ICICI Bank Global Markets

India Budget FY22: A realistic, transparent, growth-enabling budget

- **The Union Budget for FY2022 accorded priority to uplifting growth via healthy dispensations to stressed sectors, and focus on creating infrastructure. The move to increased transparency in accounting was welcome, while realistic revenue targets were refreshing**

- **The bond markets have treated the budget with disappointment given the much larger than expected 1) Government borrowing numbers – FY22 general government borrowing could be close to INR 23 tn, similar to numbers expected in FY21 2) Less aggressive debt consolidation path 3) Higher redemption pressures in the upcoming years leading to continuing pressure on gross supply 4) Absence of any announcement to absorb the large supply through inclusion in global bond indices**

- **Given the contours of the budget with its focus on growth, encouraging and sustained momentum being seen in high-frequency indicators, successful vaccine dissemination so far and a falling trajectory of inflation, the MPC could indicate that its work in bolstering growth through further policy rate cuts could be reaching an end, with the burden now being taken upon by fiscal policy. However, the messaging is expected to be very cautious addressed to placate markets, assuring them that the RBI would take all steps to keep the cost of borrowing low. Policy normalisation would continue in the interim with the expected CRR reversal by March-end. The possibility of reverse repo hikes in two tranches and a shift in stance to neutral in August/October policy also cannot be ruled out. On Repo rates, we expect the MPC to remain on hold for the rest of CY21.**

RE – Revised Estimate & BE – Budget Estimate, unless otherwise specified

The Union Budget for FY2022 was unveiled yesterday. Expectations surrounding this Budget ran higher than usual, given the unprecedented pandemic stress which the economy and people have been through over 2020. The Budget largely addressed most stress areas of the economy, with dispensations for MSMEs, agriculture, tax rationalization and simplification, as well as infrastructure creation of all kinds, with innovative funding avenues.

The Budget pegged the fiscal deficit to GDP ratio at a higher-than-expected 6.8% for FY2022, with modest receipts growth and increased transparency on accounting leading to a high absolute number for the fiscal deficit. Nonetheless, this would be a substantial consolidation from the fiscal deficit to GDP ratio of 9.5% expected to be realized in FY2021 RE, which has come about from the bold change in accounting norms for expenditure in a bid for transparency. The Finance Minister stated the recalibrated fiscal consolidation path, with fiscal deficit expected to dip below 4.5% of GDP by FY2026.

Even though the absolute fiscal deficit numbers are high, it is welcome that more transparency has been brought about to budget accounting. The fiscal consolidation path has also been set out more realistically, with no sudden and unrealistic rectitude factored in. These will probably be taken positively by rating agencies, in the context that these developments follow a year where all economies have been ravaged to different extents by a once-in-a-lifetime pandemic.

Importantly, the thrust on capital expenditure, which has been a constant focal point for this Government, does not seem to have abated, and the share of Centre and states will be enhanced in infrastructure projects. This is welcome, given the large multiplier effect of the same. The plan to launch development finance institutions (DFIs) has been a long-standing ask, and we welcome the same. Although the outlay of INR 200 bn is modest, DFIs can raise money from Sovereign Wealth Funds and other long-term institutional investors, and create a corpus for funding long gestation projects, without the entire onus being borne by the Government.

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In the aftermath of the pandemic, the most looked-for allocation was for the health sector, and here the Government has stepped up. The PM AtmaNirbhar Swasth Bharat Yojana has been launched with an outlay of INR 642 billion to develop capacities of the healthcare system. Finance Commission grants for the health sector are also proposed to the tune of INR 130 billion to states and UTs. Allocation has also been increased for the National Health Mission.

Other important positive developments include a voluntary vehicle scrappage policy, a monetization pipeline for potential brownfield projects to raise funds for infrastructure, more beneficiaries under the Ujjwala scheme, a rise in the FDI limit in insurance to 74% from 49%, establishment of an ARC and AMC to consolidate and takeover stressed debt, improvement in the debt resolution structure for MSMEs, agriculture infrastructure fund being made available to APMCs, among others.

Revenues realistically budgeted for FY2022, assuming growth and recovery post pandemic

Revenue receipts have been budgeted ~15% higher in FY2022 as compared to the FY2021 RE, which looks convincing, and is slightly more subdued than our expectations.

