

Union Budget 2019-20

Shekhar Shah

NCAER



The 13th 5-Institute Budget Seminar

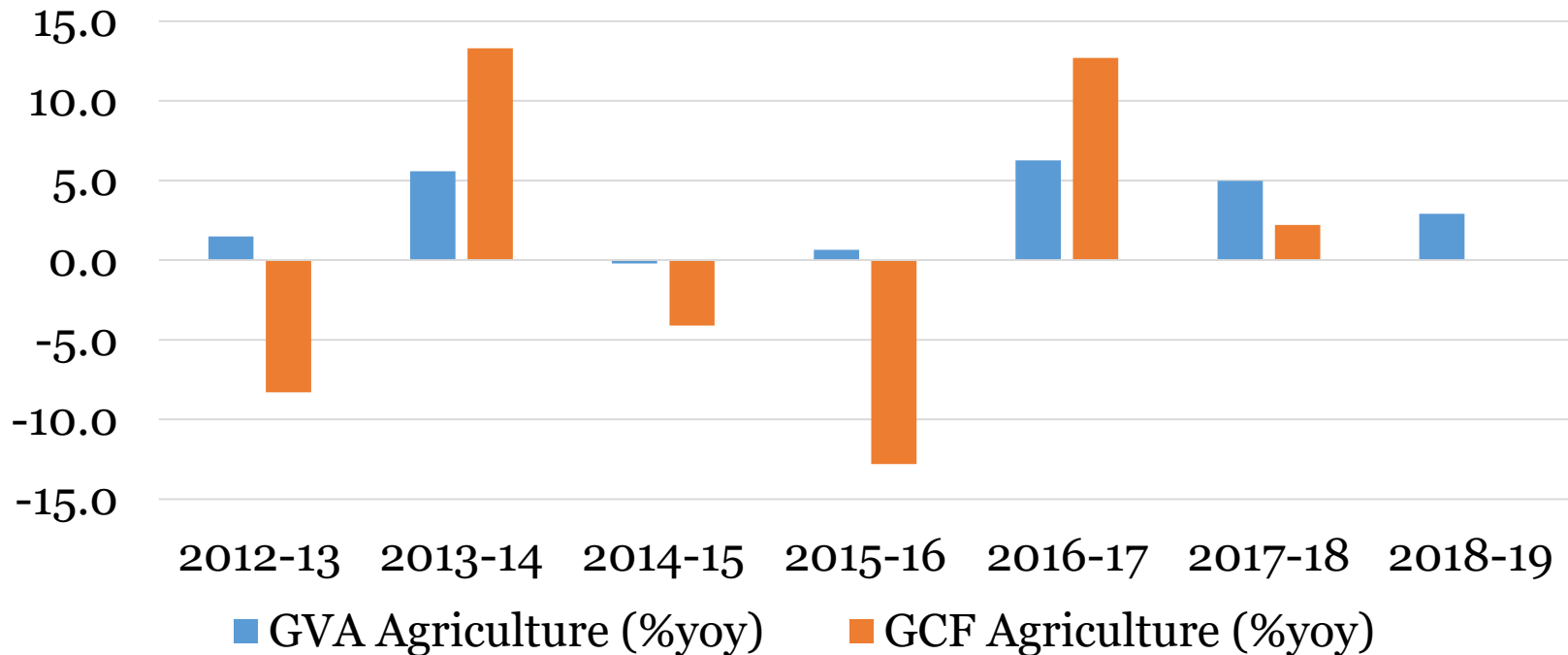
New Delhi, 22 July, 2019

Sectors covered

- *Grameen Bharat/Rural India*
 - Agriculture & Farm
 - Non-agricultural rural
- Industry: the \$5 trillion economy

GCF growth in agriculture since 2013 has been 0.5%, GVA growth 3.1%

GVA and Gross Capital Formation Agriculture
2012-13 to 2018-19 (% yoy)

