonetization** will led to **higher GDP growth** and **tax revenues**.

Forecasts

- **IMF** estimates that **world GDP** will grow by **3.1 %** in 2016 and **3.4 %** in 2017. The advanced economies are expected to grow from **1.6 %** to **1.9 %**, and the emerging economies from **4.1 %** to **4.5 %**
- **IMF**, even while revising **India's GDP** forecast for 2016 **downwards**, has projected a GDP growth of **7.2 %** (for 2017-18) and **7.7 %** (for 2018-19)
- **World Bank** is more optimistic and has projected a GDP growth of **7 %** (for 2016-17), **7.6 %** (for 2017-18) and **7.8 %** (for 2018-19).
- With a better monsoon, **agriculture** is expected to grow at **4.1 %** in the current year.

Union Budget 2017-18 focusing on 10 themes

The **Budget**, presented by honorable FM **Shri Arun Jaitley**, was broadly focused on **10 themes** -

1. **Farmers** - for whom govt has committed to double the income in 5 years
2. **Rural population** - providing employment and basic infrastructure
3. **Youth** - energising them through education, skills and jobs
4. **Poor and the underprivileged** - strengthening the systems of social security, health care and affordable housing
5. **Infrastructure** - for efficiency, productivity, and quality of life
6. **Financial sector** - growth and stability through stronger institutions
7. **Digital Economy** - for speed, accountability and transparency
8. **Public services** - effective governance and efficient service delivery through people's participation
9. **Prudent fiscal management** - to ensure optimal deployment of resources and preserve fiscal stability, and
10. **Tax administration** - honoring the honest

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

Followings are the key highlights from **Finance Minister's** Budget speech -

A. **FARMERS**

1. **Agricultural credit** - For a good crop, adequate **credit** should be available to farmers in time. The **target** for **agricultural credit** in 2017-18 has been fixed at a record level of **Rs. 10 lakh crores**. **Special efforts** to ensure adequate flow of credit to the **under-serviced areas**, the **Eastern States** and **Jammu & Kashmir**.
2. **60 days' Interest waiver** - The farmers will benefit from **60 days' interest waiver** announced by honorable PM in respect of their **loans** from the **cooperative credit** structure.
3. **Core Banking System(CBS) in PACS** - About **40 %** of the **small and marginal farmers** avail credit from the **cooperative structure**. The **Primary Agriculture Credit Societies (PACS)** act as the front end for **loan disbursements**. Govt. will support **NABARD** for computerization and integration of all **63,000 functional PACS** with the **Core Banking System (CBS)** of **District Central Cooperative Banks**. This will be done in **3 years** at a estimated cost of **Rs. 1,900 crores**, with financial participation from **State governments**.
4. **Fasal Bima Yojana (PMFBY)** - At the time of **sowing**, farmers should feel secure against **natural calamities**. The **Fasal Bima Yojana** launched by government is a major step. The coverage of this scheme will be increased from **30 %** of cropped areas in 2016-17 to **40 %** in 2017-18 and **50 %** in 2018-19. For **2017-18**, govt will provide a sum of **Rs. 9,000 crore**.
5. **Krishi Vigyan Kendras (KVK)** - The real benefit to farmers would be available only when the **soil samples** are **tested quickly** and **nutrient level** of the soil is known. Govt. will therefore set up new **mini labs** in **Krishi Vigyan Kendras (KVKs)** and ensure coverage of all **648 KVKs** in the country. In addition, **1000 mini labs** will be set up by qualified **local entrepreneurs**. Govt. will provide credit linked **subsidy** to these entrepreneurs.
6. **Long Term Irrigation Fund** - A **Long Term Irrigation Fund** has already been set up in **NABARD**. Honorable PM has announced an addition of **Rs. 20,000 crores** to its corpus. This will take the **total corpus** of this Fund to **Rs. 40,000 crore**.
7. **Micro Irrigation Fund** - A dedicated **Micro Irrigation Fund** will be set up in **NABARD** to achieve the goal, '**per drop more crop**'. The Fund will have an initial corpus of **Rs. 5,000 crores**.
8. **e-National Agricultural Market (e-NAM)** - For the **post-harvest** phase, govt will take steps to enable **farmers** to get **better prices** for their **produce** in the **markets**. The coverage of **National Agricultural Market (e-NAM)** will be expanded from the current **250 markets** to **585 APMCs**. Assistance up to a ceiling of **Rs. 75 lakhs** will be

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

provided to every e-NAM market for establishment of cleaning, grading and packaging facilities.

9. **Agricultural Produce Market Committee (APMC)** - Market reforms will be undertaken and the States would be urged to denotify **perishables** from APMC. This will give opportunity to farmers to sell their produce and get better prices.
10. **Model Law on Contract Farming** - Govt proposes to integrate **farmers** who grow **fruits** and **vegetables** with **agro-processing units** for better price realization and reduction in post-harvest losses. A **model law on contract farming** would be prepared and circulated among the **States** for adoption.
11. **Dairy Processing and Infrastructure Development Fund** - A large number of **milk processing units** set up under the **Operation Flood** programme has since become old and obsolete. A **Dairy Processing and Infrastructure Development Fund** would be set up in **NABARD** with a corpus of **Rs. 8,000 crores** over **3 years**. Initially, the Fund will start with a corpus of **Rs. 2,000 crore**.