Direct taxes have been budgeted at INR 11.1 tn for FY2022, as compared to INR 9.1 tn in FY2021 RE (22% YoY), which looks realistic. The welcome process of tax rationalization continues this year as well, along with easier dispute resolution, simpler tax filing, along with exemption from filing for certain categories of people given stress in income ***(details in Annexure)***. All these measures, in conjunction with an obvious improvement in collections given a growth revival, will improve buoyancy for taxation.

Direct tax collections slipped by a considerable INR 4.1 tn in FY2021 RE as compared to what was budgeted, just as we had expected, owing to a sharp shortfall in corporate taxes, and a smaller one in income taxes, amid all the slowdown brought about by the pandemic.

Indirect taxes have been budgeted with a more modest growth of 11% YoY for FY2022 as compared to FY2021 RE. Customs and GST collections are expected be buoyant, with a rise of ~21-22% in FY2022, as global and domestic economic tractions cause activity to ramp up. Customs hikes on items like finished synthetic gems, cotton, steel screws, some automobile parts and mobile phone parts have been instituted, which will aid this head, in addition to a resumption in imports due to growth recovery. GST has already started recovering this year itself, and the month of December 2020 has seen the highest-ever GST collections. Thus, the budgeting for this head looks conservative, and could be overachieved. However, excise collections are expected to be ~INR 260 bn lower than that seen in FY2021 RE. While prices of petroleum products will be higher on an annual basis, and more economic activity will bolster this head, BED/SAED on petrol and diesel will be adjusted.

The Centre expectedly slipped on customs and GST collections in FY2021 RE as compared to BE, while high duties enabled overachievement on excise revenues.

While **gross tax buoyancy** was budgeted at 1.14 for FY2021, the same has been budgeted robustly at 1.16 for FY2022, which looks realistic and achievable in a year of recovery.

Non tax revenues have been budgeted modestly at INR 2.4 tn in FY2022, which is significantly lower than our estimate. The modest assumption of ~INR 540 bn for telecommunication receipts indicates that the Government does not expect 5G spectrum auctions to be held in FY2022. The spectrum auctions have been delayed earlier as well due to factors like spectrum availability, unavailability of use cases, lack of clarity regarding whether certain providers would be allowed to deploy 5G networks in India, etc.

For FY2021, the head of non-tax revenues will see a significant shortfall of INR 1.7 tn, as the Government's aim to hold 5G auctions was derailed by the COVID pandemic. Some of the shortfall will probably be made up by the dividends and profits head, given strained capex undertaken by most PSUs. While the Government had asked companies to complete at least 75% of intended capex for FY2021 by the end of the December quarter, this has been a far cry for many PSUs, making a case for higher dividend payout. News sources report that oil & gas PSUs are being looked at for higher interim dividend or special dividend. Accordingly, shortfall on the dividend head is ~INR 590 bn.

Disinvestment receipts have been budgeted at INR 1.75 tn for FY2022, which we feel may be overachieved. Of this, INR 1 tn will come from selling Government stake in public sector banks and financial institutions, and INR 750 bn will come as CPSE disinvestment receipts. Much of the solid disinvestment lineup for FY2021 has been shifted to FY2022. Disinvestment of Bharat Petroleum, Air India, Container Corporation India, Bharat Earth Movers Ltd, Shipping Corporation of India, etc., which were started late in 2020, giving some late momentum to a very slow disinvestment process, will now be completed in FY2022. NITI Aayog will make a list of companies for strategic sales. New proposals for disinvestment include two PSU banks and one general insurance company. We had stated in our Budget preview report that land assets of PSUs could also be considered for sale. The Budget has proposed to set up a SPV for land monetization. A revised mechanism will be brought in for timely closure of sick PSUs. These are all very positive steps to expedite a cumbersome privatization process, and prevent the Government from carrying the burden of sick enterprises indefinitely. Unveiling the new disinvestment policy, the FM enumerated the strategic sectors, including atomic energy, defence, transport, telecommunication, petroleum, coal & other minerals, BIFS, power and space, where the Government will retain operations.

