

## UNION BUDGET–2014-15

Dear Students,

I am very thankful and grateful for your valuable feedback on Rail Budget & Union Budget 2013-14. It is very clearly evident that UPSC has given more importance to socio-politico-economic section in the revised new mains syllabus. Based on the analysis of revised new syllabus along with your valuable feedback/suggestions I have put maximum effort in the preparation of this Union Budget 2014-15 notes. This excerpt is based on overall analysis of current budget and revisions from past budget notes.

It contains topics on Introduction to the Budget, basic definitions involved in Budget for better understanding, various steps involved; from Budget preparation to President's assent, Budget at a glance, different constitutional provisions related to the Budget, Finance and Money Bills, cut motions, Parliament's control over the Budget, valuable basic TRIVIA, Different countries' comparison, Sector wise Budget allocation with valuable extra inputs, different social welfare programmes etc.

I hope you won't be required to search any other resources for understanding the Budget as the compiled document will act as a '**one-stop-solution**' with information related to the Union Budget 2014-15.

Your valuable suggestions are always welcome for the enrichment of further notes preparation. Please write your feedback to [mukku\\_ravi@yahoo.co.in](mailto:mukku_ravi@yahoo.co.in), [mukkuravi25@gmail.com](mailto:mukkuravi25@gmail.com)

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**UNION BUDGET 2014 – 15**

Presented by **Arun Jaitley** Minister of Finance **July 10, 2014**

**INTRODUCTION**

The '**Annual Financial Statement**', laid before both the Houses of Parliament constitutes the Budget of the Union Government. President is responsible for having the Budget presented to the Lok Sabha (**Article 112**). But, according to **Article 77 (3)**, the Finance Minister has been made responsible by the president of India to prepare the Annual Financial Statement and pilot it through the parliament. This statement takes into account a period of one financial year. The financial year commences on the **1st April each year**. The statement embodies the estimated receipts and expenditure of the government of India for the financial year. Budget is an important tool of legislative control over the executive. It is also an instrument of economic and social policies in line with the five year plan.

There is no single Budget for the entire country as the states have their own Budgets. Even the Budget of Govt. of India is divided into the Railway and the General Budget.

**RAILWAY BUDGET**

The Budget of the Indian Railways is presented separately to Parliament and deal with separately, although the receipts and expenditure of the railways form part of the **Consolidated Fund of India (CFI Article 266A)** and the figures relating to them are included in the Annual financial statement. This was separated from general budget in 1921 on the

Recommendations of the **ACWORTH** committee because of

- To Introduce Flexibility in railway finance
- To facilitate a business approach to the railway policy
- To secure stability of the general revenues by providing an assured annual contribution from railways revenues.
- To enable the railways to keep their profits for their own development after paying a fixed annual contribution to the general revenues.

Budget is a socio economic statement which includes the new schemes introduced with allotted money. It contains

- Estimates of revenues and capital receipts
- Ways and means to raise the revenues
- Estimates of expenditure
- Details of actual receipts and expenditure of the closing financial year and reasons for any deficit or surplus in that year.
- Economic and financial policy of the coming year i.e. taxation proposals, prospects of revenues, spending projects and programmes, introduction of new social welfare and other schemes, projects etc.

**Stages of Budget in the parliament:**

In Parliament, the budget goes through five stages.

1. Presentation of Budget with Finance Minister Speech
2. General discussion, after which there is adjournment of the houses so that the standing committees can scrutinize the Demand of Grant for a month.
3. Voting on Demand for Grants in Lok Sabha.
4. Passing of Appropriation Bills.
5. Passing of Finance Bill.

The powers of Parliament in respect of enactment of Budget are enshrined in the constitution under **article 112 to 117**. As per these no demand for a grant or proposal for expenditure can be made except on the recommendation of the President. Parliament cannot increase tax though it can either reduce or abolish it. Charged expenditure is not to be subjected to Parliament's voting. Powers of Rajya Sabha is quite restricted in financial matters.

Along with the Annual Financial Statement the Finance Minister submits the following 5 documents to the Parliament.

1. Key to the Budget document (various definitions and the constitutional provisions)
2. Budget at a glance (receipts and expenditure shown with various deficits and breakups)
3. Receipt Budget
4. Expenditure Budget
5. Memorandum explaining the process in the Financial Bill (impact of tax proposals and government finance)

There is a proposal that the government take a look at the recommendation of 'Administrative Reforms Commission' of 1967 which suggested changing of the financial year from April 1st to 31st March to October 1st to 30th September. Reason is that the government can have a more realistic estimate based on the impact of monsoon. Moreover, the financial year for the business class starts from the time of Diwali.

**Presentation:**

In India, the Budget is presented to Parliament on such date as is fixed by the President. The Budget speech of the Finance Minister is in two parts.

**Part A:** deals with general economic condition of the country.

**Part B:** relates to taxation proposal.

The general Budget usually presented on the **last working day of February** i.e. about a month before the commencement of the financial year except in the year when general elections to Lok Sabha are held. In an election year the Budget may be presented twice-first to secure vote on account for a four months conventionally and later in full.

The election year Budget is called **Interim Budget**. It is presented only if the elections are held in the first half of the calendar year. Since the incumbent government does not have the moral propriety to present a full Budget, it presents

Interim Budget which is nothing but the vote on account with the difference that period for which money sanctioned by the Parliament in the **Interim Budget is 4 months** while normally the **vote on account sanctions the amount for 2 months**.

The general Budget is presented in Lok Sabha by the Finance Minister. He makes a speech introducing the Budget and it is only in the concluding part of his speech that the taxation proposals are made. The Annual Financial Statement is laid on the table of Rajya Sabha at the conclusion of the speech of the Finance Minister in Lok Sabha.

The Finance Bill which deals with the taxation proposals made by govt. is introduced immediately after the presentation of Budget. It is accompanied by a memorandum explaining the provisions of the Bill and their effect on the finances of the country.

**Vote on account:**

The general discussion on the Budget begins a few days after its presentation. Since Parliament will pass the Budget only by mid-May, there is a need to sanction an amount to the government to maintain itself after the new year sets in. A special provision is therefore, made for **"Vote on Account"** by which government obtains the vote of parliament for a sum sufficient incur expenditure on various items for a part of the year (**Art 116**). It is generally two months' worth of expenditure. But during election year, the vote on account may be for a period exceeding two months- normally four months.

**Discussion:**

The budget is discussed in two Stages in Lok Sabha. First, there is the general discussion on the Budget as a whole. This lasts for about 4 to 5 days only the broad outlines of the Budget and the principles and policies underlying it are discussed at this stage.

**Consideration of the Demands by Standing Committees (SC) of Parliament:**

After the first stage of general discussion on both Railway as well as general Budget is over, the house is adjourned for a fixed period-usually a month. During this period, the Demands for Grants of various ministries/departments including railways are considered by concerned Standing Committees. These committees submit reports to the House. The reports of SC are of persuasive nature. The report shall not suggest anything of the nature of cut motions. There are 24 such SC Since 2004.

After the report of the SC are presented to the House, the house proceeds to the discussion and voting on **Demands for Grants**, ministry wise. The time for discussion and voting of **Demands for Grants** is allocated by speaker in consultation with the leader of the House. On the last day allotted period, the speaker puts all the outstanding demands to the vote of the House. This device is popularly known as **Guillotine**. **Guillotine** in other words, is **passing the Demands for Grants without discussion. It is done for want of time.**

Lok Sabha has power of assent to or refuse to give assent to any Demand or even to reduce the amount of grant sought Demand by govt. **Introduction and voting on Demands is confined only to Lok Sabha.** In **Rajya Sabha there is only a general discussion on the Budget. It does not vote on the Demands for Grants.**

**Expenditure is of two types:**

**1. Charged expenditure:** It includes the emoluments of the President, salaries and allowances of the vice president, speaker, deputy speaker, judges of SC, pensions of HC Judges (salaries were given by Respective states govt.) CAG, UPSC, FC and certain other items specified in the constitution of India. Discussion in parliament on charged expenditure is permissible but such expenditure is not voted.

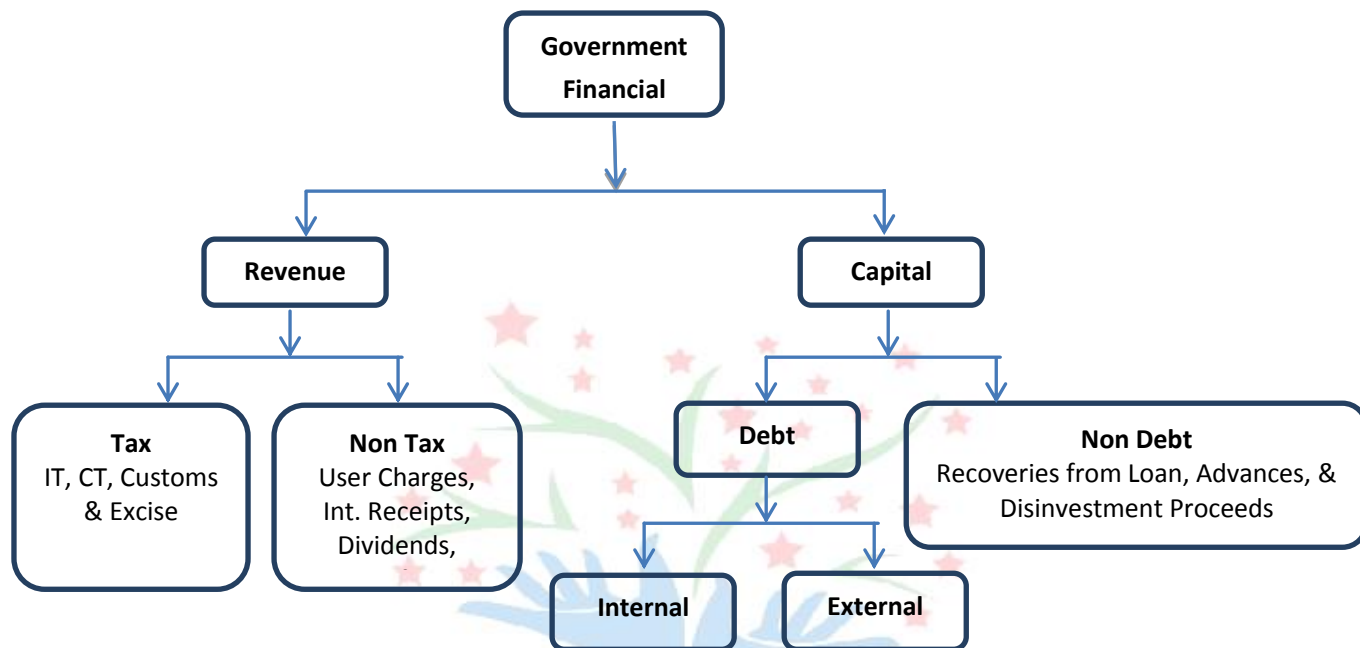
**2. Non - charged expenditure:** It is the votable expenditure. Only so much of the amount is subject to the vote of Lok Sabha as is not a charged expenditure on the CFI The votable part is the Demands for Grants which are CFI. Subjected to cut motions.

(Please refer about cut motion after Budget notes)

**FEW TECHNICAL TERMS AND DEFINITIONS FOR BETTER UNDER STANDING OF THE BUDGET**

**FISCAL POLICY (FP):** That part of government policy which is concerned with raising revenues through taxation and with deciding on the amounts and purposes of govt. spending (or) govt. policy for dealing with the Budget-especially with taxation and borrowing. (or) FP is the means by which a government adjusts its levels of revenue and spending in order to monitor and influence a nation economy.

The breakup of the government finances (how govt. is going to get or collect the money)



**1. Revenue receipts:** these are the recurrent receipts. Revenue account includes the following:

- (a) **TAX SOURCES:** e.g.: income tax, corporate tax excise duty, custom duty etc.
- (b) **NON TAX SOURCES:** e.g.: user changes interest receipts, dividends, profits etc.