B. **RURAL POPULATION**

1. **Mission Antyodaya** - Govt will undertake a **Mission Antyodaya** to bring **1 crore households** out of **poverty** and to make **50,000 gram panchayats poverty free** by **2019**, the **150th** birthday of Gandhiji. The mission will work with a **focused micro plan** for **sustainable livelihood** for every deprived household. A **composite index for poverty free gram panchayat** would be developed to monitor the **progress** from the baseline.
2. **MGNREGA** - The budget provision of **Rs. 38,500 crores** under MGNREGA in 2016-17 has been increased to **Rs. 48,000 crores** in 2017-18. This is the **highest ever allocation** for MGNREGA. The initiative to **geo-tag** all **MGNREGA assets** and putting them in **public domain** has established **greater transparency**. Govt is also using **space technology** in a big way to plan MGNREGA works. **Women** participation has increased from **48 %** to **55 %**
3. **Pradhan Mantri Gram Sadak Yojana (PMGSY)** - The pace of construction of **PMGSY roads** has accelerated to reach **133 km roads / day** in 2016-17, as against an average of **73 km** during 2011-14 period. Govt is committed to complete the current target under **PMGSY** by **2019**, and a sum of **Rs. 19,000 crores** will be provided for this scheme in 2017-18. Together with the contribution of **States**, an amount of **Rs. 27,000 crores** will be spent on **PMGSY** in 2017-18.
4. **Pradhan Mantri Awaas Yojana (PMAY)** - Govt will complete **1 crore houses** by **2019** for the **houseless** and those living in **kutcha houses**. The allocation for **PMAY-Gramin** is increased from **Rs. 15,000 crore** in 2016-17 to **Rs. 23,000 crore** in 2017-18.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

5. **Deendayal Upadhyaya Gram Jyoti Yojana (DUGJY)** - Govt will achieve **100 % village electrification** by **May 1, 2018**. An increased allocation of **Rs. 4,814 crores** has been proposed under the **DUGJY** in 2017-18.
6. **Deendayal Antyodaya Yojana - National Rural Livelihood Mission (DAY-NRLM)** - The allocation for **DAY-NRLM** is also increased for promotion of **skill development** and **livelihood opportunities** for people in **rural areas** to **Rs. 4,500** in 2017-18.
7. **Prime Minister's Employment Generation Programme (PMEGP)** - The allocation for **PMEGP** and credit support schemes has been increased more than **3 times**.
8. **Swachh Bharat Mission (Gramin)** - It has made tremendous progress in promoting **safe sanitation** and ending **open defecation**. **Sanitation coverage** in rural India has gone up from **42 %** in October 2014 to about **60 %**. **Open Defecation Free** villages are now being given priority for **pipled water supply**.
9. **Safe Drinking Water under NRDWP** - Govt will provide **safe drinking water** to over **28,000 arsenic** and **fluoride** affected habitations in the next **4 years**, under **National Rural Drinking Water Programme (NRDWP)**
10. **Mason Training** - For imparting new **skills** to the people in the rural areas, **mason training** will be provided to **5 lakh** persons by **2022**, with an immediate **target of training** at least **20,000 persons** by 2017-18
11. **'Human resource reforms for results' in Panchayat** - **Panchayati raj** institutions still lack **human resources** for implementing development programmes. A program of '**human resource reforms for results**' will be launched during 2017-18 for this purpose.
12. **Total allocation for rural, agriculture and allied sectors** - The total allocation for the rural, agriculture and allied sectors in 2017-18 is **Rs. 1,87,223 crores**, which is **24 %** higher than the previous year.

C. **YOUTH**

1. **Innovation Fund for Secondary Education** - An Innovation Fund for Secondary Education will be created to encourage **local innovation** for ensuring universal access, gender parity and quality improvement. This will include **ICT-enabled learning** transformation. The focus will be on **3,479 educationally backward blocks**.
2. **UGC reforms** - In **higher education**, govt will undertake **reforms** in the **UGC**. Good quality institutions would be enabled to have greater **administrative** and **academic autonomy**. **Colleges** will be based **identified** based on **accreditation** and **ranking**, and

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

given **autonomous status**. A revised **framework** will be put in place for **outcome-based accreditation** and **credit-based programmes**.

3. **SWAYAM Platform** - Govt proposes to leverage **information technology** and launch **SWAYAM platform** with at least **350 online courses**. This would enable students to **virtually** attend the courses taught by the best faculty; access high quality reading resources; participate in discussion forums; take tests and earn academic grades. Access to SWAYAM would be widened by **linkage** with **DTH channels**, dedicated to education.
4. **National Testing Agency** - Govt. proposes to establish a **National Testing Agency** as an autonomous and self-sustained **premier testing organization** to conduct all **entrance examinations** for **higher education institutions**. This would free **CBSE, AICTE** and other premier institutions from these **administrative responsibilities** so that they can focus more on **academics**.
5. **Pradhan Mantri Kaushal Kendras (PMKK)** - PMKK have already been promoted in more than **60 districts**. Govt now propose to extend these **Kendras** to more than **600 districts** across the country. **100 India International Skills Center** will be established across the country. These centers would offer **advanced training** and also courses in **foreign languages**.
6. **SANKALP** - In 2017-18, govt also proposes to launch the **Skill Acquisition and Knowledge Awareness for Livelihood Promotion Programme (SANKALP)** at a cost of **Rs. 4,000 crore**. SANKALP will provide **market relevant training** to **3.5 crore youth**.
7. **STRIVE** - The next phase of **Skill Strengthening for Industrial Value Enhancement (STRIVE)** will also be launched in 2017-18 at a cost of **Rs. 2,200 crores**. It will focus on improving the **quality** and **market relevance** of **vocational training** provided in **ITIs** and strengthen the **apprenticeship programmes** through **industry cluster** approach.
8. **Textile, Leather and Footwear industries** - A special scheme for **creating employment** in the **textile sector** has already been launched. A similar scheme will be implemented for the **leather** and **footwear industries**.
9. **Special Tourism Zones** - Tourism is a big **employment generator** and has a **multiplier impact** on the economy. **5 Special Tourism Zones**, anchored on **SPVs**, will be set up in partnership with the States.
10. **Incredible India 2.0** - Incredible India 2.0 Campaign will be launched across the world.

