

Budgeting System in Federal Government



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Impact of Budget 2020-21 in Reviving Indian Economic Growth

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Abstract

India is facing many challenges to hike economic growth, being a fast-moving economy during 2016-17 and 2017-18. The GDP growth of Indian economy has touched the six-year low in the first quarter of financial year 2020-21. This paper attempts to study the impact of budget 2020-21 in reviving Indian economic growth. The biggest focus of the government is to Push for India's participation in the Global value chain. Further, the government has announced an Investment Cell which will handhold investors for all clearances and the government has budgeted for an increase in capital spending by about 20 percentage over the last year. This study used secondary data from various published reports of Economic Survey of India, NITI Aayog, RBI Handbook of Statistics, World Bank, IMF and Experts opinions published in leading newspapers and journals.

Keywords: Revival of the economy, Investment Cell, Infrastructure pipeline, Public Private Partnership, Budget Proposals, PM-KUSUM.

Objectives: 1. To study the budget 2020-21 provisions for the boost of the economy. 2. To study the impact of budget 2020-21 in the reviving the economy. 3. To find out the future prospects and solution for India.

In the economy slowdown regime, the GDP growth rate of Indian economy touched 5.8 % in Jan 2020, which is the lowest growth rate since 2002. Factors bearing the burden of the economy slowdown are agriculture, automobile, real estate, consumer goods sector among others. The National Statistical Organization data confirms that weaker consumer demand and slowing private investment are the key factors behind this slowdown and eight core sectors have registered negative growth of just around 2 percentage. The some more causes of the problem as shared by some of the experts consists of demonetisation and stressed banking sector, GST implementation and problems in agriculture Sector. So, the measures and initiatives are necessary to revive the Indian economy as a government of India initiated some steps. In particular, the ease of doing business has received a great attention from this government.

Provisions of Budget 2020-21 and its impact:

The union budget is woven around some prominent themes that are i) Aspirational India in which all sections of the society seek better standards of living, with access to health, education

and better jobs. ii) Economic development for all, indicated in the Prime Minister's exhortation of "SabkaSaath, SabkaVikas, SabkaVishwas" and iii) Caring Society, where Antyodaya plays a vital role. This budget has been structured on the overall theme of 'Ease of Living.'

Agriculture:

To achieve the objectives, the budget emphasized that more than Rs. 2.83 lakh crore would be spent on agriculture, rural development, irrigation and allied activities, as farmers and rural poor continue to remain the key focus of the government. The proposed steps are by taking farmer friendly initiatives such as agriculture credit target of Rs. 15 lakh crore for 2020 - 21 and reiterating the commitment of doubling farmers' income by 2022, as minister said, for which government has already provided resilience for 6.11 crore farmers insured under PM Fasal Bima Yojana.

Moreover, comprehensive measures for one hundred water stressed districts, proposal to expand Pradhan Mantri Kisan Urja Suraksha evam Uttam Mahaabhiyan (PM-KUSUM) to provide 20 lakh farmers for setting up stand-alone solar pumps and for another 15 lakh farmers to solarise their grid-connected pump sets and setting up of efficient warehouses at the block or taluk level. In Horticulture sector with focus on "One Product One District" for better marketing and export are some of the steps in that direction. Similarly, on the Blue Economy, raising of fish production to 200 lakh tonnes is proposed by 2022-23.

Rural Development:

Deen Dayal Antyodaya Yojana- for alleviation of poverty, 50 lakh households are mobilized with 58 lakh Self Help Groups and it will be further expanded for the development of downtrodden. These steps would be useful in achieving healthy India. In the health sector, dwelling on the Wellness, water and sanitation theme, Rs. 69000 crore is been provided for health care including Rs. 6400 crores for more than 20000 empaneled hospitals for Prime Minister Jan Arogya Yojana (PMJAY-Ayushman Bharat) and expansion of Jan Aushadhi Kendra scheme to all the districts.

Industry and Commerce:

In Industry and Investment, the government of India proposed in its budget referring to the theme of economic development that the allocation of Rs. 27300 crore for development and promotion of industry and Commerce for the year 2021 and investment clearance Cell (ICC) will be set up to provide end-to-end facilitation. A new scheme NIRVIK is being launched to achieve higher export credit disbursement and to ease the lending process and to enhance loan availability for mainly small exporters. These measures would definitely help in increasing growth rate of industrial sector.

Infrastructure and Foreign sector:

It is proposed to provide Rs. 6000 crore to Bharat net program in 2020 - 21 for Fiber to Home connections through Bharat net which links 1 lakh Gram Panchayats this year. In order to provide significant relief to the individual taxpayers and to simplify the income tax law, the government of India has proposed to bring a new personal income tax Regime in which the income tax rates will be significantly reduced for the individual taxpayers.

The government has also proposed to grant 100% tax exemption to foreign investment on their interest dividend and capital gains in respect of the investment made in infrastructure and other notified sectors before 31st March 2024 with a minimum lock in period of three years. In order to give a boost to the start-ups the government has proposed to ease the burden of taxation on the employees by referring the tax payment for 5 years. In eligible start-up having turn over up to 25 crore is allowed deductions of hundred percentage on its profits for three consecutive years out of 7 years. All these measures taken by government of India in its budget 2020 -21 would also impact on the on the revival of Indian economy.

How to overcome:

Leading economists, market researchers and experts suggested the following measures to bring the economy on high growth rate track: i. Government needs to spend more to overcome the situation by spending more to spur investment and demand in the economy. ii. In monetary policy, relief to be announced to boost the economy. iii. Economists advocate to cut interest rates for banks, thereby making borrowing cheaper for the industry and spurring the investment. iv. After demonetization shock, in fact, there is an environment of uncertainty. This stops the private entrepreneurs short of announcing the new project. The government has to take measures to develop an environment of certainty. v. The government needs to spend more on rural areas. Increasing rural people's income can drive up the consumption demand, which in turn with boost the industry. According to Raghuram Rajan, former RBI governor, India needs a reenergized reform that focuses on liberalising capital, land and labour markets. Agriculture, power and construction sectors which are in trouble can become engines of growth with right attention by government. Accordingly, if the due corrective steps are taken, Indian economy could comeback on the tracks with a high growth achievement.

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