

**INTERIM BUDGET
2019-20
ANALYSIS**

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By

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INTERIM BUDGET 2019-20 ANALYSIS

Introduction

1. The Interim Union Budget for the year 2019-2020 was presented in parliament by the Minister of Finance, Shri Piyush Goyal on 01 Feb 2019. This is the last budget presented by the current govt, as the general elections are planned in Apr/ May of this year. No economic survey was tabled in the parliament this year unlike the previous years. Full budget is expected to be presented by the new Govt in June/July.

2. All the facts and figures brought out in this analysis are taken from the official website of Ministry of Finance. Facts and figures taken from any other sources have been quoted wherever applicable. This analysis is broadly divided into two parts as given below :-

- (a) Part I. Union Budget and Macro Economic Parameters.
- (b) Part II. Defence Budget.

PART I. UNION BUDGET AND MACRO ECONOMIC PARAMETERS

3. **Budget Speech by Finance Minister.** The performance/ major achievements of the present govt during the last five years along with the comparative data of previous govt were brought out in the budget speech by the Finance Minister. Some of the major achievements/ announcements brought out in the speech are placed at Appendix. The three significant announcements are given below :-

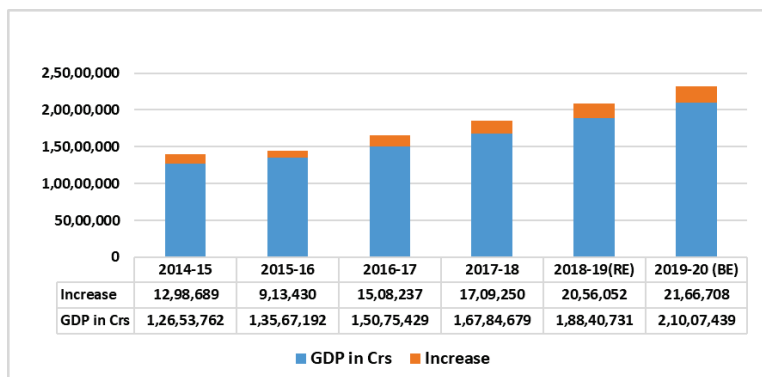
(a) **Pradhan Mantri Kisan SAMman Nidhi (PM-KISAN).** A new scheme (effective from 01 Dec 2018) announced, with a direct income support of ₹6,000 per year for farmers having cultivable land upto 2 hectares. This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of ₹2,000 each. Around 12 crore small and marginal farmer families are expected to benefit. Towards this programme, ₹20,000 Crs have been allocated in RE 2018-19 and ₹75,000 Crs in BE 2019-20.

(b) **Pradhan Mantri Shram-Yogi Maandhan.** A new pension scheme for the unorganised sector workers with monthly income upto ₹15,000 has been announced. This scheme provides a monthly pension of ₹3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age.

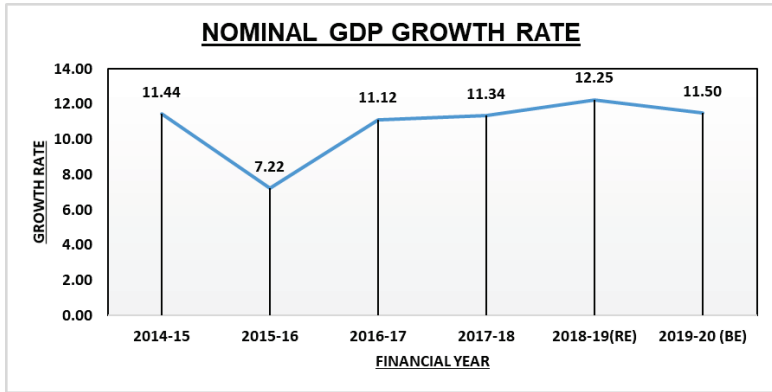
(c) **Income Tax.** Individual taxpayers having taxable annual income up to ₹5 lakhs will get full tax rebate and therefore will not be required to pay any income tax. This will provide tax benefit of ₹18,500 Crs to an estimated 3 crore middle class taxpayers.