Revenue account expenditure is essentially the **non-plan expenditure** that does not create assets (**Non Asset creative expenditure**) that is - **interest payments, subsidies and public administration**. It is synonymous with **maintenance and consumption expenditure** also called **welfare expenditure**.

**2. Capital receipts:** these are of two types.

- (a) **DEBT SOURCES:** e.g.: borrowings from the inside and outside the country, other receipts.
- (b) **NON DEBT SOURCES:** e.g.: recoveries of loans and advances made by union govt. to states, UTs and PSUs. Disinvestment proceeds etc.

Capital account expenditure is loans made to states, UTs and PSUs expenditure for asset creation in infrastructure and social areas. **Asset creative expenditure**

**REVENUE DEFICIT (RD):** It is the difference between the Revenue receipts on tax and non-tax sources and the Revenue expenditure.

$$RD = \text{Revenue receipts (Tax \& non Tax)} - \text{Revenue expenditure (Consumption non development)}$$

**FISCAL DEFICIT (FD):** It is the difference between what the govt. earns and its total expenditure, that is, the difference between what is received by the govt. on revenue account and all the non-debt creating capital receipts like recovered loans and disinvestment proceeds and the total expenditure. It amounts to all borrowings of the govt. in a given period.

**FD = total expenditure of the govt. in a budget - (revenue receipts + non-debt capital receipts).**

Net central fiscal deficit is calculated by deducting from the gross FD the assistance (loans and grants) that the states are given.



**BUDGET DEFICIT (BD):** it is the difference between the total Budget receipts and the total Budget expenditure. It is abolished in 1997.

FD mirrors health of govt. finances most accurately unlike the Budget Deficit (BD) concept. BD does not cover all borrowings but only that portion of the borrowings for which government relies on printing money by the RBI.

**CURRENT ACCOUNT DEFICIT (CAD):** means that there is more out flow of capital from the economy than inflow, which is not desirable.

**A country's BoP Statement is dividend under two major heads-the current account and capital account.** In any economy, foreign exchange movements take place through **two routes**. **Investments come into India such as FDI,FII, portfolio investment in India's stock markets, overseas borrowing by Indian companies from foreign banks come through the capital account because these funds are used over the period of time.** On the other hand, there are expenses and income that are "current" in nature. These include **export earnings, import payments, earnings from intangible services exports (such as tourism), a credit of income such as when an individual receives funds from a foreign entity and current transfers as foreign aid and donations.** The difference between these exports cost and import cost is CAD.

**The current account is calculated by the formula  $(X-M)+NY+NCT$ -which the net export earnings over import payments, Net foreign income(NY)and Net Current Transfers(NCT)**

**PRIMARY DEFICIT (PD):** it is the difference between the FD and the interest payments. The concept helps in assessing the progress of the govt. in its fiscal control efforts.

**MONETISED DEFICIT (MD):** it is the borrowings made from the RBI through printing fresh currency. It is resorted to when the govt. cannot borrow from the market (banks and financial instituting like LIC etc) any longer due to pressure on interest rates. It means infusion of fresh currency into the market. It corresponds to the Budget deficit that is discarded as a concept since 1997.

**DEFICIT FINANCING:** is the phase used to describe **the financing of gap between govt. receipts and expenditure.** **Such gap is called budgetary deficit.** It is financed by printing fresh money by the RBI. The Gap can be deliberate as the govt. wants to spend on welfare and infrastructure for which it has no money and so borrows from the RBI, or due to bad finances of the govt. **The money printed by RBI is called high powered money or reserve money or monetary base.**

**TWIN DEFICITS: Budget Deficit (Fiscal Deficit) and CAD-the two fuelling each other are known as twin deficits.** An economy is deemed to have a double deficit if it has a CAD and FD. The two are closely linked. Persistent double deficits will lead to currency devaluation /depreciation that can be destabilizing as a huge FD can weaken confidence in the economy and currency and foreign investors can leave the country and there may be flight of capital. USA is prime e.g. where the govt. borrowings are significantly sourced from abroad.

**PLAN EXPENDITURE:** refers to govt. expenditure, which is meant for financing the social welfare schemes/programmes formulated under the present, previous and newly proposed.

**NON-PLAN EXPENDITURE:** it covers interest payments, pensions, law and order, security, defense expenditure, subsidies, administration etc.

**BUDGET AT A GLANCE**

	RUPEES COMES (PAISA)	RUPEES GOES (PAISA)
	INCOME TAX	TAX RATE
<b>Below 60yrs</b>	0-2.5 lakh 2,50,001-5,00,000 5,00,001-10,00,000 Above 10 lakh Above 1 crore	0% 10% 20% 30% 30+3%.10% surcharge
<b>60-80yr</b>	0-3 lakh 3,00,001-5,00,000 5,00,001-10,00,000 Above 10 lakh Above 1 crore	0% 10% 20% 30% 30+3%.10% surcharge
<b>Above 80yr (Super Senior citizens)</b>	0-5 lakh 5,00,001-10,00,000 Above 10 lakh Above 1 crore	0% 20% 30% 30+3%. 10% surcharge

### STATE OF THE ECONOMY (FEW IMP POINTS FROM SPEECH)

The people of India have decisively voted for a change. Those living below the poverty line are anxious to free themselves from the curse of poverty. Those who have got an opportunity to emerge from the difficult challenges have become aspirational. They now want to be a part of the **neo middle class**. Their next generation has the hunger to use the opportunity that society provides for them. Slow decision making has resulted in a loss of opportunity. **Two years of sub 5% growth in the Indian economy has resulted in a challenging situation.** We look forward to lower levels of inflation as compared to the days of double digit rates of food inflation in the last two years. **The country is in no mood to suffer unemployment, inadequate basic amenities, lack of infrastructure and apathetic governance.**

There are green shoots of recovery being seen in the global economy. As per **IMF, the world economy is projected to grow at 3.6 per cent in 2014 vis-à-vis 3.0 per cent in 2013**, with the Euro area expected to register a positive growth after the contraction witnessed in 2012 and 2013. However, the performance of the US economy with attendant implication for the unconventional monetary policy stance and global financial conditions is pivotal to the fate of global recovery in the coming years.

**India requires a policy regime that will result in the desired macro-economic outcome of higher growth, lower inflation, sustained level of external sector balance and a prudent policy stance.** The Budget is the most comprehensive action plan in this regard. In the first Budget of this NDA government aim is to lay down a broad policy indicator of the direction in which Govt wish to take this country. The steps that announces in this Budget are only the **beginning of a journey towards a sustained growth of 7-8% or above within the next 3-4 years along with macro-economic stabilization that includes lower levels of inflation, lesser fiscal deficit and a manageable current account deficit.**

While higher growth is a sine qua non, we cannot be oblivious of the fact that **there is a large population of this country which is below the poverty line.** It is the poor who suffer the most. We have to ensure that our anti-poverty programs are well targeted. The growing aspirations of the people will be reflected in the development strategy followed by the Government led by **the Prime Minister Shri Narendra Modi and its mandate of "Sab ka Saath Sab ka Vikas"**. We shall leave no stone unturned in creating a vibrant and strong India.

The prevailing economic situation presents a great challenge. The task before Govt today is very challenging because **we need to revive growth, particularly in manufacturing and infrastructure to raise adequate resources for our developmental needs.** On the other hand, the task is simple if we accept the principle that we cannot spend beyond our means. **We need to introduce fiscal prudence that will lead to fiscal consolidation and discipline. Fiscal prudence to me is of paramount importance because of considerations of inter-generational equity.** We cannot leave behind a legacy of debt for our future generations. We cannot go on spending today which would be financed by taxation at a future date. There is an urgent need to generate more resources to fuel the economy. For this, **the tax to GDP ratio must be improved and non-tax revenues increased.** We must remember that the decline in **fiscal deficit from 5.7% of GDP in 2011-12 to 4.8% in 2012-13 and 4.5% in 2013-14 was mainly achieved by reduction in expenditure rather than by way of realization of higher revenue.** Although, the external sector witnessed a turn-around with the year ending with a **Current Account Deficit of 1.7% of the GDP against 4.7% in 2012-13, this was mainly achieved through restriction on non-essential imports and slowdown in overall aggregate demand.** Going forward, we must continue to be watchful of the CAD.

The earlier finance minister has set up a very difficult task of **reducing fiscal deficit to 4.1% of the GDP in the current year.** Considering that we had two years of low GDP growth, **an almost static industrial growth, a moderate increase in indirect taxes, a large subsidy burden and not so encouraging tax buoyancy, the target of 4.1% fiscal deficit is indeed daunting.** **The road map for fiscal consolidation is a fiscal deficit of 3.6% for 2015-16 and 3% for 2016-17.**

We are conscious of the fact that **Iraq crisis** is leaving an impact on oil prices and the situation in the **middle-east continues to be volatile. Monsoon this year appears more unpredictable.** While inflation has remained at elevated levels relative to what is perceived as acceptable, there has been a gradual moderation in **WPI recently, from a high of 7.35% in 2012-13 and 5.98% in 2013-14.** But we are still not out of the woods. We also must address fully the problem of black money which is curse of our economy. Faced with these adversities we have no option but to undertake some bold steps in order to enhance economic activity and spur growth in the economy. These steps are only the beginning of our effort to revive the growth spirit of the Indian Economy. They are directional.

### **Expenditure Management Commission**

New Government is committed to the principle of "**Minimum Government Maximum Governance**". To achieve this goal, time has come to **review the allocative and operational efficiencies of Government expenditure to achieve maximum output**. The Government will constitute an Expenditure Management Commission, **which will look into various aspects of expenditure reforms to be undertaken by the Government**. The Commission will give its interim report within this financial year. I also propose to overhaul the subsidy regime, including **food and petroleum subsidies, and make it more targeted while providing full protection to the marginalized, poor and SC/STs**. A new **urea policy** would also be formulated.

### **Advance Ruling and Other Tax Related Measures**

Tax demand of more than ` 4 lakh crore is under dispute and litigation before various Courts and Appellate authorities. This is one of the serious concerns of all taxpayers in this country. In order to reduce litigation in direct taxes, FM proposes to make certain legislative and administrative changes.

\* Currently, '**an advance ruling**' can be obtained about the **tax liability of a non-resident from the Authority for Advance Rulings. This facility is not available to resident taxpayers except Public Sector Undertakings**. FM proposed to enable resident taxpayers to obtain an advance ruling in respect of their income tax liability above a defined threshold. FM also proposed to strengthen the '**Authority for Advance Rulings**' by constituting additional benches. FM further proposed **to enlarge the scope of the Income-tax Settlement Commission so that taxpayers may approach the Commission for settlement of disputes**. This would continue to be once in a lifetime opportunity for any taxpayer.

\* As an administrative measure, FM proposed **to set up a High Level Committee to interact with trade and industry on a regular basis and ascertain areas where clarity in tax laws is required**. Based on the recommendations of the Committee, the Central Board of Direct Taxes and the Central Board of Excise and Customs shall issue appropriate clarifications, wherever considered necessary, on the tax issues within a period of two months.

\* '**Transfer Pricing**' is a major area of litigation for both resident and non-resident taxpayers. FM has proposed certain changes in the Transfer Pricing regulations.

\* I (FM) hope these measures would go a long way in improving the confidence of taxpayers in the tax system and would provide certainty and clarity in tax laws.

### **FDI (MAINS IMP QUESTION)**

1. The policy of the NDA Government is to **promote Foreign Direct Investment (FDI) selectively in sectors where it helps the larger interest of the Indian Economy**. FDI in several sectors is an additionality of resource which **helps in promoting domestic manufacture and job creation**. India today needs a boost for job creation. Our manufacturing sector in particular needs a push for job creation.