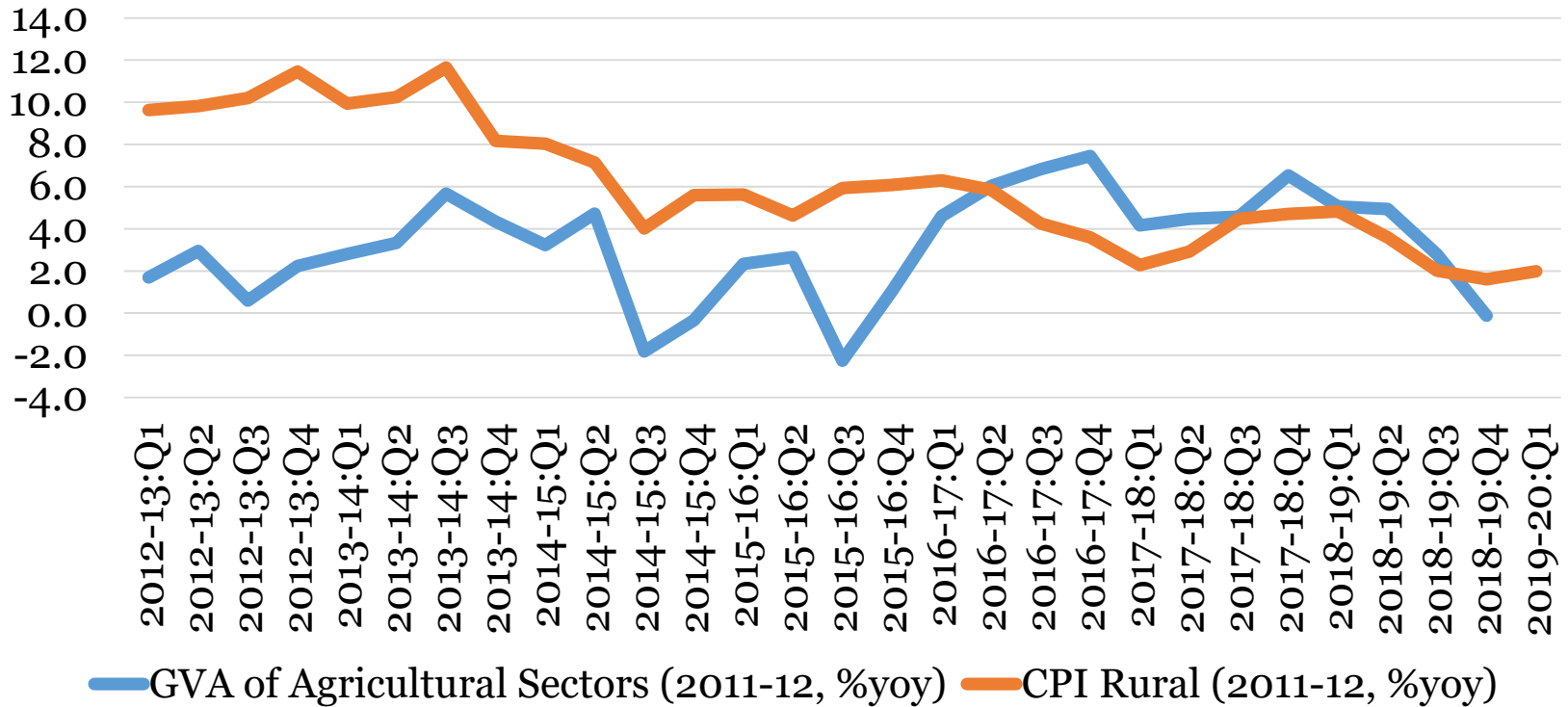


Note: Average growth rate over 2012-13 to 2017-18. 2016-17 are Second Revised Estimates.; 2017-18 are First Revised Estimates; 2018-19 are Provisional Estimates.

Source: CSO

Agricultural GVA growth and rural retail prices fell in 2018-19

GVA Agricultural Sector and CPI Rural
2012-13:Q1 to 2018-19:Q4 (% yoy)



Source: CSO

Agricultural productivity has remained low

	2007-08 (tonnes/hectare)	2017-18 (tonnes/hectare)	CAGR
Total foodgrains (kg/hectare)	1,860.0	2,235.0	1.86
Oilseeds (kg/hectare)	1,115.0	1,284.0	1.42
Horticultural crops (tonnes/hectare)	10.45	12.3	1.64

Source: https://eands.dacnet.nic.in/APY_96_To_06.htm, Ministry of Agriculture, Annual Report, 2017-18 and <https://www.ers.usda.gov/webdocs/publications/82639/ldpm-272-01.pdf?v=0>.

Budget Speech Announcements

Gaon, Garib, aur Kisan

- *Ujjwala Yojana* and *Saubhagya Yojana*: By 2022, every rural family wanting a connection will have electricity and a clean cooking facility
- Housing for All by 2022: *Pradhan Mantri Awas Yojana–Gramin* (PMAY-G)
- *Pradhan Mantri Matsya Sampada Yojana* (PMMSY) –Fisheries Department to establish fisheries management framework—including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control—to address critical gaps in value chain
- *Pradhan Mantri Gram Sadak Yojana* (PMGSY): All-weather connectivity has now been provided to over 97% of habitations. PMGSY-III to upgrade 125,000 km of road length over next 5 years
- *SFURTI* (Scheme of Fund for Upgradation and Regeneration of Traditional Industries) aims to set up more Common Facility Centres (CFCs) to boost cluster based development focused on honey, bamboo and khadi: 100 new clusters in 2019-20 to enabling 50,000 artisans to join value chain
- ASPIRE (Scheme for Promotion of Innovation, Rural Industry, and Entrepreneurship) will set up 20 technology and 80 livelihood business incubators to foster 75,000 skilled entrepreneurs in agro-rural industry in 2019-20

Budget Speech Announcements

Gaon, Garib aur Kisan

- Establish 10,000 new Farmer Producer Organizations over 5 years to garner economies of scale
- Union government to work with State governments to allow farmers to benefit from e-NAM
- Adopt “zero budget [natural] farming”: go back to basics ...”steps such as this can help in doubling farmers’ income” by 2022
- Work with States to ensure *Har Ghar Jal* (piped water supply) to all rural households by 2024 under the *Jal Jeevan Mission*. New Jal Shakti Mantralaya combing Water Resources, River Development & Drinking Water & Sanitation
- *Jal Shakti Abhiyan* to tackle 1592 overexploited blocks in 256 districts
- Under the *Pradhan Mantri Gramin Digital Saksharta Abhiyan*, over two crore rural Indians have so far been made digitally literate. Bharat-Net to connect local bodies in every Panchayat to the Internet

Rural & Agriculture: Budget 2019-20

	<i>2017-18</i> <i>(Actual, Rs crore)</i>	<i>2018-19</i> <i>(Revised, Rs crore)</i>	<i>2019-20</i> <i>(Budgeted, Rs crore)</i>
Department of Agriculture, Cooperation and Farmers' Welfare, MoAFW	37,396.72	67,800.00	1,30,485.21
Department of Rural Development MoRD	1,08,559.63	1,12,403.92	1,17,647.19
Ratio of MoAFW/MoRD	0.3	0.6	1.1
Fertiliser subsidy, MoCF	66,467.57	70,085.70	79,9960