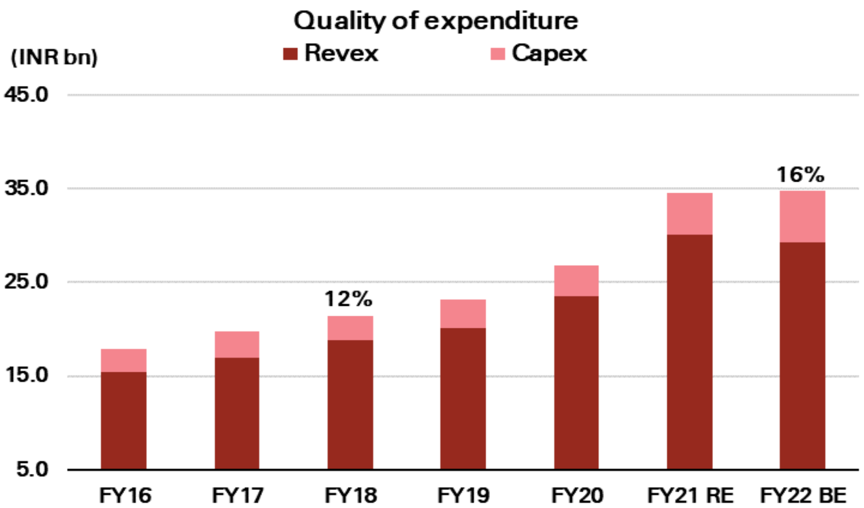
Unsurprisingly, the disinvestment receipts for FY2021 RE clocked only INR 0.3 tn as compared to the robust INR 2.1 tn budgeted, given the slow progress, lack of desirable bidders and sub-optimal realization based on market capitalizations.

Expenditure composition favouring capital spending

The Union Budget has allocated 1% higher expenditure for FY2022 as compared to FY2021 RE, with total expenditure pegged at INR 34.8 tn, as against our expectation of INR 34 tn. The modest rise is because the expenditure for FY2021 RE is pegged at a substantially high INR 34.5 tn, as compared to a budgeted INR 30.4 tn. FY2022 is expected to see the Government's committed expenditure, namely revenue expenditure, fall by 2.7% from the FY2021 RE level, as subsidy expenditure is budgeted to see a major downturn, with all three major subsidies (food, fuel and fertilizer) expected to see a lower outgo on an annual basis. Interest payments are expected to see a sharp rise, while defence will see a more muted rise.

The discontinuation of NSSF loan to FCI for food subsidy is a welcome move in a bid to improve transparency. This is in continuation of steps taken in the last Budget, where extra budgetary borrowings were provided as a separate document with clear allocation of loans from NSSF fund. This move has commensurately led to increased allocation of food subsidy and features as within the budgetary allocations, inflating this number. Allocation for the vaccination drive in FY2022 is INR 350 bn, with a promise of increased provision if required, which seems sufficient as of now.

Focus on capex has been validated, with an outlay of INR 5.5 tn for FY2022, which is as per our expectations. An extra INR 2 tn will be provided to states and autonomous bodies for capex. The plan to launch development finance institutions (DFIs) has been a long-standing ask, and we welcome the same. Although the outlay of INR 200 bn is modest, DFIs can raise money from Sovereign Wealth Funds and other long-term institutional investors, and create a corpus for funding long gestation projects, without the entire onus being the Government's. The DFIs will aim to create a loan corpus of INR 5 tn over the next three years. The Budget said debt financing of REITs and InvITs will be enabled by making suitable amendments in order to attract more investment in the real estate as well as infrastructure sectors. In order to provide ease of compliance, the FM proposed to make dividend payment to REIT and InvIT exempt from tax deducted at source (TDS). Also, for FPIs, it has been proposed to enable deduction of tax on dividend income at lower treaty rate. All this will help generate funds for a creation of infrastructure.



Source: Union Budget documents, ICICI Bank Research; Figures above bars refer to capex as % of total expenditure

The National Infrastructure Pipeline (NIP) has been widened from 6,835 to 7,400 projects. News reports had stated that the Government is said to have identified 50 projects from the NIP, which will get capex funding with an explicit intention of employment generation. These projects include airports, highways, ports, expressways, metro railways, etc. Accordingly, the Budget has mentioned plans for completion or creation under PPP of highways, roads, freight corridors, ports, electrification of broad rail, etc.