**(Recently highlighting and increasing the FDI in Insurance and Defence from current 26% to 49%)**

2. India today is the largest buyer of Defence equipment in the world. Our domestic manufacturing capacities are still at a nascent stage. We are buying substantial part of our Defence requirements directly from foreign players. Companies controlled by foreign governments and foreign private sector are supplying our Defence requirements to us at a considerable outflow of foreign exchange. **Currently we permit 26 per cent FDI in Defence manufacturing. The composite cap of foreign exchange is being raised to 49 per cent with full Indian management and control through the FIPB route.**

(Extra: Foreign companies are selling defence equipment's/machinery at lower cost and spare parts at higher rates and need to buy from the same suppliers. In this regard Govt. is planning to make an comprehensive agreement for not only buying the goods and maintenance too. \* **cartelisation, Reverse engineering, handling high end technical equipment's** is also another issue... class room explanation.....)

3. **The Insurance sector is investment starved**. Several segments of the Insurance sector need an expansion. **The composite cap in the Insurance sector is proposed to be increased up to 49 per cent from the current level of 26 per cent, with full Indian management and control, through the FIPB route.**

4. To encourage development of **Smart Cities**, which will also provide habitation for the **neo-middle class, requirement of the built up area and capital conditions for FDI is being reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively with a three year post completion lock in.**



5. To further encourage this, projects which commit at least 30 per cent of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalisation requirements, with the condition of **three year lock-in**.

6. **FDI in the manufacturing sector is today on the automatic route**. The manufacturing units will be allowed to sell its products through retail including E-commerce platforms without any additional approval.

#### **Bank Capitalization**

Financial stability is the foundation of a rapid recovery. Our banking system needs to be further strengthened. To be in line with **Basel-III norms there is a requirement to infuse ` 2,40,000 crore as equity by 2018 in our banks**. To meet this huge capital requirement we need to raise additional resources to fulfil this obligation. While preserving the public ownership, the capital of these banks will be raised by increasing the shareholding of the people in a phased manner through the sale of shares largely through retail to common citizens of this country. Thus, while the government will continue to have majority shareholding, the citizens of India will also get direct shareholding in these banks, which currently they hold indirectly. We will also examine the proposal to give greater autonomy to the banks while making them accountable.

(EXTRA: **Basel III**: Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. The Reserve Bank of India has extended the timeline for full implementation of the Basel III capital regulations by a year to **March 31, 2019**. **In 2010, Basel III guidelines were released. These guidelines were introduced in response to the financial crisis of 2008**. A need was felt to further strengthen the system as banks in the developed economies were under-capitalized, over-leveraged and had a greater reliance on short-term funding. Also the quantity and quality of capital under Basel II were deemed insufficient to contain any further risk.

In terms of Basel III capital regulations issued by the RBI, the **Capital Conservation Buffer (CCB) will be implemented from March-end 2016 (against March-end 2015 earlier)**. Consequently, the Regulations will be fully implemented as on **March-end 2019 (against March-end 2018 earlier)**.

(PLS REFER BASEL NORMS III IN MAINS NOTES)

#### **PSU Capital Expenditure**

To give a thrust to investment in the economy, PSUs will also play their part constructively. FM assured that the PSUs will **invest through capital investment a total sum of 2,47,941 crores** in the current financial year to create a virtuous investment cycle.

#### **Smart Cities**

As the fruits of development reach an increasingly large number of people, the pace of migration from the rural areas to the cities is increasing. A **neo middle class is emerging** which has the aspiration of better living standards. Unless, new cities are developed to accommodate the burgeoning number of people, the existing cities would soon become unliveable. The Prime Minister has a vision of developing **'one hundred Smart Cities', as satellite towns of larger cities and by modernizing the existing mid-sized cities**. To provide the necessary focus to this critical activity, FM have provided a sum of **7,060 crore** in the current fiscal.

(PLS REFER SMART CITIES IN MAINS NOTES)

#### **E-Visa**

Tourism is one of the larger job creators globally. Many economies world over are supported by tourism. In order to give a major boost to tourism in India, **the facility of Electronic Travel Authorization (e-Visa)** would be introduced in a phased manner at **nine airports in India** where necessary infrastructure would be put in place within the next six months. The countries to which the **Electronic Travel authorisation facility** would be extended would be identified in a phased manner. **This would further facilitate the visa on arrival facility. (Class room explanation)**

#### **REITs & InvITs/IITs**

**Real Estate Investment Trusts (REITs)** have been successfully used as instruments for pooling of investment in several countries. FM intend to provide necessary incentives for REITs which will have pass through for the purpose of taxation. **As an innovation, a modified REITs type structure for infrastructure projects is also being announced as 'Infrastructure Investment Trusts' (InvITs)**, which would have a similar tax efficient pass through status, for PPP and other infrastructure projects. These structures would reduce the pressure on the banking system while also making available fresh equity. Surely **these two instruments would attract long term finance from foreign and domestic sources including the NRIs**.

(Extra: under any infrastructure question this point should be there in mains answer. This is the major measure taken by govt. in order to boost the infrastructure)



### **Kissan Vikas Patra**

**Kissan Vikas Patra (KVP)** was a very popular instrument among small savers. FM plan to reintroduce the instrument to encourage people, who may have banked and unbanked savings to invest in this instrument.

**(PLS REFER CONCEPT OF SMALL SAVINGS IN MAINS NOTES ALONG WITH CLASS ROOM EXPLANATION)**

### **Skill India (VVIMP FOR MAINS)**

A national multi-skill programme called **Skill India** is proposed to be launched. It would **skill the youth with an emphasis on employability and entrepreneur skills**. It will also **provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers** etc. Convergence of various schemes to attain this objective is also proposed.

**EXTRA INPUT:** In 2008-09 budget Govt. proposed the establishment of the **National Skill Development Corporation (NSDC)**. The Corporation has since been set up and has done good work, but there is a long way to go. UPA Govt. had set an **ambitious target of skilling 50 million people in the 12th Plan period, including 9 million in 2013-14**. Funds will be released by the **National Rural Livelihood Mission** and the **National Urban Livelihood Mission** to be spent on skill development activities. **5% of the Border Area Development Programme Fund, 10% of the Special Central Assistance to the Scheduled Caste sub plan and the Tribal sub plan, and some other funds will also be used for skill development.**

### **SOCIAL WELFARE SCHEMES: (ALL ARE IMPORTANT)**

#### **1. Pradhan Mantri Krishi Sinchayee Yojana**

Bulk of our farm lands are rain fed and dependent on monsoons. Therefore, **there is a need to provide assured irrigation to mitigate risk. To improve access to irrigation we propose to initiate the scheme "Pradhan Mantri Krishi Sinchayee Yojana"**. FM propose to set aside a sum of **1,000 crore** for this purpose.

#### **2. Swatchh Bharat Abhiyan**

The need for sanitation is of utmost importance. Although the Central Government is providing resources within its means, the task of total sanitation cannot be achieved without the support of all. **The Government intends to cover every household by total sanitation by the year 2019, the 150<sup>th</sup> year of the Birth anniversary of Mahatma Gandhi** through Swatchh Bharat Abhiyan.

#### **3. Shyama Prasad Mukherji Rurban Mission**

**Gujarat has demonstrated successfully the Rurban development model of urbanization of the rural areas, through which people living in the rural areas can get efficient civic infrastructure and associate services. Shyama Prasad Mukherji Rurban Mission will be launched to deliver integrated project based infrastructure in the rural areas, which will also include development of economic activities and skill development.** The preferred mode of delivery would be through PPPs while using various scheme funds for financing.

### **(EXTRA: SYAMA PRASAD MOOKERJEE (1901-1953) FOUNDER OF THE BHARATIYA JANA SANGH**

(The BJP is the successor party of the BJS, which merged itself into the Janata Party in 1977. The BJP was formed as a separate party in 1980 after internal differences in the Janata Party resulted in the collapse of its government in 1979.

Born on 6th July 1901 in a famous family. His father Sir Asutosh was widely known in Bengal. Graduated from Calcutta University he became a fellow of the Senate in 1923. He enrolled as an advocate in Calcutta High Court in 1924 after his father's death. Subsequently he left for England in 1926 to study in Lincoln's Inn and became a barrister in 1927. **At the age of 33, he became the world's youngest Vice-Chancellor of the Calcutta University and held the office till 1938.** During his tenure, he introduced a number of constructive reforms and was **active in Asiatic Society of Calcutta as well as was a member of the Court and the Council of the Indian Institute of Science, Bangalore and Chairman of the Inter-University of Board.**

He was elected as member of the Legislative Council of Bengal as a Congress candidate representing Calcutta University but resigned next year when Congress decided to boycott the legislature. Subsequently, he contested the election as an independent and got elected.

He became the **opposition leader when Krishak Praja Party - Muslim League coalition was in power 1937-41 and joined the Progressive Coalition Ministry headed by Fazlul Haq as a Finance Minister** and within less than an year resigned. He emerged as a **spokesman for Hindus and shortly joined Hindu Mahasabha and in 1944, he became the President.**

**Pandit Nehru inducted him** in the Interim Central Government as a **Minister for Industry and supply**. On issue of **Delhi pact with Liaquat Ali Khan**, Mookerjee resigned from the Cabinet on 6th April 1950. After consultation with **Shri Golwalkar Guruji of RSS Shri Mookerjee founded Bharatiya Jana Sangh on 21st Oct. 1951 at Delhi and he became the first President of it**. In 1952 elections, Bharatiya Jana Sangh won 3 seats in Parliament one of them being that of Shri Mookerjee. He had formed National Democratic Party within the Parliament which consisted 32 members of MPs and 10 of Members of Rajya Sabha which however was not recognised by the speaker as an opposition party.

To voice his opposition he turned outside Parliament and on Kashmir he termed the arrangement under **Article 370 as Balkanisation of India and three nation theory of Shaikh Abdullah**. **Bharatiya Jana Sangh along with Hindu Mahasabha and Ram Rajya Parishad launched a massive Satyagraha to get removed the pernicious provisions**. Mookerjee went to visit Kashmir in 1953 and was arrested on 11th May while crossing border. He died as detenu on June 23, 1953.)

#### **4. Deendayal Upadhyaya Gram Jyoti Yojana**

Power is a vital input for economic growth and the Government is committed to **providing 24x7 uninterrupted power supplies to all homes**. **“Deen Dayal Upadhyaya Gram Jyoti Yojana” for feeder separation will be launched to augment power supply to the rural areas and for strengthening sub-transmission and distribution systems**. FM propose to set aside a sum of **500 crore** for this purpose.

**(EXTRA: PANDIT DEENDAYAL UPADHYAYA (1916-1968)**

Pandit Deendayal Upadhyaya was the leader of the Bharatiya Jana Sangh from 1953 to 1968. A profound philosopher, organiser par excellence and a leader who maintained the highest standards of personal integrity, he has been the source of ideological guidance and moral inspiration for the BJP since its inception. His treatise Integral Humanism, which is a critique of both communism and capitalism, provides a holistic alternative perspective for political action and statecraft consistent with the laws of Creation and the universal needs of the human race)

#### **5. Statue of Unity**

**Government of Gujarat has embarked on the mission to build the largest statue of Sardar Vallabh Bhai Patel. Sardar Patel stands as the symbol of the unity of the country**. To support the Gujarat Government in this initiative **to erect the Statue of Unity**, I propose to set aside a sum of **200 crore**.

**(EXTRA: Vallabhbhai Patel was one of the great social leaders of India. He played a crucial role during the freedom struggle of India and was instrumental in the integration of over 500 princely states into the Indian Union. Despite the choice of the people, on the request of Mahatma Gandhi, Sardar Patel stepped down from the candidacy of Congress president. The election on that occasion eventually meant for the election of the first Prime Minister of independent India.**

**India's Man of Steel**. He used to earn thousands of rupees every month as a lawyer. But he gave up his practice in order to fight for the freedom of the country. As a leader of the farmers he forced the mighty British Government to accept defeat. He was sent to prison. As the Deputy Prime Minister of free India, he brought about the **merger of hundreds of princely states with the Indian Union, and became the architect of the integrity of India**. Honest in word and deed, he was a hero among heroes, a lion among men. Vallabhbhai Patel was born on October 31, 1875 in Gujarat to Zaverbhai and Ladbai. Vallabhbhai, His father had served in the **army of the Queen of Jhansi** while his mother was a very spiritual man.)