D. **THE POOR AND THE UNDERPRIVILEGED**

1. **Mahila Shakti Kendra** - *Sabka Saath Sabka Vikas* begins with the **girl child** and women. **Mahila Shakti Kendra** will be set up at **village level** with an allocation of **Rs. 500 crore** in **14 lakh ICDS Anganwadi Centers**. This will provide one stop **convergent**

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

2. **Pregnant Women** - A nationwide scheme for **financial assistance** to **pregnant women** has already been announced by honorable PM on Dec 31, 2016. Under this scheme, **Rs. 6,000** each will be transferred directly to the **bank accounts** of **pregnant women** who undergo **institutional delivery** and **vaccinate** their children.
3. **Affordable Housing** - Govt proposes to facilitate **higher investment** in **affordable housing**. Affordable housing will now be given **infrastructure status**, which will enable these projects to avail **associated benefits**.
4. **Housing loans by NHB** - The **National Housing Bank (NHB)** will refinance **individual housing loans** of about **Rs. 20,000 crore** in 2017-18. Thanks to the **surplus liquidity** created by **demonetization**, the **banks** have already started **reducing** their **lending rates**, including those for **housing**. In addition, **interest subvention** for **housing loans** has also been announced by the honorable **PM**.
5. **Health and Wellness Centers** - Poverty is usually associated with **poor health**. It is the poor who suffer the maximum from various **chronic diseases**. Govt has therefore prepared an **action plan** to eliminate **Kala-Azar** and **Filariasis** by **2017**, **Leprosy** by **2018**, **Measles** by **2020** and **Tuberculosis** by **2025**. Similarly, **action plan** has been prepared to reduce **IMR** from 39 in 2014 to **28** by 2019 and **MMR** from 167 in 2011-13 to **100** by 2018-20. **1.5 lakh Health Sub Centers** will be transformed into **Health and Wellness Centers**
6. **Regulatory Framework of Medical Education and Practice in India** - It is needed to ensure adequate **availability** of **specialist doctors** to strengthen **Secondary** and **Tertiary** levels of **Health care**. Govt has therefore decided to take steps to create **additional 5,000 Post Graduate seats** per annum. In addition, steps will be taken to roll out **DNB courses** in **big District Hospitals**; strengthen **PG teaching** in select **ESI** and **Municipal Corporation Hospitals**; and encourage **reputed Private Hospitals** to start **DNB courses**. The government is committed to take necessary steps for **structural transformation** of the **Regulatory Framework of Medical Education and Practice in India**.
7. **2 new AIIMS** - Two new **All India Institutes of Medical Sciences (AIIMS)** will be set up in the states of **Jharkhand** and **Gujarat**.
8. **Amendment of Drugs and Cosmetics Rules** - Govt proposes to amend the **Drugs and Cosmetic Rules** to ensure **availability** of **drugs** at **reasonable prices** and promote use of **generic medicines**. New rules for **regulating medical devices** will also be formulated.
9. **Amendment in Labor Laws** - Legislative reforms will be undertaken to simplify, rationalize and amalgamate the existing **labor laws** into **4 Codes** -
(i) **wages** (ii) **industrial relations** (iii) **social security** and **welfare** (iv) **safety** and **working conditions**.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

10. **Model Shops and Establishment Bill 2016** - The **Model Shops and Establishment Bill 2016** has been circulated to all **States** for consideration and adoption. This would open up additional avenues for **employment of women**.
11. **Amendment in Payment of Wages Act** - The amendment made to the **Payment of Wages Act** is another initiative for the benefit of the **labor** and **ease of doing business**.
12. **SC, ST, Minority welfare** - Govt is giving special importance to implementation of the schemes for **welfare** of **SC, ST** and **Minorities**. The allocation for the welfare of **Scheduled Castes (SC)** has been stepped up from Rs. 38,833 crores in 2016-17 to **Rs. 52,393 crores** in 2017-18, representing an increase of about **35 %**. The allocation for **Scheduled Tribes (ST)** has been increased to **Rs. 31,920 crores** and for **Minority Affairs** to **Rs. 4,195 crores**. The government will introduce **outcome-based monitoring** of **expenditure** in these sectors by the **NITI Aayog**.
13. **Aadhar-based Smart Cards for Senior Citizens** - For **senior citizens**, **Aadhar-based Smart Cards** containing their **health details** will be introduced. A beginning will be made through a pilot in **15 districts** during 2017-18. The **LIC** will implement a scheme for **senior citizens** to provide **assured pension**, with a **guaranteed return** of **8 %** per annum for **10 years**.