Source: Union Budget 2019-20

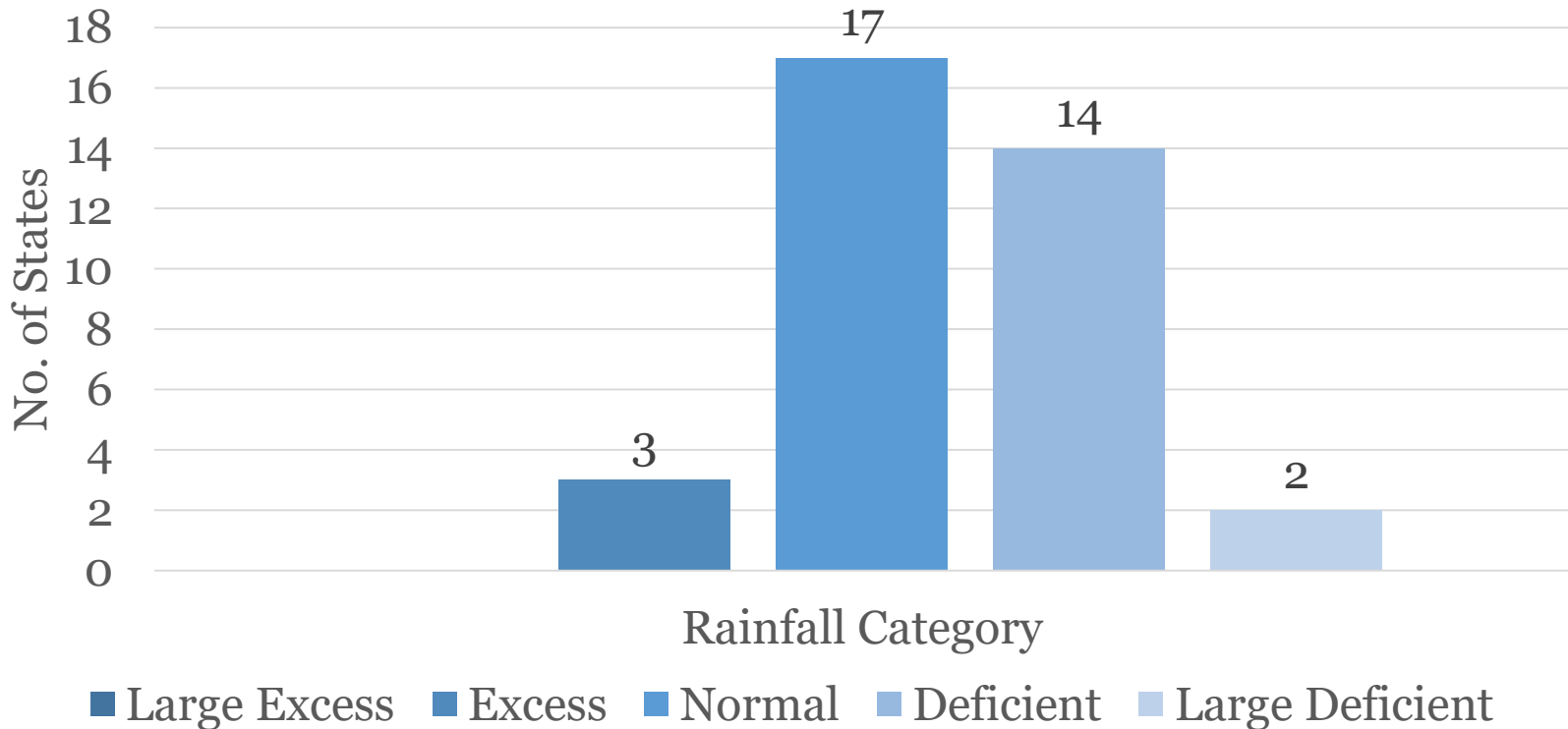
Rural & Agriculture Budget 2019-20 by schemes

	<i>2017-18 (Actual, Rs crore)</i>	<i>2018-19 (Revised, Rs crore)</i>	<i>2019-20 (Budgeted, Rs crore)</i>
Crop Insurance Scheme	9,419.2	12,975.7	14,000.0
Interest Subsidy for Short-term Credit to Farmers	13,045.7	14,987.0	18,000.0
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	N.A.	20,000.0	75,000.0
Pradhan Mantri Kisan Pension Yojana	N.A.	N.A.	900.0
Pradhan Mantri Krishi Sinchai Yojana (PMKSY)- Per Drop More Crop	2,819.25	2,954.69	3,500.0
Green Revolution	11,056.74	11,802.26	12560.55
MGNREGA	55,166.04	61,084.09	60,000
PMGSY	16,862.12	15,500	19,000
PMAY	22,572.99	19,900	19,000
National Rural Livelihood Mission	4,327.2	5,783.5	9,024

Southwest Monsoon 2019

Considerable state-wise variation

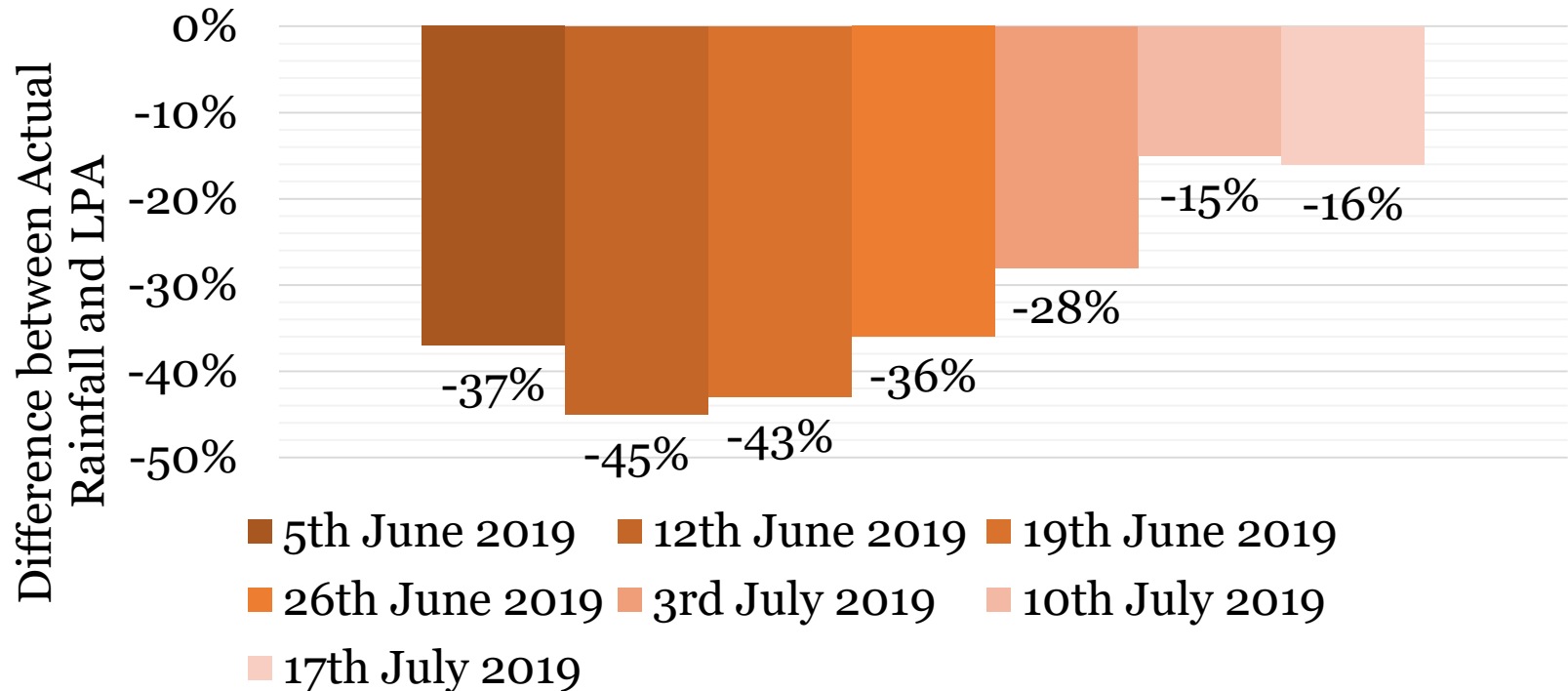
State-wise Rainfall Distribution
June 1, 2019 to 19th July, 2019