4. **GDP.** GDP for BE 2019-20 has been projected at ₹2,10,07,439 Crs in the budget assuming 11.5% (Nominal) growth over the estimated GDP of ₹1,88,40,731 crore for RE 2018-19 . The GDP is projected to grow at nominal rates of 12.1% in 2020-21 and at 12.3% in 2021-22. Indian economy is estimated (as per CSO data) to achieve a growth of 7.2 percent (Real at 2011-12 prices) in 2018-19, higher as compared to 6.7 percent recorded in 2017-18. UN in its report released in Jan 2019, expects Indian GDP to grow at 7.6% (Real) in 2019-20. IMF projected India's GDP growth to be 7.5% in 2019-20. Crisil has projected a figure of 7.3%. World Bank has projected a figure of 7.5%. RBI has projected a growth rate of 7.4%. The prospects for Indian economy for the year 2019-20 need to be assessed in the light of emerging global and domestic developments. The global economy faces certain challenges due to the emerging trade tensions. There is a revival of investment activity in the Indian economy and the recent pick up in the growth of fixed investment can be expected to maintain momentum in the coming year. Majority of the forecasts point to a marginal increase in GDP growth rate for India in 2019-20 ranging from 0.1% % to 0.4%. Indian economy is projected to be the fastest growing large economy of the world in 2018-19 and 2019-20. The variation of GDP over the years is given below :-

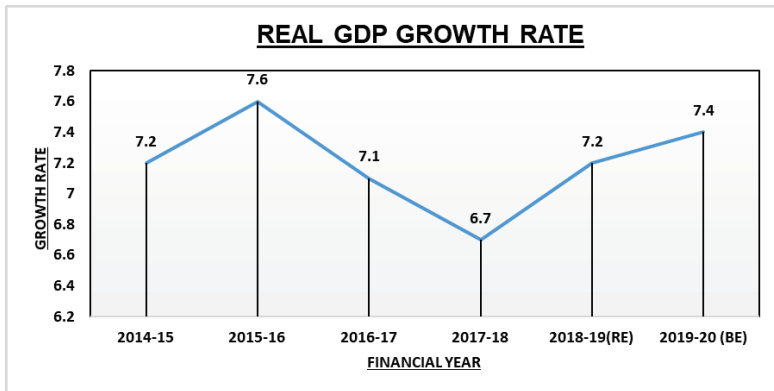
(a) Variation of GDP from 2014-15 to 2019-20 (BE) is given below :-



(b) Variation of Nominal GDP growth rate from 2014-15 to 2019-20 (BE) is given below :-



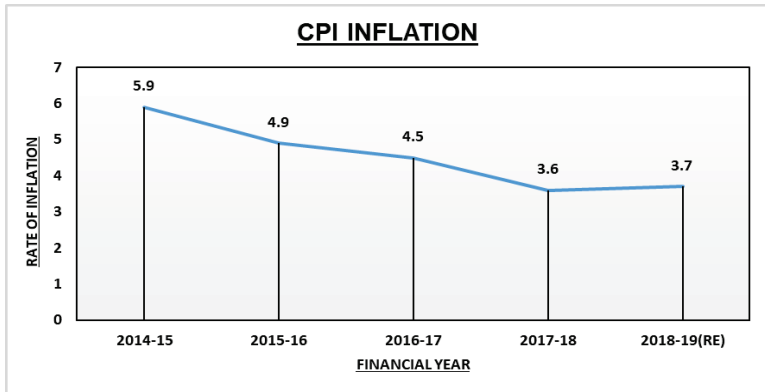
(c) Variation of Real GDP growth rate from 2014-15 to 2019-20 (BE) is given below :-



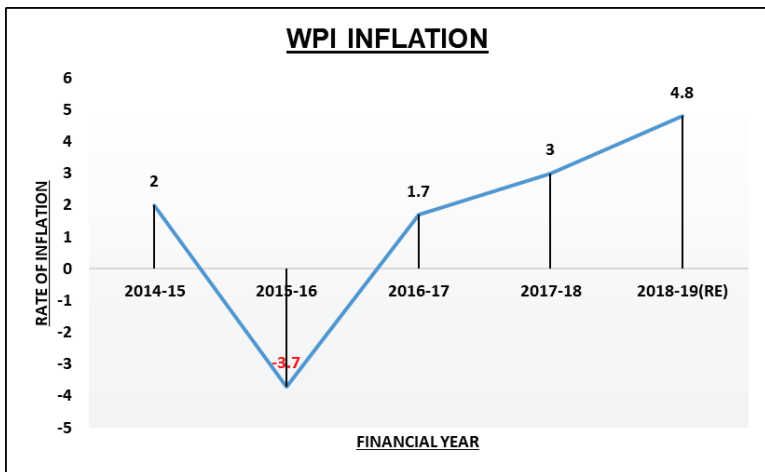
5. **Inflation**. Consumer price inflation has moderated significantly from 9.9 % in 2012-13 to 4.5 % in 2016-17 and 3.6 % in 2017-18. In Apr-Dec 2018, consumer price inflation was within the comfortable limit of **3.7 %** and is likely to moderate further in coming months. Inflation based on Wholesale Price Index (WPI) averaged **4.8 %** in the Apr-Dec 2018. The WPI inflation was 3.0 % in 2017-18 and 1.7 % in 2016-17. WPI index has a higher weight of fuel as compared to CPI index and the CPI index has a higher weight of food & beverages. With the increase in crude oil prices, the WPI inflation started