E. **INFRASTRUCTURE**

1. **Railway Expenditures** - Railways, roads and rivers are the lifeline of our country. It is the first **combined Budget** of independent India that includes the **Railways** also. For 2017-18, the **total capital** and **development expenditure** of **Railways** has been pegged at **Rs. 1.31 lakh crores**. This includes **Rs. 55,000 crores** provided by the government.
2. **Four focus points of Railways** - Among other things, the **Railways** will focus on **4 major** areas namely - (i) **Passenger safety** (ii) **Capital and development works** (iii) **Cleanliness** and (iv) **Finance and accounting reforms**
3. **Rashtritya Rail Sanraksha Kosh** - For **passenger safety**, a **Rashtritya Rail Sanraksha Kosh** will be created with a focus of **Rs. 1 lakh crores** over a period of **5 years**.
4. **Unmanned Level Crossings** - Unmanned level crossings on **Broad Gauge Lines** will be eliminated by **2020**.
5. **New Railway Lines** - In the next 3 years, the **throughput** is proposed to be enhanced by **10 %**. This will be done through **modernization** and **upgradation** of identified corridors. **Railway lines** of **3,500 kms** will be commissioned in 2017-18, as against **2,800 kms** in 2016-17. Steps will be taken to launch **dedicated trains** for **tourism** and **pilgrimage**.
6. **70 New Projects** - Railways have set up **joint ventures** with **9 state governments**. **70 projects** have been identified for **construction** and **development**.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

7. **Station development and differently-abled friendly stations** - A beginning has been made with regard to station **redevelopment**. At least **25 stations** are expected to be awarded during 2017-18 for **station redevelopment**. **500 stations** will be made **differently abled friendly** by providing **lifts** and **escalators**.
8. **Solar power stations** - It is proposed to feed about **7,000 stations** with **solar power** in the medium term. Works will be taken up for **2,000 railway stations** as part of **1,000 MW solar mission**.
9. **Swachh Rail and Coach Mitra facility** - SMS-based **Clean My Coach Service** has been started. It is now proposed to introduce '**Coach Mitra**' facility, a single window interface, to register all **coach-related complaints** and requirements. By **2019**, all **coaches** of Indian Railways will be fitted with **Bio-toilets**.
10. **Solid Waste Management Stations** - Pilot plants for environment friendly **disposal of solid waste** and **conversion of biodegradable waste to energy** are being set up at **New Delhi** and **Jaipur railway stations**. **5** more such **solid waste management plants** are now being taken up.
11. **Integrated Transport Solutions** - Railways will implement end-to-end **integrated transport solutions** for **select commodities** through partnership with **logistic players**, who would provide **front and back end connectivity**. Rolling stocks and practices will be customized to **transport perishable goods**, especially **agricultural products**.
12. **Service charge withdrawn from IRCTC booking** - Railways will offer **competitive ticket booking facility** to the public at large. **Service Charge** on **e-tickets** booked through **IRCTC** has been withdrawn. **Cashless reservations** have gone up from **58 %** to **68 %**.
13. **Metro Rail** - A new **Metro Rail Policy** will be announced with focus on **innovative models** of implementation and financing, as well as standardization and indigenization of hardware and software. This will open up new job opportunities for the youth.
14. **Road Sector** - In the road sector, budget allocation for **highways** is increased from **Rs. 57,976 crores** in 2016-17 to **Rs. 64,900 crores** in 2017-18. **2,000 kms** of **coastal connectivity roads** have been identified for construction and development. The **total length** of **roads**, including those under **PMGSY**, built from 2014-15 till the current year is about **1.40 lakh kms**.
15. **Multi-modal logistics** - An effective **multi-modal logistics** and **transport sector** will make our economy more competitive. A specific program for development of **multi-modal logistics parks**, together with multi-modal transport facilities, will be drawn up and implemented.
16. **Airport in Tier-2 cities** - Select **airports** in **Tier-2 cities** will be taken up for operation and maintenance in **PPP mode**. **Airport Authority of India (AAI) Act** will be amended to enable effective monetization of **land assets**. The resources, so raised, will be utilized for **airport upgradation**.
17. **Transportation sector** - For transportation sector as a whole, including **rail, roads, shipping**, govt will provide **Rs. 2,41,387 crores** in 2017-18. This magnitude

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

of **investment** will spur a huge amount of **economic activity** across the country and create more job opportunities.

18. **Telecom sector** - Telecom sector is an important component of **infrastructure** ecosystem. The recent **spectrum auctions** have removed **spectrum scarcity** in the country. This will give a major fillip to **mobile broadband** and **Digital India** for the benefit of people living in **rural** and **remote areas**.
19. **BharatNet Project** - Under the **BharatNet Project**, **OFC** has been laid in **1,55,000 kms**. Govt has stepped up the allocation for this project to **Rs. 10,000 crores** in 2017-18. By the end of 2017-18, **high speed broadband connectivity** on **optical fiber** will be available in more than **1,50,000 gram panchayats**, with **wifi hotspots** and access to **digital services** at low tariffs. A **DigiGaon** initiative will be launched to provide **tele-medicine**, education and skills through **digital technology**.
20. **Energy Sector - Strategic Crude Oil Reserves** - For strengthening **Energy Sector**, govt has decided to set up **Strategic Crude Oil Reserves**. In the first phase, **3** such **Reserves facility** have been set up. Now in the second phase, it is proposed to set up **caverns** at **2** more locations, namely, **Chandikhole** in **Odisha** and **Bikaner** in **Rajashtan**. This will take our strategic reserve capacity to **15.33 MMT**.
21. **Solar Park** - In solar energy, govt now proposes to take up the second phase of **Solar Park** development for additional **20,000 MW** capacity
22. **Electronics manufacturing** - Govt is also creating an ecosystem to make India a **global hub** for **electronics manufacturing**. Over **250 investment proposals** for **electronics manufacturing** have been received in the last 2 years, totaling an **investment** of **Rs. 1.26 lakh crores**. A number of global leaders and **mobile manufacturers** have set up producing facilities in India. Govt has therefore exponentially increased the allocation for **incentive schemes** like **M-SIPS** and **EDF** to **Rs. 745 crores** in 2017-18.
23. **Trade Infrastructure for Export Scheme (TIES)** - A new and restructured central scheme, namely, **Trade Infrastructure for Export Schemes (TIES)** will be launched in 2017-18.
24. **Total allocation of Infrastructure** - The total allocation for **infrastructure development** in **2017-18** stands at **Rs. 3,96,135 crores**.