For FY2021, total spending is INR 4.1 tn higher than the budgeted level. Of this, INR 3.8 tn is accounted for by revenue spending, due to change in food subsidy calculations. While fertilizer subsidy will be almost double of the budgeted level for FY2021 (higher requirements for urea subsidy and nutrient based fertilizer subsidy), the fuel subsidy will be in line with the budgeted numbers. Other areas of rise in expenditure include increase allocation for MGNREGA (INR 500 bn) and releases through 'Direct Benefit Transfer' under PMJDY to women account holders (INR 285 bn). The Government plans to incur the higher capital expenditure for FY2021 RE, although only INR 3.1 tn has been spent till December 2020, and the RE of INR 4.4 tn looks ambitious. Of this, capex for Railways (provision of special loan for COVID related resource gap to Railways) is expected to be INR 384 bn higher.

Schemes/sectors for which outlays have been enhanced in FY2022 as compared to FY2021 RE are Jal Jeevan Mission (INR 390 bn), Metro projects (INR 125 bn), NHAI (INR 83 bn), Road Works (INR 79 bn), National Education Mission (INR 61 bn), all of which bode well from a growth and development generation perspective. This involves a mix of revenue and capital spending, with more emphasis on the latter. However, allocation for some schemes have been substantially curtailed for FY2022, including MGNREGA (INR 385 bn; largely as COVID related needs will be over in FY2022), National Social Assistance Programme, Price Stabilisation Fund. Some regrouping of schemes has also been done.

Given the receipt and expenditure trends, gross fiscal deficit for FY2022 has been budgeted at INR 15.07 tn. The Government has budgeted nominal GDP growth at 14.4% as compared to our expectation of 14%, which would imply a nominal GDP of INR 222.9 tn. Thus, the fiscal deficit to GDP ratio has been pegged at 6.8%. In contrast to our expectations, the Centre did not opt to quote a fiscal deficit target range instead of a single estimate.

For FY2021 RE, gross fiscal deficit is expected at INR 18.49 tn, or 9.5% of GDP. This number is substantially higher than our and most market estimates for the ongoing fiscal, and reflects the sharply higher expenditure of the Government in FY2021, as well as the above-mentioned accounting changes.

Borrowing pressure to remain unabated over the next few fiscals; welcome move to improve transparency

Gross borrowing on dated securities was increased by INR 800 bn for FY2021 (RE), leading to an overall number of INR 12.8 tn. Fiscal deficit saw a much sharper than expected increase to 9.5% of GDP which brings the fiscal deficit number to INR 18.5 tn. This quantum of increase will be financed by a much higher allocation of small savings of INR 4.8 tn vs. budgeted INR 2.4 tn, higher borrowings both on dated and short-term securities (increase of ~INR 1.8 tn than expectations) and higher reliance on external assistance. The market had taken the INR 12 tn gross borrowing number as given and thus this increase of INR 800 bn has come as a surprise. These numbers would take the General Government Gross Borrowing to ~INR 23 tn (including the borrowing done by the Centre in lieu of GST compensation cess) or 11.6% of GDP.

For FY2022 gross market borrowing has been budgeted at INR 12.1 tn, with net market borrowing of INR 9.25 tn. This number is once again higher than ours and market expectations of close to INR 10.5 tn of gross borrowings, and comes on the back of higher than expected fiscal deficit number of 6.8% of GDP.

The funding of the deficit is being primarily financed by dated securities (61% of deficit), followed by a continued high reliance on NSSF of INR 3.9 tn (26% of deficit) and cash drawdown of ~4.7% of the deficit. The high reliance on NSSF is possible given a) the high accretion in small savings which is expected to continue, given the unchanged interest rates in small savings and lack of competing products, given the low interest rate environment b) discontinuation of NSSF loan to FCI for food subsidy.