Southwest Monsoon 2019

Also considerable temporal variation

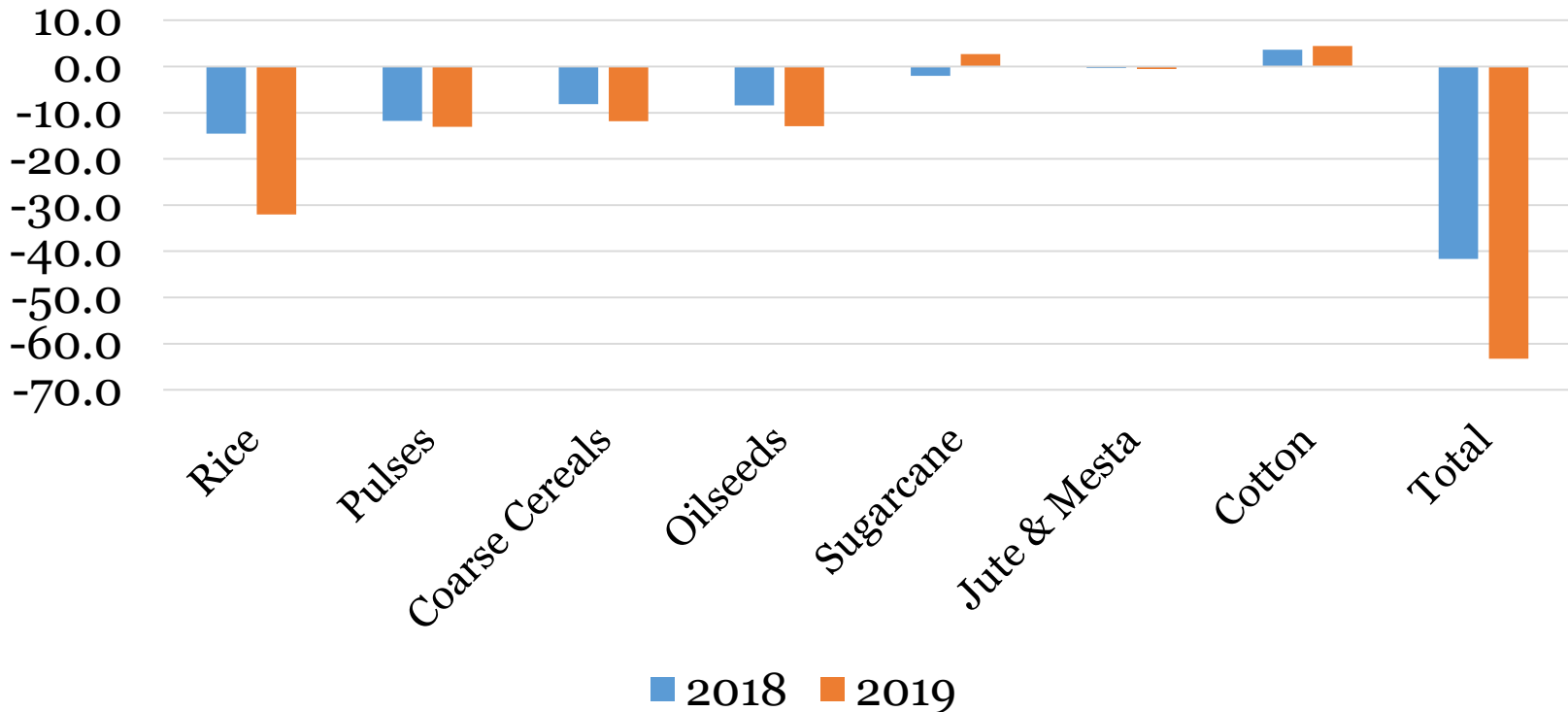
Distribution of Cumulative Rainfall on a Weekly Basis from June 1, 2019 to 19th July, 2019



Total live storage available in 91 reservoirs maintained by CWC as of 18th July, 2019, was 24% of total live storage capacity of these reservoirs, 76% of last year and 88% of last 10 years

Area sown under Kharif lower in 2019 vs 2018

Increase/Decrease over Normal of Corresponding Week, 2018 and 2019 (lakh hectare)