increasing from 2016-17. The Government, in consultation with RBI has fixed the inflation target of 4 % with tolerance level of (+/-)2 % for the period beginning from 5th August 2016 to 31st March 2021. The variation of Inflation over the years is given below :-

(a) **CPI Inflation.** The variation of CPI Inflation rate from 2014-15 to 2018-19(RE) is given below :-



(b) The variation of WPI Inflation rate from 2014-15 to 2018-19(RE) is given below :-



6. **Exports.** In Apr-Dec 2018, merchandise exports increased by 10.2 % to US\$ 245.4 billion from US\$ 222.8

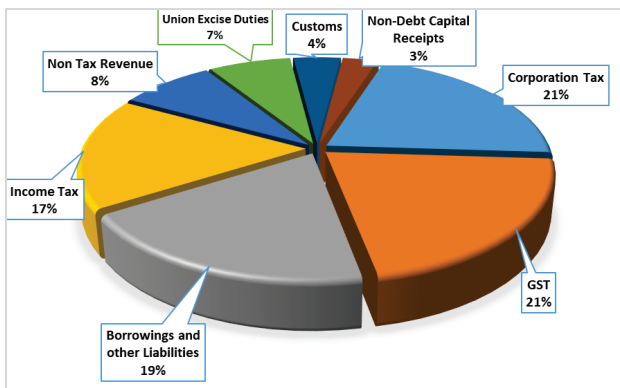
billion in the corresponding period of the year 2017. This compares favorably with the 10 % growth in 2017-18.

7. **Imports.** Merchandise imports at US\$ 386.7 billion in Apr- Dec 2018 increased by 12.6 % from US\$ 343.3 billion in Apr-Dec 2017. This growth was lower than the growth of 21.8 % realized during 2017-18. Imports of petroleum, oil and lubricants (POL) increased by 42.9 % in Apr-Dec 2018 to US\$ 108.1 billion from US\$ 75.7 billion in the corresponding period of the previous year, mainly on account of rise in international crude oil prices. Non- POL imports for April-December 2018 increased by 4.1 % to US\$ 278.6 billion from US\$ 267.7 billion in the corresponding period of the previous year.

8. **Trade Deficit.** The Trade Deficit increased by 17.08% to US\$ 141.2 billion during Apr- Dec 2018, from US\$ 120.6 billion in the corresponding period of the previous year. The increase in trade deficit is mainly attributable to rise in international crude oil prices.

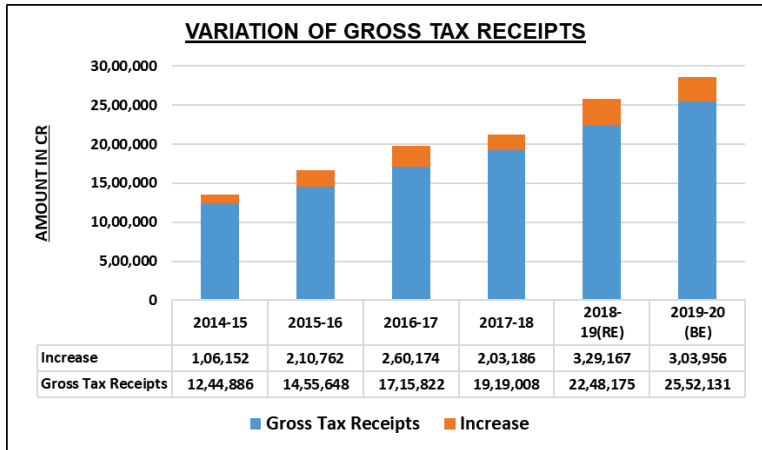
9. **Gross Tax Receipts.** The gross tax receipts for BE 2019-20 is projected at ₹25,52,131 Crs (12.15% of GDP), which is an increase of 13.52 % compared to RE 2018-19 revenue of ₹22,48,175 Crs. Various graphs/ charts regarding Gross revenue receipts are given below :-