The latter is a welcome move in a bid to improve transparency and is in continuation of steps taken in the last budget, where extra budgetary borrowings were provided as a separate document with clear allocation of loans from NSSF. This move has commensurately led to increased allocation of food subsidy and features as within the budgetary allocations. Moreover, extra budgetary borrowings have been discontinued vs. INR 315 bn in FY21 (RE), with all expenditure numbers showing within the budget. Total loans from NSSF have reduced to INR 300 bn vs. INR 946 bn in FY21 (RE), taking the total extra budgetary resources to INR 300 bn for FY22 (BE) vs. INR 1.26 tn in FY21 (RE). **This is a big step in our view and would improve the credibility of the government and could be a point noteworthy for rating agencies.**

For States the Finance Minister has put a cap of net borrowing of 4% of GDP with allowance of an additional 0.5% for FY22. A net borrowing number ceiling of 4% of GDP translates to INR 8.9 tn of net borrowing and gross number of INR 10.98 tn. Given these numbers the Gross General Government debt could be close to INR 23 tn or 10.3% of GDP for FY22.

Overall these numbers show that the debt burden of the Government would remain elevated. This in conjunction with a less aggressive (though probably more realistic) fiscal consolidation path of reaching 4.5% of GDP by FY26. Moreover, the glide path of states is targeted to reach fiscal deficit of 3% by FY24 as per the recommendations of the 15th Finance Commission. In addition to the fiscal consolidation glide path, redemption pressures for both state and central government securities will remain high, thus leading to elevated borrowing pressure over the next few fiscals. While the supply of Government paper will remain high, the Union Budget refrained from announcing any demand inducing measures through possible inclusion in global bond indices.

Amongst the positives for the bond market:

1) Establishing of a permanent institutional framework that will buy investment grade debt securities both in periods of stress and in normal times could be a big positive for the bond markets as it would ensure provisioning of liquidity and stability to the corporate bond markets especially during periods of stress
2) Issuance of tax efficient Zero Coupon Bonds by notified infrastructure debt funds – would lead to further resource mobilization and encourage more retail participation along with higher interest from long term investors such as insurance companies

Overall the bond markets have treated the budget with disappointment given the much larger than expected 1) Government borrowing numbers – FY22 general government borrowing could be close to INR 23 tn, similar to numbers expected in FY21 2) Less aggressive debt consolidation path which targets central government fiscal deficit of 4.5% of GDP by FY2026 3) Higher redemption pressures in the upcoming years leading to continuing pressure on gross supply 4) Absence of any announcement to absorb the large supply through inclusion in global bond indices

With the Budget out of the way, the next watched out event for bond markets would be the MPC on 5th February. In our view, the MPC would take note of the growth stimulative budget with its focus on infrastructure spending. It would also take note of the quality of spend, tilted towards capital expenditure, which would be assessed as non-inflationary. Given the contours of the budget with its focus on growth, encouraging and sustained momentum being seen in high-frequency indicators, successful vaccine dissemination so far and a falling trajectory of inflation (FY22 E to average lower than 5.0% YoY vs. FY21 E of 6.2% YoY), the MPC could indicate that its work in bolstering growth through further policy rate cuts could be reaching an end, with the burden now being taken upon by fiscal policy.

However, the messaging is expected to be very cautious, so as not to add any further pressure to bond yields. In fact, it would possibly try to placate markets assuring them that the RBI would take all steps, including use of OMOs/OTs and ensuring ample system liquidity, to keep the cost of borrowing low. Policy normalisation would continue in the interim with the expected CRR reversal by March-end. The possibility of reverse repo hikes in two tranches and a shift in stance to neutral in August – October policy also cannot be ruled out. On Repo rates, we expect the MPC to remain on hold for the rest of CY21.