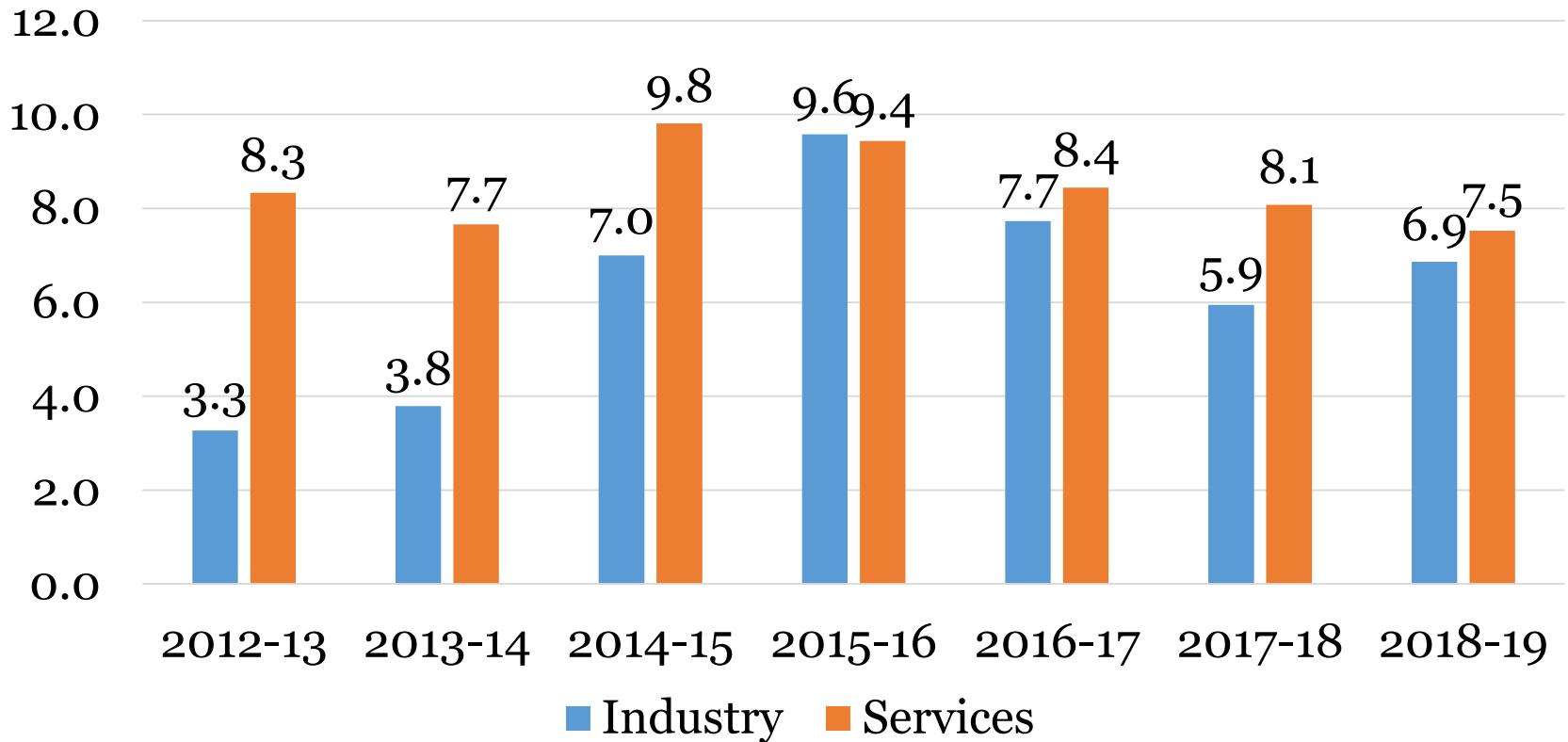


Key Questions

- *PM-Kisan* is an income support programme that started for landed farmers, and will now be extended to cover all farmers to give them Rs 6000/yr. Will this raise productivity and participation in value chains?
- Does the Budget tackle the problem of falling incomes, weather risks and weak sentiment?
- Is there a resolve, and are programmes being developed to work closely with the States to tackle structural issues in agriculture?
- What is the strategic vision? NITI Aayog is working on a new policy for agricultural growth
- Doubling Farmers' Income by 2022: what are follow-up actions?
- Climate change?

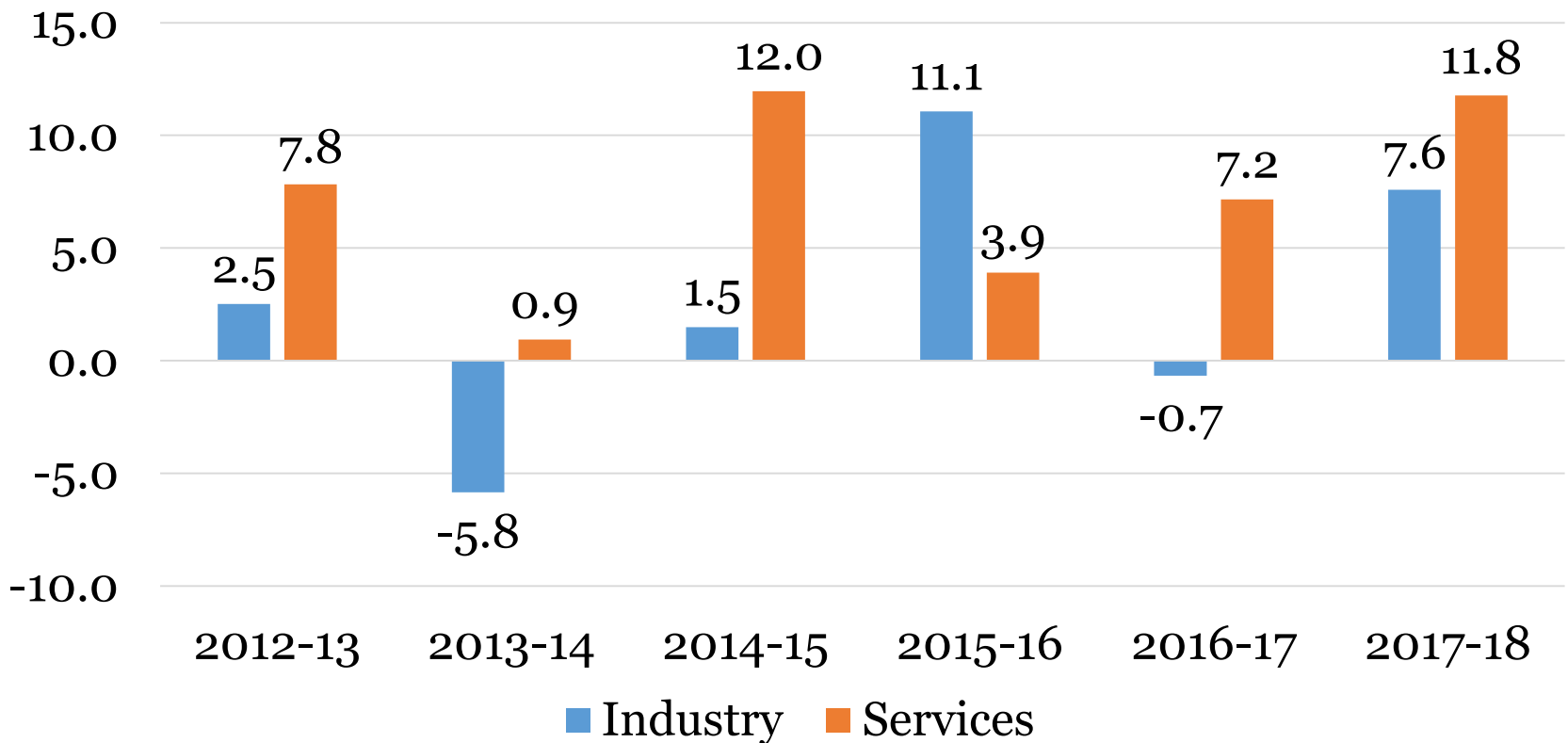
Services sector has slowed down since 2015-16 and industry growth volatile