## **II. PLAN & BUDGETARY ALLOCATIONS**

I now turn to budgetary allocations. While announcing the allocations, I want to reiterate my Government's firm commitment to strengthen the federal structure of the country and our resolve to work closely with the state governments for the larger good of the people.

### **Welfare of Scheduled Castes/Scheduled Tribes**

Government is committed to the welfare of **SCs and STs**. This year an **amount of `50,548 crore** is proposed under the **SC Plan and 32,387 crore under TSP**.

To provide **credit enhancement facility for young start up entrepreneurs from Scheduled Castes, who aspire to be part of the neo-middle class**, FM propose to set aside a sum of **200 crore** which will be operationalised through a scheme by IFCI.

For the welfare of the tribals “**Van Bandhu Kalyan Yojana**” is being launched with an **initial allocation of ` 100 crore**.

**(EXTRA: A new scheme named ‘Van Bandhu Kalyan Yojna’ for holistic development of tribals has been launched by the government. The Ministry of Tribal Affairs launched the scheme for holistic development of tribal people and Rs 100 crore has been allocated for the scheme during the year 2014-15. The Ministry has also started several other schemes which include hostels for ST girls and boys, scheme for establishment of ashram school in Tribal Sub Plan areas, post-matric scholarships and others.**

Besides these schemes, the ministry administers two special area programmes namely *grant under Article 275 (1) of Constitution and the Special Central Assistance to Tribal Sub Plan (SCA to TSP) for upliftment of tribal population including North Eastern states.*

As per census 2011, **94.4% of the total population in Mizoram comprises Scheduled Tribes (STs)** while the **percentage of STs in Meghalaya and Nagaland is 86.1% and 86.5%** respectively. As per figures, a total of Rs 2449.63 lakhs has been released in various states under the scheme of hostels for ST boys and girls in 2014-15 (as on 23.7.2014). In 2014-15 (as on July 14, 2014), Rs 82,10,620 has been released to state societies and NGOs under the scheme of strengthening education among ST girls in Low Literacy districts. The government has also released Rs 25525.26 lakhs in 2014-15 under **SCA to TSP**.

The central sector scheme **Grant-In-Aid to Tribal Research Institutes (TRIs)** implemented by the Ministry focuses on promoting tribal culture, customs and art. The scheme provides financial assistance to TRIs for documentation and preservation of tribal heritage, organizing tribal exhibitions, dance-painting sports events and others. Rs 273.69 lakhs was released to TRIs across the country in 2013-14)

### **Welfare of Senior Citizens: Varishtha Pension Bima Yojana**

NDA Government during its last term in office had introduced the **Varishtha Pension Bima Yojana (VPBY) as a pension scheme for senior citizens**. Under the scheme a total no. of **3.16 lakh annuitants are being benefitted and the corpus amounts to ` 6,095 crore**. FM propose to revive the scheme for a limited period from **15 August, 2014 to 14 August, 2015 for the benefit of citizens aged 60 years and above**.

A large amount of money is estimated to be lying as unclaimed amounts with PPF, Post Office, saving schemes etc. These are mostly out of investments belonging to the senior citizens and on their demise, remain unclaimed for want of relevant payment instructions. FM proposed to set up a committee to examine and recommend how this amount can be used to protect and further financial interests of the senior citizens. The committee will give its report not later than December this year.

Government is fully committed to the social security and welfare of employees serving in the organized sector. The Government is **notifying minimum pension of 1,000 per month to all subscriber members of EP Scheme** and has made an **initial provision of 250 crore** in the current financial year to meet the expenditure. Further, **increase in mandatory wage ceiling of subscription to EPS from 6,500 to 15,000 has been made and a provision of ` 250 crore has been provided in the current budget**. For the convenience of the subscribers, EPFO will launch the “**Uniform Account Number**” Service for contributing members to **facilitate portability of Provident Fund accounts**.

### **Empowerment of the Differently Aabled Persons**

Government will make all out efforts to create a more inclusive society for **Persons with Disabilities to enable them to enjoy equal opportunities to lead an empowered life with dignity**. I propose to extend the scheme for **Assistance to Disabled Persons for purchase/fitting of Aids and Appliances (ADIP) to include contemporary aids and assistive devices**. It is also proposed to establish National level institutes for ‘**Universal Inclusive Design**’ and ‘**Mental Health Rehabilitation**’ and also a **Centre for Disability Sports**.

#### ***Incentives for the Visually Challenged***

The Braille Presses in the Government and private sector are not able to meet the demand of **Braille Text books for the visually impaired** students. It is proposed to provide assistance to the State Governments to establish **fifteen new Braille Presses and modernize ten existing Braille Presses in the current financial year**. Government will also print currency notes with Braille like signs to assist the visibly challenged persons.



## Women & Child Development

On women's safety we need to test out different approaches that can be validated and scaled up quickly. An outlay of **50 crores** will be spent by **Ministry of Road Transport & Highways** on pilot testing a scheme on "**Safety for Women on Public Road Transport**". A sum of **150 crores** will also be spent by **Ministry of Home Affairs** on a scheme to increase the safety of women in large cities. It is also proposed to set up "**Crisis Management Centres**" in all the districts of NCT of Delhi this year in all government and private hospitals. **The funding will be provided from the Nirbhaya Fund.**

### *Beti Bachao, Beti Padhao Yojana*

It is a shame that while the country has emerged as a major player amongst the emerging market economies, **the apathy towards girl child is still quite rampant in many parts of the country.** Therefore FM proposed to launch **Beti Bachao, Beti Padhao Yojana** which will be a focused scheme which would help in **generating awareness and also help in improving the efficiency of delivery of welfare services meant for women.** FM propose to set aside a sum of **100 crore** for this.

### *Gender Mainstreaming*

Government would focus on campaigns to sensitize people of this country towards the concerns of the girl child and women. The process of sensitization must begin early therefore the school curriculum must have a separate chapter on gender mainstreaming.

## Rural Development (This along with Urban development should be mentioned in the questions related to the inclusive growth)

### *Pradhan Mantri Gram Sadak Yojana*

Pradhan Mantri Gram Sadak Yojana initiated during the **NDA-I under the stewardship of Prime Minister Atal Behari Vajpayee has had a massive impact in improvement of access for Rural population.** It is time to reaffirm our commitment to a better and more energetic PMGSY under the dynamic leadership of Prime Minister Shri Narendra Modi. FM propose to provide a sum of **14,389 crore.**

### *MGNREGA*

The Government is committed to providing wage and self-employment opportunities in rural areas. However, wage employment would be provided under MGNREGA through works that are more productive, asset creating and substantially linked to agriculture and allied activities.

### *National Livelihood Mission - Aajeevika*

Aajeevika, the **National Rural Livelihood Mission (NRLM)**, aims to **eliminate rural poverty through sustainable livelihood options.** Under this mission, **Women SHGs are provided bank loans at 4% on prompt repayment in 150 districts and at 7% in all other districts.** FM proposed to extend the provision of **bank loan for women SHGs at 4% in another 100 districts.** FM also propose to set up a "**Start Up Village Entrepreneurship Programme**" for **encouraging rural youth to take up local entrepreneurship programs.** Budget is providing an initial sum of **100 crore** for this.

### *Rural Housing*

The Rural Housing Scheme has benefited a large percentage of rural population who have availed credit through **Rural Housing Fund (RHF).** Accordingly, FM propose to increase the allocations for the year 2014-15 to **8,000 crore for National Housing Bank (NHB) with a view to expand and continue to support Rural Housing in the country.**

### *Watershed Development - Neeranchal*

To give an **added impetus to watershed development in the country,** FM propose to start a new programme called "**Neeranchal**" with an initial outlay of **2,142 crores** in the current financial year.

### *Panchayati Raj*

**Backward Region Grant Fund (BRGF)** is being implemented in **272 backward districts in 27 States, to fill up the critical gaps in development of basic infrastructure facilities and for capacity building of Panchayats/ Gram Sabhas in backward areas.** It is proposed to restructure the BRGF to address intra-district inequalities to ensure that backward sub-districts units within States receive adequate support.

### **Safe Drinking Water**

Many of our drinking water sources have excess impurities like **fluoride, arsenic and manmade contaminations due to untreated sewage, industrial effluents and leaching of pesticides and fertilizers**. It is proposed to earmark **3,600 crore** under 'National Rural Drinking Water Programme' for **providing safe drinking water in approximately 20,000 habitations affected with arsenic, fluoride, heavy/ toxic elements, pesticides/ fertilizers through community water purification plants in next 3 years**.

### **Health and Family Welfare - 'Health for All'**

To move towards "Health for All", the two key initiatives i.e. the 'Free Drug Service' and 'Free Diagnosis Service' would be taken up on priority.

In order to **achieve universal access to early quality diagnosis and treatment to TB patients**, two 'National Institutes of Ageing' will be set up at **AIIMS, New Delhi** and **Madras Medical College, Chennai**. A national level research and referral Institute for higher dental studies would be set up in one of the existing Dental institutions.

It is a matter of great satisfaction that all the **six new AIIMS at Jodhpur, Bhopal, Patna, Rishikesh, Bhubaneswar and Raipur, which are part of 'Pradhan Mantri Swasthya Suraksha Yojana'**, have become functional. A plan to set up **four more AIIMS like institutions at Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP** is under consideration. FM propose to set aside a sum of **500 crore** for this. Presently 58 government medical colleges have been approved. It is also proposed to add 12 more government medical colleges. In addition, dental facilities would also be provided in all the hospitals.

For the first time, the Central Government will provide central assistance to strengthen the States **Drug Regulatory and Food Regulatory Systems** by creating new drug testing laboratories and strengthening the 31 existing State laboratories.

In keeping with the Government's focus on **improving affordable healthcare and to augment the transfer of technology for better health care facilities in rural India, fifteen Model Rural Health Research shall be set up** in the states, which shall take up research on local health issues concerning rural population.

## **Education**

### **School Education**

Elementary education is one of the major priorities of the Government. There is a residual gap in providing minimal school infrastructure facilities. Government would strive to **provide toilets and drinking water in all the girls school in first phase**. An amount of **28,635 crore** is being funded for **Sarva Shiksha Abhiyan** and **4,966 crore** for **Rashtriya Madhyamik Shiksha Abhiyan**. A School Assessment Programme is being initiated at a cost of **30 crore**. To infuse new training tools and motivate teachers, "Pandit Madan Mohan Malviya New Teachers Training Programme" is being launched. I am setting aside an initial sum of **500 crore** for this.

To take advantage of the reach of the IT, FM propose to allocate a sum of **100 crore** for setting up virtual classrooms as 'Communication Linked Interface for Cultivating Knowledge' (CLICK) and online courses.

(EXTRA: Mahatma considered him as an elder brother and would refer to him as "Maker of India". Jawahar Lal Nehru called him "a great soul, one of those who laid the foundation of modern Indian Nationalism". He is Pandit Madan Mohan Malaviya, popularly known as Mahamana (an honorific). He was a politician who left many at loss of words when he spoke, an educationist whose contribution is evident in the form of Banaras Hindu University, and a devout freedom fighter who left no stone unturned in India's quest for independence and whose patriotism remained unbroken from youth till death. Truly, a source of inspiration to many! He cautioned Mahatma Gandhi **not to accept independence at the cost of division of the country**. He **opposed the separate electorates for Muslims under the Lucknow Pact of 1916** and also **opposed the participation of Congress in the Khilafat movement** in early 20's.

In 1931, Madan Mohan represented India at the First Round Table Conference. He is also known to popularize the slogan **Satyameva Jayate (Truth alone will triumph)**. Madan Mohan left the position of vice chancellorship of BHU and was succeeded by none other than S. Radhakrishnan, who went on to become the President of India. Just when "Hindustan Times" was facing a downfall and was about to shut down, Madan Mohan stepped in as a savior. It was at the age of sixteen he got married to Kundan Devi of Mirzapur in 1878. They had ten children: five sons and five daughters. The **daily aarti that is performed at Har Ki Pauri, Haridwar was initiated by him**)

### **Higher Education**

The country needs a large number of Centres of higher learning which are world class. FM proposed to set up '**Jai Prakash Narayan National Centre for Excellence' in Humanities in Madhya Pradesh**. FM also intended to **set up five more IITs in the Jammu, Chattisgarh, Goa, Andhra Pradesh and Kerala**. **Five IIMs would be set up in the States of Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra**. FM propose to set aside a sum of **500 crore** for this.