Fiscal arithmetic

	FY2020 Actuals (INR tn)	FY2021 BE (INR tn)	FY2021 RE (INR tn)	FY2022 BE (INR tn)	Surplus/ Shortfall in FY21 (INR tn)	FY22 BE Growth (% YoY)
	A	B	C	D	(C-B)	(D/C)
Revenue receipts	16.8	20.2	15.6	17.9	-4.7	*15.0*
Gross tax revenue	20.1	24.2	19.0	22.2	-5.2	*16.7*
Direct taxes	10.5	13.2	9.1	11.1	-4.1	*22.4*
Corporate tax	*5.6*	*6.8*	*4.5*	*5.5*	-2.4	*22.6*
Income tax	*4.9*	*6.4*	*4.6*	*5.6*	-1.8	*22.2*
Indirect taxes	9.6	11.0	9.9	11.0	-1.1	*11.4*
Customs	*1.1*	*1.4*	*1.1*	*1.4*	-0.3	*21.4*
Excise	*2.4*	*2.7*	*3.6*	*3.4*	0.9	*-7.2*
GST	*6.0*	*6.9*	*5.2*	*6.3*	-1.8	*22.3*
Transfer to states	6.5	7.8	5.6	6.7	-2.3	*20.9*
Net tax revenue	13.6	16.4	13.4	15.5	-2.9	*14.9*
Non-tax revenue	3.3	3.9	2.1	2.4	-1.7	*15.4*
Non-debt capital	0.7	2.2	0.5	1.9	-1.8	*304.3*
Disinvestment	*0.5*	*2.1*	*0.3*	*1.8*	-1.8	*446.9*
Total receipts	17.5	22.5	16.0	19.8	-6.4	*23.4*
Revenue expenditure	23.5	26.3	30.1	29.3	3.8	*-2.7*
Capital expenditure	3.4	4.1	4.4	5.5	0.3	*26.2*
Total expenditure	26.9	30.4	34.5	34.8	4.1	*1.0*
Gross fiscal deficit	9.3	7.96	18.49	15.07		
GDP	203.4	224.8	194.8	222.9		*14.4*
GFD % of GDP	4.6	3.5	9.5	6.8		

Central Government Borrowing Numbers

(INR bn)	FY2021 BE	FY2021 RE	FY2022 BE
Fiscal Deficit (% of GDP)	3.5%	9.5%	6.8%
Fiscal Deficit (INR Tn)	7,963	18,487	15,068
Net Market Borrowing	5,149	10,528	9,247
Redemptions	2,351	2,272	2,808
Buybacks	300		
Gross Market Borrowing	7,800	12,800	12,055

Financing the Fiscal Deficit

(INR bn)	FY2021 BE	FY2021 RE	FY2022 BE
Fiscal Deficit	7,963	18,487	15,068
Net Market Loans	5,149	10,528	9,247
POLIF	(40)	(40)	(70)
Short term borrowings	250	2,250	500
External Assistance (Net)	46	545	15
Securities issued against Small Savings	2,400	4,806	3,919
State Provident Fund (Net)	180	180	200
Other Receipts (Net)	508	391	543
Cash Drawdown	(530)	(174)	714

Source: Union Budget documents, ICICI Bank Research

Outlay on Major Schemes

(INR bn)	FY2021	FY2022	Absolute change
Jal Jeevan Mission	110	500	*390*
Metro Projects	65	190	*125*
National Highways Authority of India	491	574	*83*
Road Works	524	602	*79*
National Education Mission	282	343	*61*
National Livelihood Mission - Ajeevika	100	145	*45*
AMRUT and Smart Cities Mission	98.5	137.5	*39*
PM Krishi Sinchai Yojana	80	116	*36*
National Health Mission	356	371	*16*
Swachh Bharat Mission	10	23	*13*
Pradhan Mantri Gram Sadak Yojna	137	150	*13*
Crop Insurance	153	160	*7*

Source: Union Budget documents, ICICI Bank Research

(INR bn)	Extra Budgetary & other Resources		
Name of Ministry	FY 21 BE	FY2021 RE	FY2022 BE
Part A. Issue of fully serviced government bonds	495	315	-
Ministry of Housing and Urban Affairs	100	-	-
Department of Drinking Water & Sanitation	120	-	-
Ministry of Power	55	50	-
Department of Rural Development	100	200	-
Others#	120	65	-
Part B. Total loans from NSSF	1,366	946	300
Food Corporation of India	1,366	846	-
Ministry of Housing and Urban Affairs	-	100	-
Department of Fertilizers	-	-	-
Support to other public agencies	-	-	300
Total loans (A + B)	1,861	1,261	300