GVA Industry and Services (%yoy), 2012-13 to 2018-19



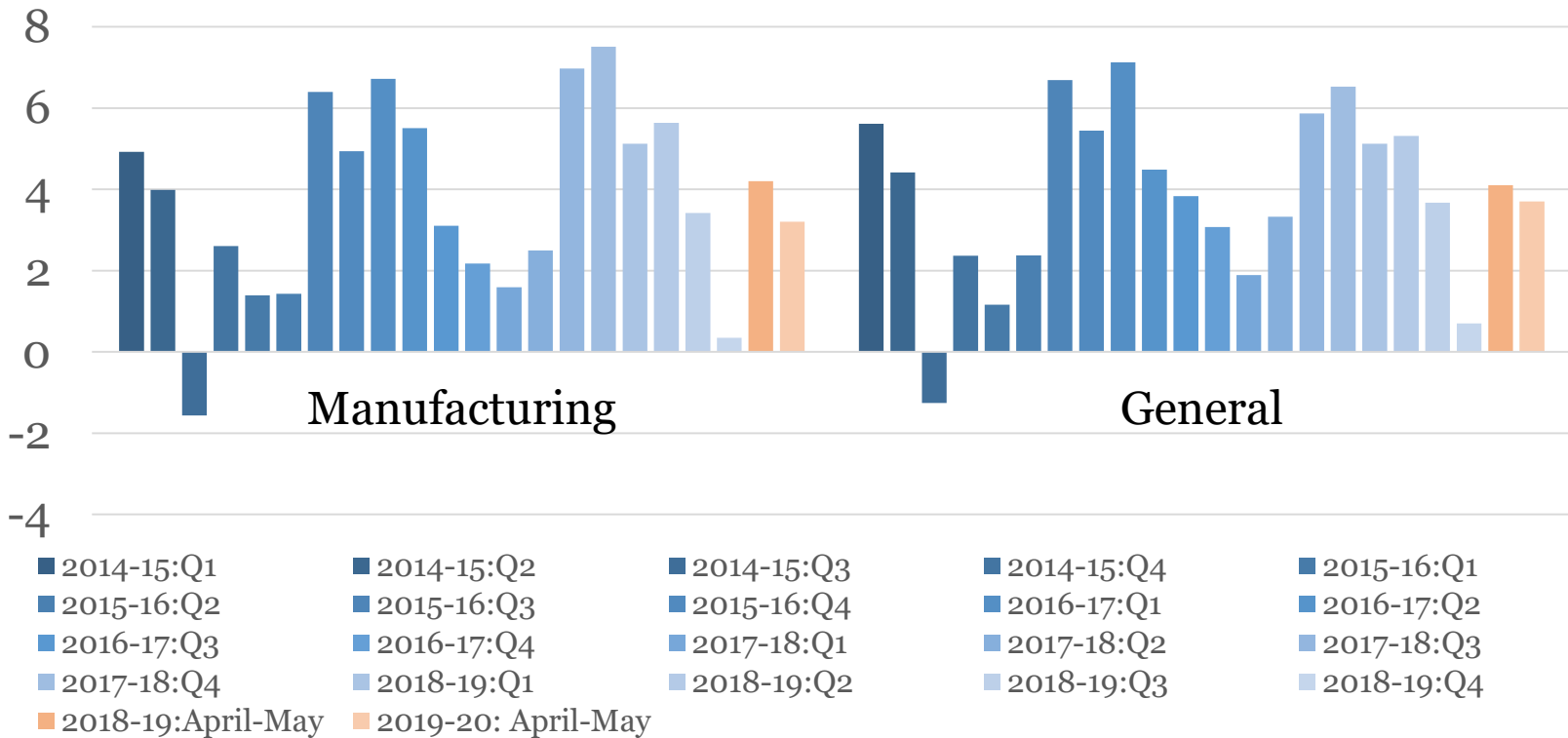
Average growth of GCF Industry was 2.7% and GCF Services 7.3% over 2012-13 to 2017-18

GCF Industry and Services (% yoy), 2012-13 to 2017-18



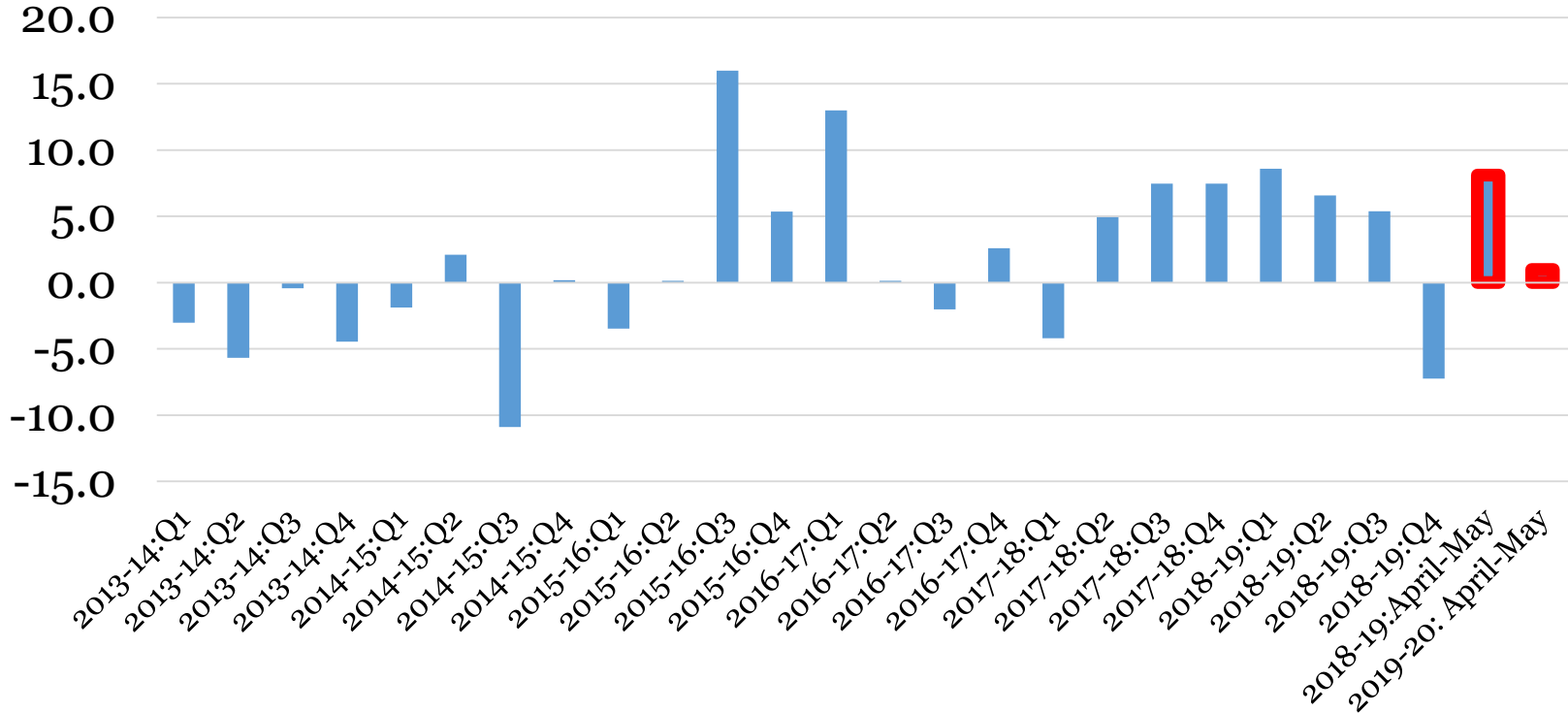
Slide in volume of industrial activity continues....