Government also proposes to **ease and simplify norms to facilitate education loans for higher studies**.

(Jayaprakash Narayan was a **freedom fighter and political leader of India**. Popularly called **JP**, Narayan played a pivotal role in the Quit India movement and earned a lot of fame and respect for this)

### **Digital India (VVIMP for MAINS)**

There is an imminent need to further **bridge the divide between digital "haves" and "have-nots"**. For this it is proposed to launch a '**pan India programme "Digital India"**. This would **ensure Broad band connectivity at village level, improved access to services through IT enabled platforms, greater transparency in Government processes and increased indigenous production of IT hardware and software for exports and improved domestic availability**. Special focus would be on supporting software product start-ups. A '**National Rural Internet and Technology Mission' for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme** is also proposed. FM have provided a sum of **500 crore** for this purpose.

A programme for promoting "**Good Governance**" would be launched and FM propose to set aside a sum of **100 crore** for this.

### **Information and Broadcasting**

So far around 400 permissions for setting up of a Community Radio Stations have been issued. To encourage the growth in this sector, a new plan scheme is being taken up with an allocation of **100 crore**. This scheme would support about **600 new and existing Community Radio Stations**.

**Film & Television Institute, Pune and Satyajit Ray Film & Television Institute, Kolkata** are proposed to be accorded **status of Institutes of national importance** and a "**National Centre for Excellence in Animation, Gaming and Special Effects** will be set up.

### **Urban Development (these are the points you should mention in any of the questions about inclusive growth)**

#### **Urban Renewal**

It is time that our cities and towns undergo urban renewal and become better places to live in. While **developing housing and other infrastructure, both physical and economic**, which can have local variations, **four fundamental activities must underpin** such development. These are provision of:

1. Safe drinking water and sewerage management,
2. Use of recycled water for growing organic fruits and vegetable,
3. Solid waste management and
4. Digital connectivity.

It is the vision of this Government that at least five hundred (500) such habitations must be provided support, while harnessing private capital and expertise through PPPs, to renew their infrastructure and services in the next **ten years**.

#### **Pooled Municipal Debt Obligation Facility**

**Pooled Municipal Debt Obligation Facility**: This facility was **set up in 2006 with participation of several Banks to promote and finance infrastructure projects in Urban Area on shared risk basis**. Present corpus of this facility is **5,000 Crores**. This Government has a major focus of providing good infrastructure, including **public transport, solid waste disposal, sewerage treatment and drinking water in the urban areas**. In keeping with the Hon'ble Prime Minister's vision for urban areas it is proposed to enlarge it to **50,000 Crores with extension of the facility by five years to March 31, 2019**.

#### **Urban Transportation**

Urban Metro Projects have proven to be very useful in decongesting large cities. **For two million plus cities, planning of metro projects must begin now**. Government will encourage development of metro rail systems, including light rail systems, in the PPP mode, which will be supported by the Central Government through VGF. In the current financial year, FM propose to set aside a sum of **100 crore for Metro Projects in Lucknow and Ahemdabad**.



(VGF: Viability Gap Funding (VGF) Means a grant one-time or deferred, provided to support infrastructure projects that are economically justified but fall short of financial viability. PLEASE REFER MAINS NOTES FOR FULL DETAIL)

#### ***Housing for All***

Our **government is committed to endeavour to have housing for all by 2022**. For this purpose, FM intend to **extend additional tax incentive on home loans to encourage people, especially the young, to own houses**.

FM proposed setting up a **“Mission on Low Cost Affordable Housing”** which will be anchored in the **National Housing Bank**. Schemes will be evolved to incentivize the development of low cost affordable housing. FM proposed to allocate this year also a sum of **4,000 crores for NHB with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment**. FM has already outlined some other incentives such as **easier flow of FDI in this sector**. Government is willing to examine other suggestions that would spur growth in this sector.

FM also proposed to **add inclusion of slum development in the list of ‘Corporate Social Responsibility’ (CSR)** activities to encourage the private sector to contribute more towards this activity.

#### ***Malnutrition***

A national programme in Mission Mode is urgently required to halt the deteriorating malnutrition situation in India, as present interventions are not adequate. A comprehensive strategy including detailed methodology, costing, time lines and monitorable targets will be put in place within six months.

#### ***Minorities***

A programme for the **up gradation of skills and training in ancestral arts for development for the minorities called “Up gradation of Traditional Skills in Arts, Resources and Goods”** would be launched to preserve the traditional arts and crafts which are rich heritage.

An additional amount of **100 crores** for Modernization of Madarsas have been provided to the Department of School Education.

### **III. AGRICULTURE (VVIMP for mains)**

Farming as an activity contributes nearly **1/6th to our National GDP and a major portion of our population is dependent on it for livelihood**. It has risen to the challenge of making India largely self-sufficient in providing food for a growing population. **To make farming competitive and profitable, there is an urgent need to step up investment, both public and private, in agro-technology development and creation and modernization of existing agri-business infrastructure**. ‘Indian Agricultural Research Institute’ Pusa New Delhi has been at the forefront of research in this area. However, since independence only one such centre has been established. Government will establish **two more such institutions of excellence on similar pattern in Assam and Jharkhand with an initial sum of 100 crore** in the current financial year. In addition, an amount of **100 crores** is being set aside for setting up an **“Agri-Tech Infrastructure Fund”**. (Institutes are setup in Assam & Jharkhand because second green revolution is starting in these areas – North Eastern states, Bihar, Jharkhand etc.)

It is also proposed to **establish Agriculture Universities in Andhra Pradesh and Rajasthan and Horticulture Universities in Telangana and Haryana**. An initial sum of **200 crores** has been allocated for this purpose.

**Deteriorating soil health has been a cause of concern and leads to sub optimal utilization of farming resources**. Government will initiate a scheme to provide to every farmer a **soil health card** in a Mission mode. FM propose to set aside a sum of **100 crore** for this purpose and an additional **56 crores to set up 100 Mobile Soil Testing Laboratories across the country**. There have also been growing concerns about the imbalance in the utilization of different types of fertilizers resulting in deterioration of the soil.

**Climate change** is a reality which all of us have to face together. Agriculture as an activity is most prone to the vagaries of climate change. To meet this challenge, FM proposed to establish a **“National Adaptation Fund” for climate change**. As an initial sum an amount of **100 crore** will be transferred to the Fund.

We are committed to **sustaining a growth of 4% in Agriculture** and for this we **will bring technology driven second green revolution with focus on higher productivity** and include **“Protein revolution”** as an area of major focus.

As a very large number of landless farmers are unable to provide land title as guarantee, institutional finance is denied to them and they become vulnerable to money lenders' usurious lending. FM proposed to provide finance to **5 lakh joint farming groups of "Bhoomi Heen Kisan" through NABARD** in the current financial year.

Price volatility in the agriculture produce creates uncertainties and hardship for the farmers. To mitigate this FM is providing a sum of **500 crore** for establishing a **"Price Stabilization Fund"**.

The farmers and consumers' interest will be further served by **increasing competition and integrating markets** across the country. To accelerate **setting up of a National Market**, the Central Government will work closely with the State Governments to re-orient their respective APMC Acts., to provide for establishment of private market yards/private markets. The state governments will also be **encouraged to develop Farmers' Markets in town areas to enable the farmers to sell their produce directly**.

FM also proposed to set aside a sum of **50 crores** for the **development of indigenous cattle breeds** and an equal amount for starting a **blue revolution in inland fisheries**.

#### ***Agriculture Credit***

Banks are providing strong credit support to the agriculture sector. A target of **8 lakh crore has been set for agriculture credit during 2014-15** which, FM is confident, the banks will surpass this.

#### ***Interest Subvention Scheme for Short Term Crop Loans***

Under the 'Interest Subvention Scheme' for short term crop loans, the banks are extending loans to farmers at a **concessional rate of 7%**. The farmers get a **further incentive of 3% for timely repayment**. FM proposed to continue the Scheme in 2014-15.

#### ***Rural Infrastructure Development Fund***

**NABARD operates the Rural Infrastructure Development Fund (RIDF)**, out of the priority sector lending shortfall of the banks, which helps in creation of infrastructure in agriculture and rural sectors across the country. FM proposed to raise the corpus of RIDF by an additional **5,000 crores** from the target given in the Interim Budget to **25,000 crores** in the current financial year.

#### ***Warehouse Infrastructure Fund***

Increasing warehousing capacity for **increasing the shelf life of agriculture produces** and thereby the **earning capacity of the farmers is of utmost importance**. Keeping in view the urgent need for availability of scientific warehousing infrastructure in the country, FM propose an allocation of **5,000 crore** for the fund for the year 2014-15.

#### ***Creation of Long Term Rural Credit Fund***

The share of long term investment credit in agriculture is going down as compared to short term crop loan. This is **severely hampering the asset creation in agriculture and allied activities**. In order to give a boost to long term investment credit in agriculture, FM propose to set up **"Long Term Rural Credit Fund"** in NABARD for the purpose of providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of **5,000 crore**.

#### ***Allocation of STCRC (Refinance) Fund***

The **Short Term Cooperative Rural Credit (STCRC) – Refinance Fund** was announced in Union Budget **2008-09** with initial corpus of **5,000 crore**. In order to **ensure increased and uninterrupted credit flow to farmers and to avoid high cost market borrowings by NABARD**, FM propose to allocate an amount of **50,000 crore** for STCRC Fund during 2014-15.

#### ***Producers Development and Upliftment Corpus (PRODUCE)***

The issue of profitability of small holding based agriculture has assumed importance in view of increasing proportion of small and marginal farmers in the country. FM propose to **supplement NABARD's Producers' organization development fund for Producer's development and upliftment called PRODUCE** with a sum of **200 crore** which will be **utilized for building 2,000 producers organizations across the country over the next two years**.

### **Food Security**

Government is committed to reforms in the food sector. Restructuring FCI, reducing transportation and distribution losses and efficacy of PDS would be taken up on priority.

Government is also **committed to provide wheat and rice at reasonable prices to the weaker sections of the society**. Even if due to inadequate rainfall there is a marginal decline in agriculture production, stocks in the Central pool are adequate to meet any exigency. Government shall, when required, undertake open market sales to keep prices under control.

### **Kisan TV**

**Kisan TV, dedicated to the interests of the agriculture and allied sector** will be launched in the current financial year. This will **disseminate real time information to the farmers information regarding new farming techniques, water conservation, organic farming** etc. FM propose to set aside a sum of **100 crore** for this purpose.

## **IV. INDUSTRY**

The **e-Biz platform aims to create a business and investor friendly ecosystem in India by making all business and investment related clearances and compliances available on a 24x7 single portal, with an integrated payment gateway**. All Central Government Departments and Ministries will integrate their services with the e-Biz platform on priority by 31 December this year.

A **“National Industrial Corridor Authority”**, with its headquarters in **Pune**, is being set up to **coordinate the development of the industrial corridors, with smart cities linked to transport connectivity**, which will be the **cornerstone of the strategy to drive India’s growth in manufacturing and urbanization**. FM have provided an initial corpus of **100 crore** for this purpose.

The **‘Amritsar Kolkata Industrial master planning’** will be completed expeditiously **for the establishment of industrial smart cities in seven States of India**. The master planning of three new smart cities in the **Chennai-Bengaluru Industrial Corridor** region, viz., **1.Ponneri in Tamil Nadu, 2.Krishnapatnam in Andhra Pradesh and 3.Tumkur in Karnataka** will also be completed. (IMP FOR INFRASTRUCTURE TOPIC)

The perspective plan for the **Bengaluru Mumbai Economic corridor (BMEC)** and **Vizag-Chennai corridor** would be **completed with the provision for 20 new industrial clusters**.