Source: Union Budget documents, ICICI Bank Research

ANNEXURE: Major schemes announced in the Budget

Direct Tax

- Exemption from tax return filings for senior citizens above 75 years with only pension, interest income
- Reduction in time-limit for re-opening of assessment to 3 years
- Constitution of Faceless Dispute Resolution Committee to reduce litigation for tax payers with a taxable income up to INR 5 mn, and disputed income of INR 1 mn
- Establishment of a National Faceless Income Tax Appellate Tribunal Centre for transparent redressal mechanism
- Proposal to notify rules for removing double taxation for NRIs and rationalization of taxation for ULIPs
- Exemption from audit to be increased to a turnover of INR 50 mn from INR 10 mn for those who carry out 95% of the transactions digitally
- Exemption for dividend payment to REIT/InvIT from TDS, and provision for advance tax liability on dividend income to arise only after declaration/payment on same
- Deduction of tax on dividend income for FPIs be at treaty rates
- Relaxation of rules for FIs in infrastructure sector and funding of the sector by issue of tax efficient Zero Coupon bonds via notified Infrastructure Debt Funds
- Tax exemption on interest earned to be limited to an annual contribution of INR 0.25 mn
- Extension of tax holiday for developers of affordable housing and startups by another year
- Additional tax incentives to IFSC including tax holidays and exemptions
- Further automation of IT returns by pre-filling capital gains, dividend income etc. for ease of filing of return
- Exemption from compliance for small charitable trusts running educational institutions and hospitals increased to INR 50 mn from INR 10 mn
- Levy of 0.1% TDS on purchase transactions increasing INR 5 mn a year, for those individuals whose turnover exceeds INR 100 mn

Indirect Tax

- Rationalising of customs duty/exemptions for creating a fair field for farmers, MSMEs and domestic manufacturers and promote value addition in electronics sector
- Reduction in customs duty for raw materials used by domestic manufacturers for reducing cost of input
- Reduction in customs duty for Gold and Silver, BCD to be reduced from 12.5% to 7.5%
- Proposal for implementation of AIDC (Agriculture Infrastructure and Development Cess), while being mindful of not adding to the burden on customer by adjusting BCD/BED/SAED, on certain products including petrol and diesel

Health and Wellbeing

Allocation increased substantially to ~INR 2.2 trillion, an increase of 137%, with focus on three key areas: Preventive, Curative, and Wellbeing

- PM Atmanirbhar Swasth Bharat Yojana was launched with an outlay of about ~INR 642 billion over 6 years to develop capacities of health care system
- The Supplementary Nutrition Programme and the Poshan Abhiyan merged to launch the Mission Poshan 2.0
- Jal Jeevan Mission (Urban) and liquid waste management to be launched in 500 AMRUT cities
- Proposal for the Urban Swachh Bharat Mission 2.0 with a financial outlay of ~INR 1.4 trillion over a period of 5 years
- Proposed outlay of INR 22.2 billion for 42 urban centres to tackle air pollution
- A voluntary vehicle scrapping policy introduced
- Provision of INR 350 billion for Covid-19 vaccine

Physical and Financial Capital and Infrastructure

- Seven Mega Investment Textiles Parks (MITRA) to be established over three years
- The National Infrastructure Pipeline (NIP) to be extended to 7400 projects
    - *Infrastructure financing - Development Financial Institution (DFI)*: a sum of INR 200 billion provided to set up DFI
    - *Asset Monetisation*: A "National Monetization Pipeline" of potential brownfield infrastructure assets will be launched.
- 8500 KM length of roads further awarded under Bharatmala Pariyojana project.

- **Railway Infrastructure:**
    - Railways being allocated a record sum of INR 1.10 trillion
    - National Rail Plan for India-2030 aimed to create a 'future ready' Railway system by 2030.
    - The Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022.

- **Urban Infrastructure:** A new Scheme with an outlay of INR 180 billon is proposed for public transport and expansion of metro rail network.
- **Power Infrastructure:** A revamped reforms-based result-linked power distribution sector scheme will be launched with a budgetary allocation of INR ~3 trillion.
- **Petroleum & Natural Gas:** Ujjwala Scheme will be extended to cover 1 crore more beneficiaries.
- **Other measures:**
    - Permissible FDI limit in Insurance Companies increased from 49% to 74%
    - An Asset Reconstruction Company Limited and Asset Management Company would be set up
    - INR 200 billion is proposed for recapitalization of PSBs in 2021-22
    - New definition of small companies is proposed to give a push to start-up culture