IIP Manufacturing and General (2014-15:Q1 to 2018-19:Q4 and 2018-19 and 2019-20:April-May, %yoy)



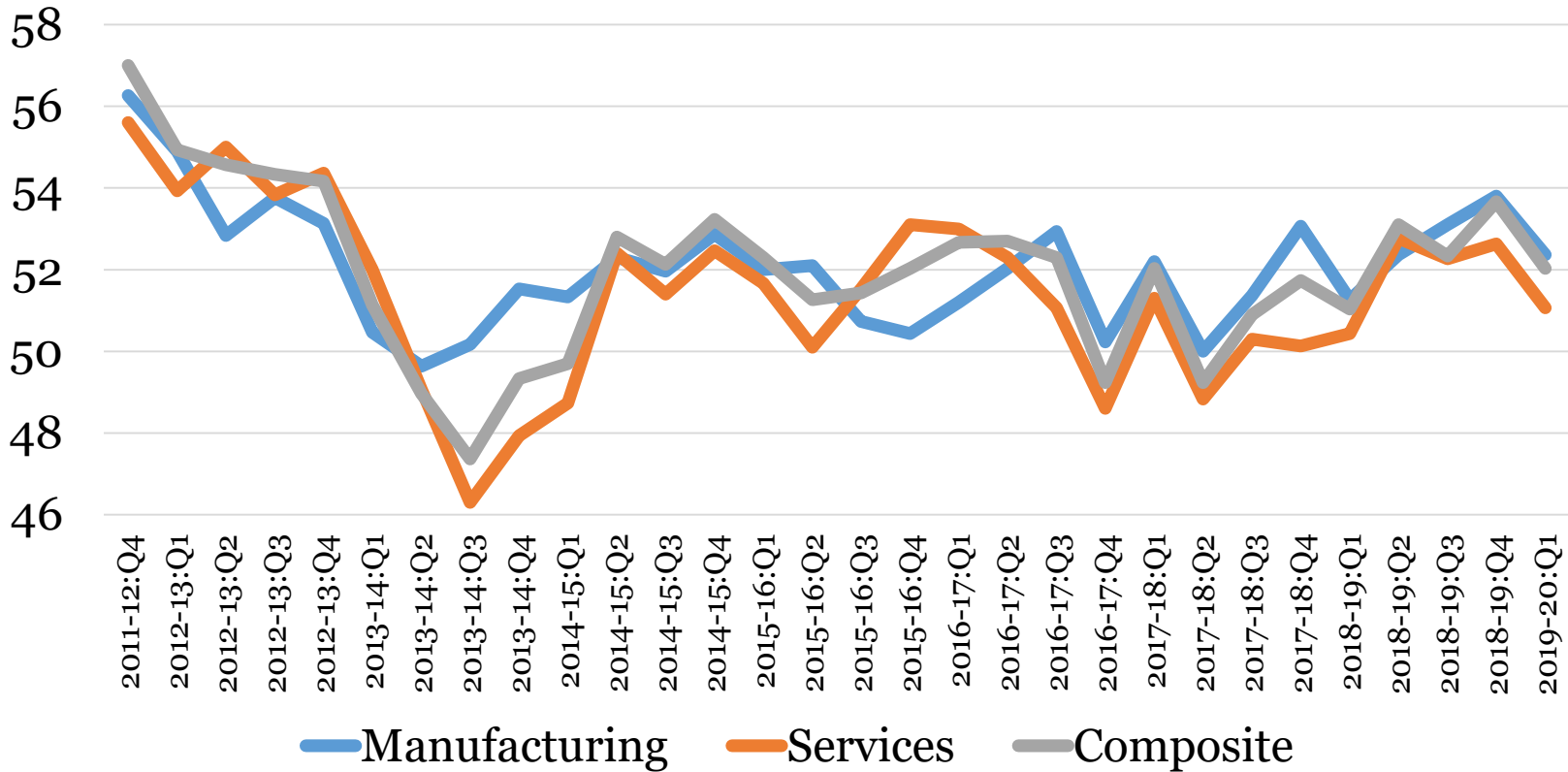
In 10 out of last 24 quarters, Capital Goods has shown negative yoy growth

Capital Goods (%yoy), 2013-14:Q1 to 2018-19:Q4 and 2018-19:April-May and 2019-20:April-May