F. **FINANCIAL SECTOR**

1. **FDI Policy** - More than **90 %** of the **total FDI inflows** are now through the **automatic route**, since last two years. The **Foreign Investment Promotion Board (FIPB)** has successfully implemented **e-filing** and **online processing** of **FDI applications**. Govt. has now reached a stage where **FIPB** can be phased out. Govt. therefore has decided

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

to **abolish** the FIPB in 2017-18. In the meantime, further **liberalization** of **FDI policy** is under consideration.

2. **Commodities Market** - The commodity market require further **reforms** for the benefits of **farmers**. An **expert committee** will be constituted to study and promote creation of an **operational and legal framework** to **integrate spot market** and **derivatives market** for **commodity trading**. **e-NAM** would be an integral part of such market.
3. **Bill to curtail illicit deposit schemes** - The draft bill to curtail the menace of **illicit deposit schemes ('Chit funds')** has been placed in the public domain and will be introduced shortly after its finalization.
4. **Bill for resolution of financial firms** - The bill relating to **resolution of financial firms** will be introduced in the current Budget session of Parliament. This will contribute to stability and resilience of our financial system. It will also protect the **consumers** of various financial institutions. Together with the **Insolvency and Bankruptcy Code**, a **resolution** mechanism for **financial firms** will ensure comprehensiveness of the resolution system in our country.
5. **Amendment to Arbitration and Conciliation Act, 1996** - To streamline **institutional arrangements** for **resolution of disputes** in **infrastructure related construction contracts, PPP and public utility contracts**, govt has decided to amend the **Arbitration and Conciliation Act, 1996**.
6. **CERT-Fin for Cyber Security** - **Cyber security** is critical for safeguarding the integrity and stability of our **financial sector**. A **Computer Emergency Response Team for Financial Sector (CERT-Fin)** will be established. This entity will work in close coordination with all **financial sector regulators** and other stakeholders.
7. **Listing of CPSEs on stock exchanges** - **Listing of Central Public Sector Enterprises (CPSE)** will foster greater **public accountability** and unlock the true value of these companies. The govt. will put in place a revised mechanism and procedure to ensure time bound **listing** of identified **CPSEs on stock exchanges**. The **shares of Railway PSEs** like **IRCTC, IRFC and IRCON** will be listed in stock exchanges.
8. **Mergers and Acquisitions of CPSEs** - Govt. sees opportunities to strengthen **CPSEs** through consolidation, mergers and acquisitions. By these methods, the CPSEs can be **integrated** across the value chain of an **industry**. Possibilities of such **restructuring** are visible in the **oil and gas sector**. Govt. proposes to create an **integrated public sector 'oil major'** which will be able to match the performance of **international and domestic private sector oil and gas companies**.
9. **ETF for disinvestments** - Our **Exchange Traded Fund (ETF)**, comprising shares of **10 CPSEs**, has received overwhelming response in the recent **Further Fund Offering (FFO)**. Govt. will continue to use **ETF** as a vehicle for further **disinvestment of shares**. Accordingly, a new **ETF** with diversified **CPSE stocks** and other **government holdings** will be launched in **2017-18**.
10. **Banks** - The focus on resolution of **stressed legacy accounts** of **banks** continues. The **legal framework** has been strengthened to facilitate resolution, through the

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

enactment of the **Insolvency and Bankruptcy Code** and the amendments to the **SARFAESI** and **Debt Recovery Tribunal (DRT) Acts**. In line with the '**Indradhanush**' roadmap, govt has provided **Rs. 10,000 crores** for **recapitalization** of **banks** in **2017-18**. **Additional allocation** will be provided, as may be required.

11. **Trading of Security Receipts** - **Listing and trading of Security Receipts** issued by a **securitization company** or a **reconstruction company** under the **SARFAESI Act** will be permitted in **SEBI registered** stock exchanges. This will enhance **capital flows** into the securitization industry and will particularly helpful to deal with bank **NPAs**.
12. **Double target for PMMY** - The **Pradhan Mantri Mudra Yojana (PMMY)** has contributed significantly to funding the unfunded or the underfunded. Last year, the **target of Rs. 1.22 lakh crores** was exceeded. For **2017-18**, govt. proposes to **double the lending target** and set it at **Rs. 2.44 lakh crores**. Priority will be given to **Dalits, Tribals, Backward classes, Minorities and Women**.
13. **Stand Up India** - The **Stand Up India** scheme was launched in **April 2016** to support **Dalit, tribal, and women entrepreneurs** to set up **greenfield enterprises** and become **job creators**. Over **16,000** new enterprises have come up through this scheme of activities, as diverse as food processing, garments, diagnostic centers, etc.