Inclusive Development for Aspirational India

Agriculture

- The increase in MSP regime (up to 1.5 times the cost of production) and an increased procurement resulted in substantial rise in payment to farmers
- "SWAMITVA Scheme" launched earlier in the year, proposed to be extended to cover all states/UTs
- Increase in the agricultural credit target to INR 16.5 tn in FY22; increased allocation to the Rural Infrastructure Development Fund to INR 400 bn (vs. INR 300 bn earlier)
- Addition of INR 50 bn to the Micro Irrigation Fund created initially with a corpus of INR 50 bn under NABARD
- Scope of 'Operation Green Scheme', presently applicable to tomatoes, onions, and potatoes, extended to include 22 perishable products
- 1,000 more mandis will be integrated with e-NAM; Agriculture Infrastructure Fund to be made available to APMCs

Fisheries

- Substantial investments proposed in the development of modern fishing harbours and fish landing centres
- 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat –to be developed as hubs of economic activity
- Inland fishing harbours and fish-landing centres to be developed, a multipurpose seaweed park proposed to be established in Tamil Nadu

Migrant Workers and Labourers

- One Nation One Ration Card plan under implementation by 32 states and UTs, to cover remaining 4 states and UTs in next few months
- Proposal for launch of a portal to collect relevant information on gig, building, and construction-workers
- Extension of social security benefits to gig and platform workers, minimum wages and employees state insurance to all categories of workers; women will be allowed to work in all categories, also in the night-shifts with adequate protection and easing of compliance burden on employers

Financial Inclusion

- To further facilitate credit flow under the scheme of Stand Up India for SCs, STs, and women, it has been proposed to reduce the margin money requirement from 25% to 15%, and to also include loans for activities allied to agriculture
- INR 157 bn has been provided to support the MSME sector, more than double of FY20 BE

Reinvigorating Human Capital

School Education

- More than 15,000 schools to be qualitatively strengthened to include all components of the National Education Policy (NEP)
- 100 new Sainik Schools to be set up in partnership with NGOs/ private schools/states

Higher Education

- Legislation to implement the setting-up of Higher Education Commission of India, as discussed in Budget 2019-20, to be introduced this year
- In nine cities having various, formal umbrella structures to be created so that research institutions, universities, and colleges supported by the government can have better synergy, while also retaining their internal autonomy
- A Central University proposed to be set up in Leh for accessible higher education in Ladakh. The other important projects to be taken up as part of NEP.

Scheduled Castes and Scheduled Tribes Welfare

- It has been proposed to increase the unit cost of each Eklavya model residential schools (targeted at 750) from INR 200 mn to INR 380 mn, and for hilly and difficult areas, to INR 480 mn for our tribal students
- Revamping of the Post Matric Scholarship Scheme with enhanced allotment of INR 0.35 tn for 6 years till 2025-2026, to benefit 4 crores SC students.

Skilling

- Realignment of the existing scheme of National Apprenticeship Training Scheme (NATS) (~ INR 30 bn to be provided for the same).
- Focus on taking more initiatives on transfer of vocational skills, technique and knowledge like: Collaborative Training Inter Training Programme (TITP) between India and Japan and an initiative, which is underway, in partnership with the United Arab Emirates (UAE).

Innovation and R&D

- Outlay of INR 0.5 tn over 5 years to National Research Foundation
- INR 150 bn earmarked for a proposed scheme to give a further boost to digital transactions
- A new initiative – National Language Translation Mission (NTLM) to be undertaken
- The New Space India Limited (NSIL), to execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites
- Four Indian astronauts being trained on Generic Space Flight aspects, as part of the Gaganyaan mission activities; first unmanned launch slated for December 2021
- Deep Ocean Mission to be launched with an outlay of more than INR 40 bn over five years

Minimum Government, Maximum Governance

- National Nursing and Midwifery Commission Bill to be introduced
- Constituting a Conciliation Mechanism for resolution of contractual disputes for deals involving government or CPSEs
- Allocation of INR 37.68 bn for the execution of the first digital census in India
- Grant of INR 3 bn for the diamond jubilee year celebrations of Goa's liberation from Portuguese rule
- Proposed special scheme for a quantum of INR 10 bn for the welfare of Tea workers in Assam and West Bengal

Source: Union Budget 2021-2022 documents

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