**Kakinada, its adjoining area and the port** will be developed as the **key drivers of economic growth in the region with a special focus on hardware manufacturing**.

Exports cannot be exponentially increased unless the states play a very active role in export promotion by providing good infrastructure and full facilitation. It will be our endeavor to engage with the states to take India’s exports to a higher growth trajectory. It is proposed to establish an **“Export promotion Mission” to bring all stakeholders under one umbrella**.

### **Special Economic Zones**

The Government is committed to revive the Special Economic Zones (SEZs) and **make them effective instruments of industrial production, economic growth, export promotion and employment generation**. For achieving this, effective steps would be undertaken to operationalize the Special Economic Zones, **to revive the investors’ interest to develop better infrastructure and to effectively and efficiently use the available unutilized land**.

### **Apprenticeship**

Comparing the size of the Indian economy, the performance of the **Apprenticeship Training Scheme** is **not satisfactory and a large number of training facilities in the industry are unutilized**. **‘Apprenticeship Act’** will be suitably amended to **make it more responsive to industry and youth**. We will also encourage MSMEs to avail of the benefits of this scheme.

### **Micro, Small and Medium Enterprises sector**

**SMEs form the backbone of our Economy**. They **account for a large portion of our industrial output and employment**. The bulk of service sector enterprises are also SMEs. Most of these SMEs are Own Account Enterprises. Most importantly **a majority of these enterprises are owned or run by SCs, STs and OBCs**. Financing to this sector is of critical importance, **particularly as it benefits the weakest sections**. There is need to examine the financial architecture for this sector. FM proposed to appoint a committee with representatives from the **Finance Ministry, Ministry of MSME, and RBI to give concrete suggestions** in three months.



Promotion of entrepreneurship and start-up Companies remains a challenge. While there have been some efforts to encourage, **one principal limitation has been availability of start-up capital by way of equity to be brought in by the promoters.** In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a **10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.**

To establish **technology centre network to promote innovation, entrepreneurship and agro-industry,** FM propose to set up a fund with a corpus of **200 crore.**

The definition of MSME will be reviewed to provide for a higher capital ceiling. A programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery will also be put in place.

**Entrepreneur friendly legal bankruptcy framework** will also be **developed for SMEs to enable easy exit.** A nationwide **"District level Incubation and Accelerator Programme"** would be taken up for **incubation of new ideas and providing necessary support for accelerating entrepreneurship.**

### **Textiles**

FM propose to set up a **'Trade Facilitation Centre'** and a **'Crafts Museum'** with an outlay of **50 crore** to **develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi,** where FM also intend to support a **Textile mega-cluster.** FM also **propose to set up six more Textile mega-clusters at Bareilly, Lucknow, Surat, Kutch, Bhagalpur, Mysore and one in Tamil Nadu.** FM is allocating a sum of **200 crore** for this purpose.

FM also proposed to set up a **'Hastkala Academy'** for the **preservation, revival, and documentation of the handloom/handicraft sector in PPP mode in Delhi.** FM have set aside a sum of **30 crore** for this purpose.

FM proposed to start a **'Pashmina Promotion Programme (P-3)'** and a programme for the development of other crafts of Jammu & Kashmir. FM is setting aside a sum of **50 crore** for this purpose.

## **V. INFRASTRUCTURE (IT IS IMP FOR THE TOPIC INFRACTURE IN GS III MAINS)**

India has **emerged as the largest PPP market in the world with over 900 projects in various stages of development.** PPPs have delivered some of the **iconic infrastructure like airports, ports and highways which are seen as models for development globally.** But we have also seen the weaknesses of the PPP framework, the rigidities in contractual arrangements, the need to develop more nuanced and sophisticated models of contracting and develop quick dispute redressal mechanism. **An institution to provide support to mainstreaming PPPs called '3P India' will be set up with a corpus of 500 crores.**

### **Shipping**

A policy for encouraging the growth of Indian controlled tonnage will be formulated to ensure increase in employment of the Indian seafarers. **Development of ports is also critical for boosting trade. Sixteen new port projects are proposed to be awarded this year with a focus on port connectivity. 11,635 crore** will be allocated for the development of **'Outer Harbour Project in Tuticorin for phase I.'** SEZs will also be developed in Kandla and JNPT. A comprehensive policy will also be announced to promote Indian ship building industry in the current financial year.

### **Inland Navigation - Jal Marg Vikas**

**Development of inland waterways can improve vastly the capacity for the transportation of goods.** A project on the river Ganga called **'Jal Marg Vikas' (National Waterways-I)** will be developed between Allahabad and Haldia to cover a distance of 1620 kms, which will enable commercial navigation of at least 1500 tonne vessels. The project will be completed over a period of **six years at an estimated cost of ` 4,200 crore.**

**(VVIMP PLS REFER ALL NATIONAL WATER WAYS IN INDIA IN MAINS NOTES)**

### **Roads sector**

Roads sector constitutes a very import artery of communication in the country. The sector had taken shape from 1998-2004 under NDA-I. The sector again needs huge amount of investment along with debottlenecking from maze of clearances. FM proposed investment in **National Highways Authority of India and State Roads of an amount of 37,880 crores, which includes 3,000 crores for the North East.** During CFY a target of NH construction of 8500 km will be achieved.

A modern nation needs multiple sources of transport. A country of the size of India must have a transport network which can ensure faster travel across cities which are geographically distant. This will also improve the supply chain in transporting goods across cities. We will initiate work on **select expressways in parallel to the development of the Industrial Corridors**. For project preparation NHA shall set aside a sum of 500 crore.

#### **Power**

To promote cleaner and more efficient thermal power, FM propose to allocate an initial sum of **100 crore** for preparatory work for a new scheme **“Ultra-Modern Super Critical Coal Based Thermal Power Technology.”**

#### **New & Renewable Energy**

New and Renewable energy deserves a very high priority. It is proposed to take up **Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, and Laddakh in J&K**. FM have set aside a sum of **500 crores** for this. We are launching a scheme for **solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps**. FM proposed to allocate a sum of **400 crores** for this purpose. An additional **100 crore is set aside for the development of 1 MW Solar Parks on the banks of canals**. **Implementation of the Green Energy Corridor Project will be accelerated in this financial year to facilitate evacuation of renewable energy across the country.**

#### **Petroleum & Natural Gas**

It is the Government's intention to accelerate production and exploitation of **Coal Bed Methane** reserves. The possibility of using modern technology to revive old or closed wells will also be explored to maximize production from such fields.

**The usage of PNG will be rapidly scaled up in a Mission mode as it is “clean” and efficient to deliver.**

**We have at present about 15,000 km of gas pipeline systems in the country. In order to complete the gas grid across the country, an additional 15,000 km of pipelines are required.** It is proposed to develop these pipelines using appropriate PPP models. This will help increase the usage of gas, domestic as well as imported, which, in the long-term will be beneficial in reducing dependence on any one energy sources.

#### **Revision of Royalty Rate**

There have been requests from several State Governments to revise rate of Royalty on minerals. Hon'ble Members are aware that **rate of Royalty can be revised after a period of three years. Last revision took place in August, 2009.** Therefore, another revision, which is due, will be undertaken to ensure greater revenue to the State Governments.

### **VI. FINANCIAL SECTOR**

#### **Capital Market (VVIMP)**

Financial sector is at the heart of the growth engine. Globalization helps channelize external savings to India to bridge the resource gap but also renders the financial sector vulnerable to the vagaries of the global economy. We have seen this in the recent past in ample measure. It is essential to strengthen and modernize the legislative regulatory framework. There are some important recommendations of the **Financial Sector Legislative Reforms Commission** like the enactment of the **Indian Financial Code** which is considered necessary for better governance and accountability. It will be the Govt endeavor to complete the on-going process of consultations with all the stakeholders expeditiously on this. It is also essential to have a modern monetary policy framework to meet the challenge of an increasingly complex economy. Government will, in close consultation with the RBI, put in place such a framework.

While the impact of the above measures will be felt in the medium term, towards the same objective, FM proposed to:

- i. Advise financial sector regulators to take early steps for a vibrant, deep and liquid corporate bond market and deepen the currency derivatives market by eliminating unnecessary restrictions.
- ii. Extend a **liberalized facility of 5% withholding tax to all bonds issued by Indian corporate abroad for all sectors and extend the validity of the scheme to 30.06.2017.**
- iii. **Liberalize the ADR/GDR regime to allow issuance of depository receipts on all permissible securities.**
- iv. **Allow international settlement of Indian debt securities.**
- v. Completely revamp the **Indian Depository Receipt (IDR) and introduce a much more liberal and ambitious Bharat Depository Receipt (BhDR).**
- vi. **Clarify the tax treatment on income of foreign fund whose fund managers are located in India to resolve a long-standing problem.**

The Indian capital markets have been a source of risk capital for a growing India. FM proposed to take a number of measures to further energize these markets including:

- i. **Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.**
- ii. **Introduce one single operating demat account so that Indian financial sector consumers can access and transact all financial assets through this one account.**

As part of **strengthening the regulatory framework for commodity markets, the Warehouse Development and Regulatory Authority (WD&RA)** has begun a transformation plan to invigorate the warehousing sector and significantly improve post-harvest lending to farmers against negotiable warehouse receipts. This plan will be implemented with vigour.

There is an urgent need to **converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS)**. FM propose for adoption of the **new Indian Accounting Standards (Ind AS)** by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of AS Ind for the Banks, Insurance companies etc. Standards for the computation of tax would be notified separately.

#### **Banking (VVIMP)**

To provide all households in the country with banking services, a time bound programme would be launched as **Financial Inclusion Mission on 15 August this year**. It would particularly focus to empower the weaker sections of the society, including women, small and marginal farmers and labourers. Two bank accounts in each household are proposed to be opened which will also be eligible for credit.

Long term financing for infrastructure has been a major constraint in encouraging larger private sector participation in this sector. On the asset side, banks will be encouraged to **extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, sometimes known as the 5/25 structure**. On the liability side, banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL).

After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. **RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force.**

**The rising Non Performing Assets of Public Sector Banks is a matter of concern for the Government. Six new Debt Recovery Tribunals would be set up at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri and Hyderabad.** Government will work out effective means for revival of other stressed assets.

#### **Insurance Sector**

As part of the legislative initiatives under financial sector reforms, **it is proposed to bridge the regulatory gap under the Prize Chits and Money Circulation Scheme (Banning) Act, 1978**. This step is expected to facilitate effective regulation of companies and entities which have duped a large number of poor and vulnerable people in this country.

#### **Small Savings**

Government attaches utmost importance to the **welfare of Girl Child. A special small savings instrument to cater to the requirements of educating and marriage of the Girl Child** will be introduced. **A National Savings Certificate with insurance cover will also be launched to provide additional benefits for the small saver.** In the PPF Scheme, annual ceiling will be enhanced to **1.5 lakh p.a. from 1 lakh at present**.

#### **VII. DEFENCE & INTERNAL SECURITY**

There can be no compromise with the defence of our country. FM therefore propose to allocate an amount of **2,29,000 crore** for the current financial year for Defence.

#### **One Rank One Pension**

We reaffirm our commitment to our brave soldiers. **A policy of "One Rank One Pension"** has been adopted by the Government to address the pension disparities. We propose to **set aside a further sum of 1,000 crore to meet this year's requirement**.



**War Memorial**

The country is deeply indebted to the officers and the jawans of the armed forces for having made huge sacrifices to defend its honour. In doing so a very large number of them gave up their lives. It is a privilege for the nation to erect a befitting memorial in their memory. FM is happy to **announce that a War Memorial will be constructed in the Princes Park. It will be supplemented by a War Museum.** FM is allocating a sum of **100 crore** for this purpose.