G. **DIGITAL ECONOMY**

1. **JAM trinity** - A shift to **digital payments** has huge benefits for the common man. The earlier initiative of government to promote **financial inclusion** and the **JAM trinity** (Jan Dhan, Adhaar, Mobile) were important precursors to the current push for **digital transactions**.
2. **BHIM app** - The **BHIM** app will unleash the power of **mobile phones** for **digital payments** and **financial inclusion**. **125 lakh** people have adopted the app so far. The government will launch **2 new schemes** to promote the usage of **BHIM - Referral Bonus Schemes** (for individuals) and a **Cashback Scheme** (for merchants)
3. **Adhar-Pay** - **Adhar Pay**, a **merchant version of Adhar-Enabled Payment System (AEPS)** will be launched shortly. This will be specifically beneficial for those who do not have **debit cards, mobile wallets and mobile phones**. A **Mission** will be set up with a **target of 2,500 crore digital transactions** for **2017-18** through **UPI, USSD, Aadhar Pay, IMPS and debit cards**.
4. **Adhar-based PoS** - **Banks** have targeted to introduce additional **10 lakh new PoS terminals** by March 2017. They will be encouraged to introduce **20 lakh Adhar-based PoS** by **September 2017**.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

5. **Digital payment infrastrucuter and grievance handling** - The **digital payment infrastructure** and **grievance handling** mechanisms shall be strengthened. The focus would be on **rural** and **semi-urban** areas through **Post Offices, Fair Price Shops** and **Banking Correspondents**. Steps would be taken to promote and possible mandate petrol pumps, fertilizer depots, municipalities, Block offices, road transport offices, universities, colleges, hospitals, and other institutions to have **facilities** for **digital payments**, including **BHIM app**. A proposal to mandate all **government receipts** through **digital means**, beyond a **prescribed limit**, is under consideration.
6. **Financial Inclusion Fund** - Govt. will strengthen the **Financial Inclusion Fund** to augment resources for taking up these initiatives.
7. **Payments Regulatory Board in RBI**- The **Committee on Digital Payments** constituted by Department of Economic Affairs has recommended structural reforms in the payment eco-system, including **amendments** to the **Payment and Settlement Systems Act, 2007**. It is proposed to create a **Payments Regulatory Board** in the **RBI** by replacing the existing **Board for Regulation and Supervision of Payment and Settlement Systems**. Necessary amendments are proposed to this effect in the **Finance Bill, 2017**.
8. **Amendment to NI Act, 1881 for Dishonored Cheques** - To ensure that the **payees** of **dishonored cheques** are able to **realize** the payments, government is considering to amend the **Negotiable Instruments Act, 1881** suitably.

H. **PUBLIC SERVICE**

1. **Award for e-Market Place** - The **government e-market place** which is now functional for **procurement** of **goods and services** has been selected as one of the winners of the **South Asia Procurement Innovation Awards** of the **World Bank**.
2. **Head Post Offices to render Passport** - Our citizens in far flung regions of the country find it difficult to obtain **passports** and **redress** passport related **grievances**. Govt has decided to utilize the **Head Post Offices** as **front offices** for rendering **passport services**.
3. **Centralized Defence Travel System** - A centralized defence travel system has now been developed through which **travel tickets** can be booked **online** by our **soldiers** and **officers**. They do not have to face the hassle of standing in queues with railway warrants.
4. **Interactive Pension Disbursement System for Defence Pensioners** - A comprehensive **web based interactive** Pension Disbursement System for **Defence Pensioners** will be established. This system will receive **pension proposals** and make **payments centrally**. This will reduce the **grievances** of defence pensioners.
5. **Two-tier system of examination for govt. recruitment** - At present our citizens, especially those belonging to the poor and unprivileged sections, go through cumbersome procedures of **government recruitment**. There are multiplicity

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

of **agencies** and **examinations**. Govt. proposes to introduce a system of **single registration** and **2-tier system of examination**.

6. **Merge Tribunals** - Over the years, the number of **tribunals** have multiplied with overlapping functions. Govt proposes to rationalize the number of **tribunals** and **merge** tribunals wherever appropriate.
7. **New legislation for big time offenders** - In the recent past, there have been instances of big time **offenders**, including **economic offenders**, fleeing the country to escape the reach of law. Govt. is considering introduction of **legislative changes**, or even a **new law**, to **confiscate** the **assets** of such persons located **within the country**, till they submit to the **jurisdiction** of the appropriate legal forum.

I. **PRUDENT FISCAL MANAGEMENT**

1. **Government Expenditures** - The **total expenditure** in Budget for **2017-18** has been placed at **Rs. 21.47 lakh crores**. With the **abolition** of **Plan-Non plan** classification of **expenditure**, the focus is now on **Revenue** and **Capital expenditure**. Govt. has stepped up the allocation for **Capital Expenditure** by **25.4 %** over the previous year. The **total resources** being transferred to the **States** and the **Union Territories** with **Legislatures** is **Rs. 4.11 lakh crores**, against **Rs. 3.60 lakh crores** in BE 2016-17.
 - (a) Provisions under **Dept. of Economic Affairs** - **Rs. 3,000 crores**
 - (b) **Defence Expenditure** excluding pensions - **Rs. 2,74,114 crores** (including **Rs. 86,488 crores** for **Defence capital**)
 - (c) Provision for **Scientific Ministries** - **Rs. 37,435 crores**.
2. **Consolidated Budget** - For the first time, a **consolidated Outcome Budget**, covering all Ministries and Departments, is being laid along with the other Budget documents. This will improve **accountability** of **Government expenditure**.
3. **FRBM Policy** - The **Fiscal Responsibility and Budget Management (FRBM) Review Committee** has given its report recently. It has favored **Debt-to-GDP** of **60 %** for the **General Government** by **2023**, consisting of **40 %** for **Central government** and **20 %** for **State governments**. Within this framework, the committee has derived and recommended **3 % fiscal deficit** for the next **3 years**. The committee has also provided for '**Escape Clauses**', for deviations upto **0.5 % of GDP**, from the stipulated **fiscal deficit target**.