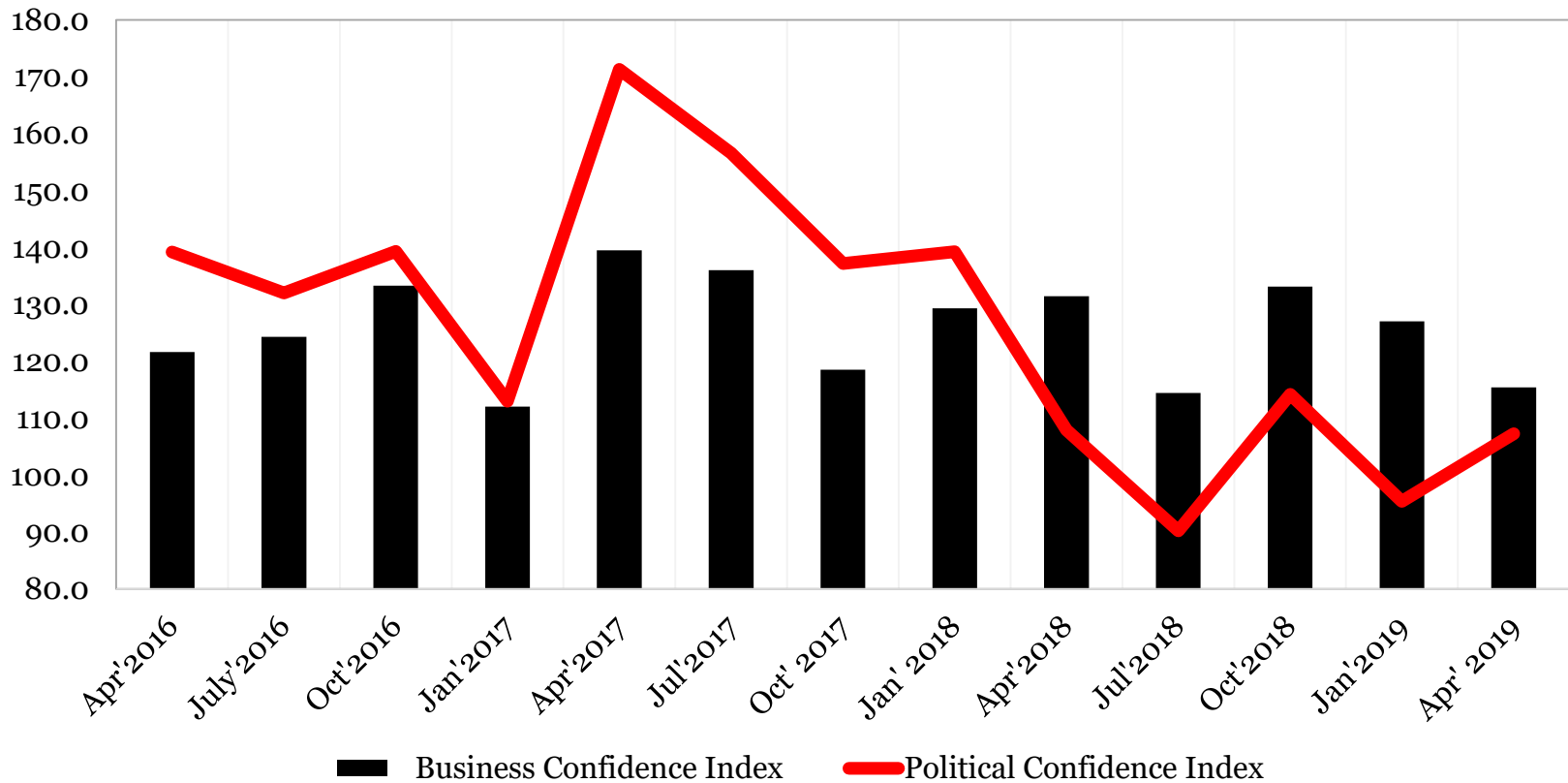
PMI for Manufacturing and Services have declined in 2019-20:Q1

PMI, 2011-12:Q4 to 2019-20:Q1



Business sentiment has remained muted

NCAER Business Confidence Index, April 2016 to April 2019



Budget Speech Announcements 2019

- India requires investments averaging 20 lakh crores every year (USD 300 billion a year) – many financial instruments announced to facilitate
- E-invoicing introduced to ease compliance of GST
- Corporate rate tax of 25 % will now extend to all companies with annual turnover up to Rs 400 crore (was Rs 200 crore), covering 99% of firms
- The Government is developing 17 iconic tourism sites into world class tourist destinations and to serve as model for other tourism sites
- *Pradhan Mantri Karam Yogi Maandhan Scheme*: Pension benefit to about three crore retail traders & small shopkeepers whose annual turnover is less than 1.5 crore.
- A Public Sector Enterprise, New Space India Limited has been incorporated as a new commercial arm of Department of Space to tap the benefits of the Research & Development carried out by ISRO

Entrepreneurship and start-ups

- Encouragement to start-ups to resolve angel tax issue
- A DD Television Channel exclusively devoted to Start-ups
- Expand the Women SHG interest subvention programme to all districts. Furthermore, for every verified women 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 1 lakh under the MUDRA Scheme
- Stand-up India Scheme continued

Mega Investment in Sunrise and Advanced Technology Areas

- Government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication, Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35 AD of the Income Tax Act, and other indirect tax benefits.
- Electric vehicles:
 - Government has moved GST Council to lower the GST rate on electric vehicles from 12% to 5%
 - Additional income tax deduction of 1.5 lakh on the interest paid on loans taken to purchase electric vehicles. This amounts to a benefit of around 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle

Customs Duty Announcements

- **Make in India:** Basic customs duty is being increased on items such as cashew kernels, PVC, Vinyl flooring, tiles, metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs, optical fibre cable, CCTV camera, IP camera, digital and network video recorders etc. Also, exemptions from custom duty on certain electronic items which are now being manufactured in India are being withdrawn. Further, end use based exemptions on palm stearin, fatty oils, and exemptions to various kinds of papers are also being withdrawn. To encourage domestic publishing and printing industry, 5 % custom duty is being imposed on imported books.
- Customs duty reductions are proposed on certain raw materials and capital goods
- Customs duty is being exempted on certain parts of electric vehicles
- Customs duty is also being exempted on capital goods required for manufacture of specified electronic goods
- Export duty is being rationalised on raw and semi-finished leather to provide relief to this sector

Questions

- Budget proposes “a number of initiatives as part of a framework for kick-starting the virtuous cycle of domestic and foreign investments”
- Does the Budget 2019-20 do the job?
- Does it spur an India that can compete?
- To do so is a huge and politically difficult agenda: new land laws, new labour laws, and a range of other shifts that make India more internationally competitive
- The *Economic Survey* focuses on export-led growth, but Budget talks about import-substitution and reducing import dependence, protecting the MSME sector, and curbing non-essential imports
- Is this a Budget that will draw global value chain industries to come to India as they exit China? Or will they continue their journey to Vietnam and Bangladesh?