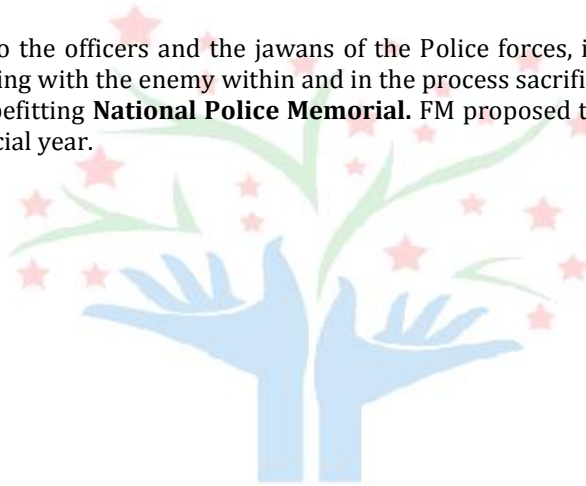
**Internal Security GS PIII)**

The scheme for modernization of state police forces would be reviewed. FM propose to enhance the allocation from a sum of **1,847 crore in the BE of 2013-14 to 3,000 crore in the current financial year.** FM is also **allocating adequate funds for carrying out small but much needed developmental activities as Additional Central Assistance for Left Wing Extremist Affected districts.**

**In order to strengthen and modernize border infrastructure, a sum of 2,250 crore has been set aside. In addition, a sum of 990 crore has been allocated for the socio economic development of the villages along the borders. A sum of 150 crore has also been ear-marked for the construction of Marine Police Station, Jetties, for the purchase of boats etc.**

**National Police Memorial**

The nation is equally indebted to the officers and the jawans of the Police forces, including the central armed police forces, who are constantly engaging with the enemy within and in the process sacrificing their lives in the line of duty. I announce the construction of a befitting **National Police Memorial.** FM proposed to set aside a sum of **50 crores** for this purpose in the current financial year.



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## **VIII. CULTURE & TOURISM (SCHEMES ARE IMP)**

India's rich cultural, historical, religious and natural heritage provides a huge potential for the development of tourism and job creation as an Industry. FM propose to create 5 tourist circuits around specific themes and set aside a sum of 500 crore for this purpose.

**National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD)** shall be launched in this financial year. A sum of 100 crore is being set aside for this purpose.

**National Heritage City Development and Augmentation Yojana (HRIDAY)** will also be launched for conserving and preserving the heritage characters of these cities. To begin with FM proposed to launch this programme in the cities such as Mathura, Amritsar, Gaya, Kanchipuram, Vellankani and Ajmer. FM propose to set aside a sum of 200 crore for this purpose. The Project will work through a partnership of Government, academic institutions and local community combining affordable technologies.

**Archaeological sites preservation requires urgent attention lest our ancient heritage is lost to all future generations.** For this purpose, FM intend to set aside a sum of 100 crore.

'Sarnath-Gaya-Varanasi Buddhist circuit' would also be developed with world class tourist amenities to attract tourists from all over the world.

**Goa has emerged as a major international convention centre.** It has also been declared as the permanent venue for **International Film Festival of India.** There is an urgent need to develop world class convention facilities. This can best be done in close collaboration with the private sector. Government of India will fully support this initiative to develop the facilities in PPP mode through the VGF scheme.

### **Water Resources and cleaning of Ganga**

#### *Linking of Rivers*

**Rivers form the lifeline of our country. They provide water not only for producing food for the multitudes but also drinking water.** Unfortunately the country is not uniformly blessed with perennial rivers. Therefore, an effort to link the rivers can give rich dividends to the country. It is time that we made a serious effort to move in this direction. To expedite the preparation of the Detailed Project Reports, FM propose to set aside a sum of 100 crore.

#### *Sacred Rivers - "Namami Gange" (VVIMP pls refer some articles on water tourism)*

Substantial amount of money has been spent in the conservation and improvement of the Ganga, which has a very special sacred place in the collective consciousness of this country. However, the efforts have not yielded desired results because of the lack of concerted effort by all the stakeholders. FM proposed to set up "Integrated Ganga Conservation Mission" called "Namami Gange" and set aside a sum of 2,037 crores for this purpose.

#### *Development of Ghats and beautification of Riverfront*

**Our Riverfronts and Ghats are not only places of rich historical heritage but many of these are also sacred.** To start this process in the country, FM propose to set aside a sum of 100 crore for Ghat development and beautification of river front at Kedarnath, Haridwar, Kanpur, Varanasi, Allahabad, Patna and Delhi in the current financial year.

#### *NRI Ganga Fund*

NRIs have been a very important contributor to the development process in India, in areas such as education, health and preservation of culture. In this context, to harness their enthusiasm to contribute towards the conservation of the river Ganga, **NRI Fund for Ganga will be set up** which will finance special projects.

## **Science and Technology**

### *Stimulating Investment In Biotechnology*

The development of **biotech clusters in Faridabad and Bengaluru** will be scaled up and taken to the highest international quality. This effort will include **global partnerships in accessing model-organism resources for disease biology, stem cell biology and for high-end electron microscopy.**

The nascent ‘**agri-biotech cluster in Mohali**’ will be scaled up to include **plant-genetic and phenotype platforms.** Secondary agriculture will be a major thrust in Mohali through collaborations in the public and private sector. In addition, **two new clusters, in Pune and Kolkata** will be established.

**Global partnerships will be developed under India’s leadership to transform the Delhi component of the ‘International Centre for Genetic Engineering and Biotechnology’ (ICGEB) into a world-leader in life sciences and biotechnology.**

### *Indian Space Programme*

Several major space missions are planned for 2014-15 which include the **experimental flight of India’s future heavy capacity launcher GSLV Mk-III, one commercial launch of PSLV and two more navigational satellites.**

Our Mars Orbiter spacecraft is in its **300 days long voyage to Planet Mars** along the designated helio-centric trajectory. Mars Orbiter Spacecraft is expected to be orbiting around Mars on **September 24, 2014.**

### **Sports and Youth Affairs**

#### *Sports*

**Sports are an integral part of growing up and personality development.** Unfortunately, in our country, sports have not been main-streamed to date. Government **will set up national level Sports Academies for major games in different parts of the country to mainstream sports.** Academies with international level facilities for training of accomplished athletes and for nurturing best talent in the country at junior and sub-junior level will also be set up for **Shooting, Archery, Boxing, Wrestling, Weightlifting and various Track and field events.**

**Jammu & Kashmir** has a lot of sporting talent which is not finding expression due to inadequate sports facilities. FM propose to provide a sum of **200 crore** for upgrading the indoor and outdoor sports stadiums to international standards in Jammu and in Kashmir Valley.

Govt, also propose to set up a “**sports university in Manipur**”. For this FM is providing a sum of **100 crore** in the current financial year.

**Unique sports traditions have developed in the Himalayan region in the countries and the states that are a part of it.** To promote these, India will start an **annual event to promote these games and would invite countries such as Nepal and Bhutan also to participate in addition to the Indian states such as J&K, Uttarakhand, Himachal Pradesh, Sikkim and the North Eastern States.**

FM also proposed to set aside a **sum of 100 crore** for the training of our sports women and men for the forthcoming Asian and Commonwealth games.

#### *Youth – ‘A Young Leaders Programme’*

**Employment exchanges will be transformed into career centres and in addition for providing information about job availability.** These centers will also **extend counselling facilities to the youth for selecting the jobs best suited to their ability and aptitude.** FM have set aside a sum of **100 crore** for this purpose.

Youth of India are pragmatic and forward looking and wish to be leaders in all fields. **In order to promote leadership skills, FM propose to set up “A Young Leaders Programme”** with an initial allocation of **100 crore.**



## **IX. OTHER PROPOSALS**

### **Displaced Kashmiri Migrants**

Displaced Kashmiri migrants require our special support for rehabilitation. For this, FM intend to provide a sum of **500 crore** in the current financial year.

### **Conservation of Himalayas**

There is a **great need to increase the capacity in the country for Himalayan Studies**. FM proposed to set up a **“National Centre for Himalayan Studies in Uttarakhand”** with an initial outlay of **100 crore**.

### **Academy for Customs**

It is proposed to set up the **“National Academy for Customs & Excise”** at Hindupur in Andhra Pradesh.

### **North Eastern States (Always it is imp we can expect the question on this class room discussion)**

#### **1. Organic Food**

North Eastern Region of India has **tremendous potential for development of organic farming**. With a growing global demand for organic food, people living in the NE states **can reap rich harvest from development of commercial organic farming**. To facilitate this, FM propose to provide a sum of **100 crore** for this purpose in the current financial year.

#### **2. North East Railway Connectivity**

North Eastern Region has suffered from under development and a **sense of isolation due to lack of proper connectivity**. Development of rail system is urgently required to bridge this gap. FM intended to expedite the development of rail connectivity in the region and for this purpose FM proposed to set aside an **additional sum of 1,000 crore over and above the amount provided for in the interim Budget**.

#### **3. 24x7 Channel for the North East- “Arun Prabha”**

TV is a very powerful tool for the expression of cultural identities and for creating greater awareness of the richness of the diversity of our country. To provide a strong platform to rich cultural and linguistic identity of the North-East, a new 24x7 channel called **“Arun Prabha”** will be launched. (Class room discussion)

### **Andaman and Nicobar Island and Puducherry**

**Andaman and Nicobar Island are part of our rich cultural heritage**. In order to tide over communication related problems of the Island, FM propose to allot a sum of **150 crore**.

Similarly, FM propose to provide **188 crore to Puducherry for meeting commitments for Disaster preparedness**.

## **X. BUDGET ESTIMATES - 2014-15**

**Non-Plan expenditure estimates for the Financial Year are 12,19,892 crore**. While preparing Non-Plan estimates due care has been taken to fully provide for all the essential activities. **Additional amounts have been provided for fertilizer subsidy and capital expenditure of Armed Forces**.

**In 2013-14, plan funds to the tune of 4,53,085 crore could be utilised. Plan allocation of `5,75,000 crore in the Main Budget 2014-15 mark an increase of 26.9% over actuals for 2013-14 and have been targeted towards Agriculture, capacity creation in Health and Education, Rural Roads and National Highways Infrastructure, Railways network expansion, clean energy initiatives, development of water resources and river conservation plans.**

Total expenditure estimates thus stands at 17,94,892 crore.

To finance this expenditure, it is estimated that Gross Tax receipts will be 13,64,524 crore. After devolving the share of states, share of centre will be 9,77,258 crore. Non Tax Revenues for the current Financial Year will be 2,12,505 crore and capital receipts other than borrowings will be 73,952 crore. **With the above estimates, fiscal deficit will be 4.1% of GDP and Revenue deficit will be 2.9 per cent of GDP. (FD = 4.1%, RD = 2.9%)**

Previous NDA Government under **Shri. Atal Bihari Vajpayee**, which had made **compulsory 10% allocation of plan funds for North Eastern Region** and had made them **Non-lapsable** in nature. From the current Budget, Govt. has introduced a Statement which will separately show plan allocation made for **North Eastern Region**. In Financial Year **2014-15**, an allocation of **53,706 crore** has been made for **North Eastern Region**. We have further made an allocation of **98,030 crore** for women and **81,075 crore** for child welfare. (all are non-lapsable)

## **PART B**

### **XI. TAX PROPOSALS**

Taxes are important for every economy to fund Government expenditure on security and welfare of its people. FM proposed to introduce measures to revive the economy, promote investment in manufacturing sector and rationalize tax provisions so as to reduce litigation as well as to address the problem of inverted duty structure in certain areas.

#### **Direct Taxes**

With a view to provide relief to small and marginal taxpayers and senior citizens, FM propose to **increase personal income tax exemption limit by 50,000 that is, from 2 lakh to 2.5 lakh in the case of individual taxpayers who are below the age of 60 years**. Similarly, FM also proposed to raise the exemption limit from 2.5 lakh to 3 lakh in the case of senior citizens. (tax slabs were given above)

The education cess for all taxpayers shall continue at 3%.

In the year 2012-13 the gross domestic savings were 30.1% of the GDP as compared to 33.7% in the year 2009-10. **Increase in savings and their productive use leads to higher economic growth**. The households are the main contributors to savings. Therefore, to encourage domestic investment in long term savings, FM proposed to **increase the investment limit under section 80C of the Income-tax Act from 1 lakh to 1.5 lakh**.