Govt. has pegged the **fiscal deficit** for 2017-18 at **3.2 % of GDP** and remain committed to achieve **3 %** in the following year.
4. **Market Borrowing and Revenue Deficit** - Govt has taken due care to limit the **net market borrowing** of government to **Rs. 3.48 lakh crores** after **buyback**, much lower than **Rs. 4.25 lakh crores** of the previous year. More importantly, the **Revenue**

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

Deficit of **2.3 %** in BE 2016-17 stands reduced to **2.1 %** in the **Revised Estimates**. The **Revenue Deficit** for next year is pegged at **1.9 %**, against **2 %** mandated by the FRBM Act.

J. **TAX PROPOSALS**

Tax Figures -

- **India's tax-to-GDP ratio** is very low, and the **proportion of direct tax-to-indirect tax** is not optimal from the view point of social justice.
- **Formal Sector** - As against estimated **4.2 crore persons** engaged in **organized sector** employment, the number of **individuals filing return** for **salary income** are only **1.74 crore**
- **Informal Sector** - As against estimated **5.6 crore informal sector individual enterprises** and **firms** doing small business in India, the number of **returns filed** by this category are only **1.81 crore**.
- **Registered Companies** - Out of the **13.94 lakh companies** registered in India upto **March 31, 2014**, **5.97 lakh companies** have filed their **returns** for **Assessment Year 2016-17 (AY 16-17)**.
Of the **5.97 lakh companies**, as many as **2.76 lakh** companies have show **losses** or **zero income**, **2.85 lakh** companies have shown **profit before tax (PBT)** of **less than Rs. 1 crore**, **28,667** companies have shown **profit** between **Rs. 1 - 10 crore**, and only **7,781** companies have **PBT** of more than **Rs. 10 crores**.
- **Individuals** - Among the **3.7 crore individuals** who filed the **tax returns** in 2015-16, **99 lakh** show income below the **exemption limit** of **Rs. 2.5 lakh p.a**, **1.95 crore** show income between **Rs. 2.5 - 5 lakh**, **52 lakh** show income between **Rs. 5 - 10 lakhs** and only **24 lakh** people show income **above 10 lakh**. The number of people showing income **more than Rs. 50 lakh** is only **1.72 lakh**.

Demonetization Figures -

- During the period **Nov 8 to Dec 30, 2016**, **deposits** between **Rs. 2 - 80 lakh** were made in about **1.09 crore accounts**, with an **average deposit** size of **Rs. 5.03 lakh**.
- Deposits of **more than 80 lakh** were made in **1.48 lakh accounts** with **average deposit** size of **Rs. 3.31 crores**.

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

Tax Revenue Figures -

- The **net tax revenues** of 2013-14 was **Rs. 11.38 lakh crores**. This grew by **9.4 %** in 2014-15 and **17 %** in 2015-16. As per the RE of 2016-17, we will end the year with a high growth rate of **17 %** for the second year in a row.

The thrust of the **tax proposals** in the Budget is stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency of political funding and simplification of tax administration.

1. **Changes in Affordable Housing Scheme** - In order to make the scheme more attractive, govt proposes certain changes. First of all, instead of **built-up area** of **30 and 60 sq. mtr.**, the **carpet area** of **30 and 60 sq. mtr** will be **counted**. Also the **30 sq. mtr.** limit will apply only in case of **municipal limits** of **4 metropolitan cities** while for the rest of the country including the **peripheral areas** of **metros**, limit of **60 sq. mtr.** will apply. In order to be **eligible**, the scheme was to be completed in **3 years** after **commencement**, but now govt. extend this period to **5 years**.
2. **Unoccupied houses tax** - At present, the **houses**, which are **unoccupied** after getting **completion certificates** are subjected to **tax on notional rental income**. For **builders** for whom constructed buildings are **stock-in-trade**, govt. proposes to apply this rule only **after 1 year** of the end of the year in which **completion certificate** is received so that they get some breathing time for **liquidating** their inventory.
3. **Changes in Capital Gains Tax** - The **holding period** for considering **gain from immovable property** to be **long term** is **3 years** now. This is proposed to be **reduced to 2 years**.
4. **Concessional with-holding rate** - A concessional with-holding rate of **5 %** is being charged on **interest** earned by **foreign entities** in **external commercial borrowings (ECB)** or in **bonds** and **govt. securities**. This **concession** is available till **July 30, 2017**, which is now extended to **July 30, 2020**. This benefit is also extended to **Rupee Denominated (Masala) Bonds**.
5. **Tax exemptions for Start-Ups** - The government gave **income tax exemptions** to **start-ups** with certain conditions last year. For the purpose of **carry forward of losses** in respect of **start-ups**, the condition of **continuous holding** of **51 %** of **voting rights** has been relaxed subject to the condition that the **holding** of the original promoter(s) continues. Also the **profit-linked deduction** available to the **start-ups** for **3 years** out of **5 years** is being changed to **3 years** out of **7 years**.
6. **Minimum Alternate Tax (MAT)** - MAT is at present **levied** as an **advance tax**. There is a strong demand for **abolition** of MAT. Although the plan for **phasing out** of **exemptions** will kick in from **April 1, 2017**, the full benefit of **revenue out** of phase out will be available to government only after **7 - 10 years**, when all those who are

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

already availing **exemptions** at present complete their period of availment. Therefore, it is not practical to remove or reduce **MAT** at present. However, in order to allow **companies** to use **MAT credit** in future years, govt. proposes to allow **carry forward** of **MAT** upto a period of **15 years** instead of **10 years** at present.

7. **Tax reduction for small companies** - In order to make **MSME companies** more viable and also to encourage **firms** to **migrate** to **company** format, govt. proposes to **reduce** the **income tax** for **smaller companies** with **annual turnover** upto **Rs. 50 crore** to **25 %**. The **revenue forgone estimate** for this measure is expected to be **Rs. 7,200 crore** per annum.
8. **Increase of Provision for NPA** - In order to give a boost to **banking sector**, govt. to increase **allowable provision** for **NPA** from **7.5 %** to **8.5 %**. This will reduce the **tax liability** of **banks**. Govt. also propose to **tax interest-receivable** on **actual receipt** instead of **accrual** basis in respect of **NPA accounts** of all **non-scheduled cooperative banks** also at par with **scheduled banks**. This will remove hardship of having to pay tax even when **interest income** is not realized.
9. **Reduction in Custom Duty of LNG** - Considering the wide range of use of **Liquefied Natural Gas (LNG)** as **fuel** as well as **feed stock** for **petro-chemicals sector**, govt. proposes to **reduce** the basic **customs duty** on **LNG** from **5 %** to **2.5 %**
10. **Presumptive Income Tax** - There is a scheme of **presumptive income tax** for **small and medium tax payers** whose **turnover** is upto **Rs. 2 crores**. At present, **8 %** of their **turnover** is counted as **presumptive income**. Govt. proposes to make this **6 % of turnover** which is received by **non-cash** means.
11. **Cash Expenditure limit** - Govt. proposes to **limit** the **cash expenditure** allowable as **deduction**, both for **revenue** as well as **capital expenditure**, to **Rs. 10,000**. Similarly, the **limit of cash donation** which can be received by a **charitable trust** is being reduced from **Rs. 10,000** to **Rs. 2,000**.
12. **Cash Transaction limit** - The **Special Investigation Team (SIT)** set up by the government for **black money** has suggested that **no transaction above Rs. 3 lakh** should be permitted **in cash**. The govt. has accepted this proposal.
13. **Exemption for cashless transactions** - To promote **cashless transactions**, govt. proposes to **exempt BCD, Excise/CV duty** and **SAD** on miniaturized **POS card reader** for **m-POS, micro-ATM** standards version 1.5.1, **finger-print scanners** and **iris scanners**. Simultaneously, govt. also proposes to **exempt** parts and components for **manufacture** of such devices, so as to encourage **domestic manufacturing** of these devices.
14. **Restrictions in political funding** - In accordance with the suggestion made by the **Election Commission**, the **maximum amount** of **cash donation** that a **political party** can receive will be **Rs. 2000** from **one person**. Political parties will be entitled to receive donations by **cheque** or **digital mode** from their donors. An amendment is being made on **RBI Act** to enable the issuance of **electoral bonds**. Under this scheme, a **donor** could purchase **bonds** from **authorized banks** against cheque and digital

BHARAT SCHOOL OF BANKING

Union Budget 2017-18

payments only. They shall be **redeemable** only in the **designated account** of a **registered political party**, within a prescribed time limit from issuance of the bond.

15. **Personal Income Tax** - Govt. proposes to reduce the existing rate of **taxation** for **individual assesses** between **income** of **Rs. 2.5 - 5 lakhs** to **5 %** from the present rate of **10 %**. In order not to have **duplication** of benefit, the existing benefit of **rebate (u/s 87 A of I-T Act)** available to the same group of beneficiaries is being **reduced** to **Rs. 2,500** (previously **Rs. 5,000**) available only to assesses upto **income** of **Rs. 3.5 lakh** (previously **Rs. 5 lakh**). The total amount of **tax foregone** on account of this measure is **Rs. 15,500 crores**.
16. **Surcharge of 10 % for rich** - In order to make good some of this **revenue loss** on account of the relief, govt. proposes to **levy a surcharge of 10 %** of **tax** payable on categories of **individuals** whose annual taxable income is between **Rs. 50 lakhs** and **Rs. 1 crores**. The existing **surcharge of 15 % of tax** on people earning **more than 1 crore** will continue. This is likely to give **additional revenue** of **Rs. 2,700 crore**.
17. **Simple Single Page ITR Form** - In order to expand **tax net**, govt. also plans a **simple, one-page form** to be filed as **Income Tax Return (ITR)** for the category of **individuals** having taxable income upto **Rs. 5 lakhs** other than business income.
18. **RAPID** - In the Annual Conclave of **Tax Officers** called '**Rajaswa Gyan Sangam**' held in June 2016, the **PM** had expressed his desire to bring **reforms** in **tax administration** in the form of an approach of **RAPID** which stands for - **Revenue, Accountability, Probity, Information** and **Digitization**.