Housing continues to be an area of concern for middle and lower middle class due to high cost of financing. Therefore, to reduce this burden, FM proposed to **increase the deduction limit on account of interest on loan in respect of self-occupied house property from 1.5 lakh to 2 lakh**.

**Infrastructure and Construction Sectors** have a significant role in the economy. Growth in these sectors is necessary to revive the economy and generate jobs for millions of our young boys and girls. As stated earlier and with a view to attract large scale investment in these sectors, FM have provided a **conducive tax regime for Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India**.

\*The manufacturing sector is of paramount importance for the growth of our economy. This sector has multiplier effect on creation of jobs. Last year an incentive in the form of investment allowance to a manufacturing company that invests more than 100 crore in plant and machinery during the period from 01.04.2013 to 31.03.2015 was announced. Considering the need to incentivize smaller entrepreneurs, FM proposed to provide investment allowance at the rate of 15% to a manufacturing company that invests more than 25 crore in any year

in new plant and machinery. This benefit will be available for three years i.e. for investments upto 31.03.2017. The Scheme announced last year will continue to operate in parallel till 31.03.2015.

\*FM proposed to **extend the investment linked deduction to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semi-conductor wafer fabrication manufacturing units**. This will boost investment in these two critical sectors.

\*Supply of power continues to be a major area of concern for the country. Therefore, instead of **annual extensions**, FM proposed to **extend the 10 year tax holiday to the undertakings which begin generation, distribution and transmission of power by 31.03.2017**. This stability in our policy will help the investors to plan their investments better.

\***The concessional rate of tax at 15% on dividends received by Indian companies from their foreign subsidiaries has resulted in enhanced repatriation of funds from abroad**. FM proposed to continue with this concessional rate of 15% on foreign dividends without any sunset date. This will ensure stability of taxation policy.

\*In order to **augment low cost long term foreign borrowings for Indian companies**, FM propose to **extend the eligible date of borrowing in foreign currency from 30.06.2016 to 30.06.2017 for a concessional tax rate of 5% on interest payments**. FM also proposed to **extend this tax incentive to all types of bonds instead of only infrastructure bonds**. Govt. hoped this measure will enable the companies to step up their investments in India.

In order to **reduce litigation on transfer pricing issues**, FM proposed to make certain changes in **Transfer Pricing regulations. (VVIMP for mains)**

(1) **An Advance Pricing Agreement (APA) scheme** was introduced in the year **2012**. It has received good response. FM proposed to **strengthen the administrative set up of APA to expedite disposal of applications**. Further, he proposed to **introduce a “Roll Back” provision in the APA scheme so that an APA entered into for future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances**.

(2) In order to align Transfer Pricing regulations in India with the best available practices, FM propose to **introduce range concept for determination of arm’s length price**. However, **the arithmetic mean concept will continue to apply where number of comparable is inadequate**. The relevant data is under analysis and appropriate rules will be prescribed.

(3) As per existing provisions of Transfer Pricing Regulations, **only one year data is allowed to be used for comparable analysis with some exception**. FM proposed to amend the regulations to allow use of multiple year data.

Necessary **legislative amendments to give effect to the above proposals** including those relating to the ‘**Authority for Advance Rulings**’ and ‘**Income-tax Settlement Commission**’ will be moved in the current session of the Parliament.

**Net Effect of the direct tax proposals is revenue loss of ` 22,200 crore.**

### **Indirect Taxes**

Manufacturing sector is under stress due to a variety of reasons. **To boost domestic manufacture as also to address the issue of inverted duties**, FM proposed to **reduce the basic customs duty (BCD) on:**

\***Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils from 7.5% to Nil for manufacture of soaps and oleo-chemicals; (so these rates will falls down)**

\* Crude glycerine from 12.5% to 7.5% and crude glycerine used in the manufacture of soaps from 12.5% to Nil;

\* Steel grade limestone and steel grade dolomite from 5% to 2.5%;



- \* Battery waste and battery scrap from 10% to 5%;
  - \* Coal tar pitch from 10% to 5%
  - \* Specified inputs for manufacture of spandex yarn from 5% to Nil.
  - \* In order to encourage new investment and capacity addition in the chemicals and petrochemicals sector, FM proposed to reduce the **basic customs duty on reformat from 10% to 2.5% ; on ethane, propane, ethylene, propylene, butadiene and ortho-xylene from 5% to 2.5%; on methyl alcohol and denatured ethyl alcohol from 7.5% to 5%; and on crude naphthalene from 10% to 5 %.**
  - \* **The demand for electronics is growing very fast. To boost domestic production and reduce our dependence on imports, FM intended to take the following steps:**
  - \* **Impose basic customs duty at 10% on specified telecommunication products** that are outside the purview of the Information Technology Agreement;
  - \* Exempt all inputs/components used in the **manufacture of personal computers from 4% special additional duty (SAD);**
  - @ Impose education cess on imported electronic products to provide parity between domestically produced goods and imported goods;**
  - @ Exempt 4% SAD on PVC sheet and ribbon used for the manufacture of smart cards.**
  - @ Cathode ray TVs are used by weaker sections who cannot afford to buy more expensive flat panel TVs. FM proposed to exempt colour picture tubes from basic customs duty to make cathode ray TVs cheaper.** The duty concession will help revive manufacturing of TVs in the SME sector and create employment opportunities. At the same time, **to encourage production of LCD and LED TVs below 19 inches in India, FM proposed to reduce the basic customs duty on LCD and LED TV panels of below 19 inches from 10% to Nil.** Further, to encourage manufacture of LCD and LED TV panels, FM proposed to **exempt from basic customs duty specified inputs used in their manufacture.**
  - Solar power:** We need to **maximize our utilization of solar power.** The existing duty structure incentivizes imports rather than **domestic manufacture of solar photovoltaic cells and modules.** Therefore, FM proposed to exempt from basic customs duty:
    - \* Specified inputs for use in the manufacture of EVA sheets and back sheets;
    - \* Flat copper wire for the manufacture of PV ribbons.
    - \* A concessional basic customs duty of 5% is also being extended to machinery and equipment required for setting up of a project for solar energy production.
- To develop renewable sources of energy, FM propose to exempt from excise duty:
- \* EVA sheets and solar back sheets and specified inputs used in their manufacture;
  - \* Solar tempered glass used in the manufacture of solar photovoltaic cells and modules;
  - \* Flat copper wire for the manufacture of PV ribbons for use in solar cells and modules;
  - \* Machinery and equipment required for setting up of a project for solar energy production;
  - \* Forged steel rings used in the manufacture of bearings of wind operated generators;

\* Machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).

**Wind energy:** To promote wind energy, FM proposed to **reduce the basic customs duty from 10% to 5% on forged steel rings** used in the manufacture of bearings of wind operated electricity generators. Also, he proposed to **exempt the SAD of 4% on parts and raw materials required for the manufacture of wind operated generators.**

**Compressed biogas:** Further, FM proposed to prescribe a concessional basic customs duty of 5% on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).

**Highlights:** FM has also undertaken several tax rationalization measures.

At present, **coal attracts customs duties at different rates.** FM proposed to **rationalize the duty structure on all non-agglomerated coal at 2.5% basic customs duty and 2% CVD.** Henceforth, **anthracite coal, bituminous coal, coking coal, steam coal and other coal will attract the same duty.** This will eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.

**Metallurgical coke is manufactured out of coking coal.** The basic customs duty on metallurgical coke is being increased from Nil to 2.5% in line with the duty on coking coal.

**Ships imported for breaking up attract basic customs duty at 5%.** As against this, **melting scrap of iron or steel attracts basic customs duty at 2.5%.** FM proposed to rationalize the duty on ship breaking scrap and melting scrap of iron or steel by reducing the basic customs duty on ships imported for breaking up from 5% to 2.5%.

**Semi-processed, half cut or broken diamonds are presently exempt from basic customs duty.** As against this, **cut and polished diamonds and coloured gemstones attract basic customs duty of 2%.** To prevent misuse and avoid assessment disputes, the basic customs duty on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones is being rationalized at 2.5%. **To encourage exports, pre-forms of precious and semi-precious stones are being fully exempted from basic customs duty.**

Considering the **need to conserve our natural resources,** FM proposed to **increase the export duty on bauxite** from 10% to 20%.

Minimization of harvest and post-harvest losses of agricultural produce is an important measure for tackling food inflation and ensuring food security. The losses in **fruits and vegetables** are mainly due to lack of adequate processing capacity. To incentivize expansion of processing capacity, FM proposed to **reduce the excise duty on specified food processing and packaging machinery from 10% to 6%.**

As a measure of **relief to the footwear industry,** most of which are in SME sector, FM proposed to **reduce the excise duty from 12% to 6%** on footwear of retail price **exceeding 500 per pair but not exceeding 1,000 per pair.** Footwear of retail price up to 500 per pair will continue to remain exempted.

To **encourage sports,** FM proposed to prescribe a concessional excise duty of **2% without CENVAT benefit and 6% with CENVAT benefit on sports gloves.**

FM proposed to **increase the specific excise duty on cigarettes in the range of 11% to 72%.** Similar increases are proposed on **cigars, cheroots and cigarillos.** Likewise, the excise duty is being increased from 12% to 16% on **pan masala,** from 50% to 55% on **unmanufactured tobacco** and from 60% to 70% on **gutkha and chewing tobacco.** FM also proposed to levy an **additional duty of excise at 5% on aerated waters containing added sugar.**

**Clean Energy Cess** is presently levied on **coal, peat and lignite for the purposes of financing and promoting clean energy initiatives and funding research in the area of clean energy.** FM proposed to expand the scope of purposes of levying the said cess to include financing and promoting clean environment initiatives and funding research in the area

of clean environment. To finance these additional initiatives, FM proposed to increase the **Clean Energy Cess from 50 per tonne to 100 per tonne.**

### **Service Tax**

In recent times, among indirect taxes, service tax has shown the highest rate of growth. Since overall objective is to prepare the indirect tax regime for a smooth transition to Goods and Services Tax, changes have been kept minimal at this stage. The twin objectives in this sector of indirect taxes are to widen the tax base and enhance compliance.

To broaden the tax base in Service Tax, it is necessary to prune the **negative list** and exemptions to the extent possible. Accordingly, the negative list has been reviewed and service tax leviable currently, on sale of space or time for advertisements in broadcast media, is being extended to cover such sales on other segments like online and mobile advertising. **Sale of space for advertisements in print media however would remain excluded from service tax.** Similarly, **tax is being proposed on the service provided by radio-taxis to place them on par with rent-a-cab service.** These new levies will come into effect from a date to be notified after the passing of the Finance Bill.

In furtherance of the effort to broaden the tax base, certain exemptions are being withdrawn, including those extended to services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants.

FM had to accept a few requests for exemptions from the social sector, since exemption-induced distortion would be comparatively less in such sectors. At the request of the **Ministry of Agriculture, service tax on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled,** is being exempted to bring it on par with certain other agricultural produce. Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 is being exempted.

**Estimated tax proposals on the indirect taxes side are estimated to yield 7,525 crore.**

### **Proposals which are in the nature of facilitating trade and resolving disputes**

\* Faster clearance of import and export cargo reduces transaction costs and improves business competitiveness. To help achieve these objectives, measures are being initiated **to extend the existing 24x7 customs clearance facility to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.**

\* It is also proposed to implement an '**Indian Customs Single Window Project**' to facilitate trade. Under this, importers and exporters would lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies. This would reduce interface with Governmental agencies, dwell time and the cost of doing business.

\* **The scheme of Advance Ruling in indirect taxes** is being expanded to cover resident private limited companies. This will allow these companies to seek advance ruling in respect of new activities being proposed to be undertaken by them. The scope of Settlement Commission is being enlarged to facilitate quick dispute resolution.

\* To expedite the process of disposal of appeals, **amendments have been proposed in the Customs and Central Excise Acts** with a view to freeing appellate authorities from hearing stay applications and to take up regular appeals for final disposal.