(a) The details of projected receipts (where the

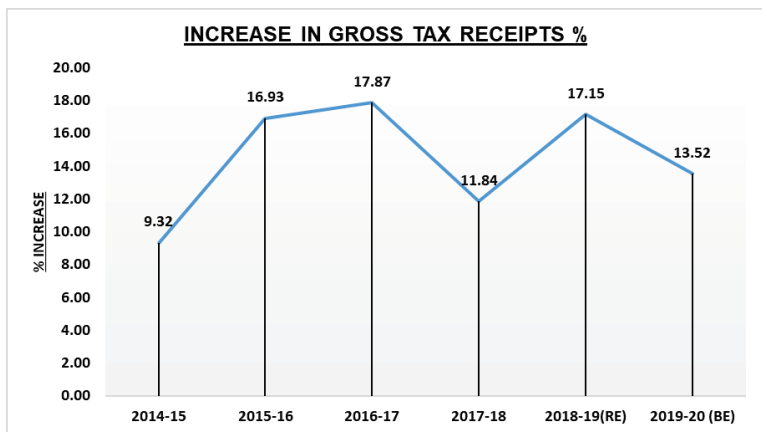


rupee comes from) from various sources in BE 2019-20 are given below :-

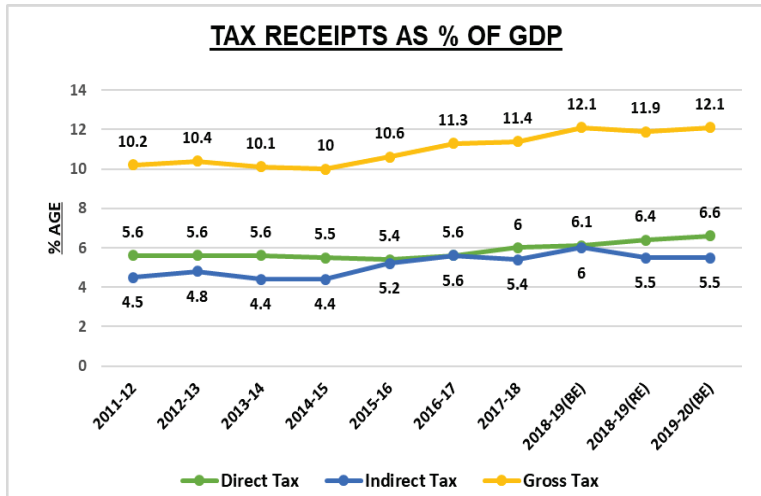
(b) The variation of Gross Tax Receipts from 2014-15 to 2019-20(BE) is given below :-



(c) The % increase in Gross Tax Receipts from 2014-15 to 2019-20(BE) is given below :-

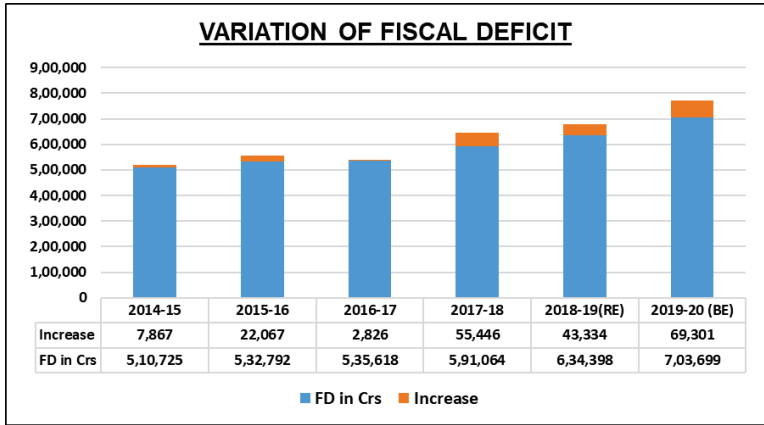


(d) The variation of Gross Tax Receipts as a % of GDP from 2011-12 to 2019-20(BE) is given below :-

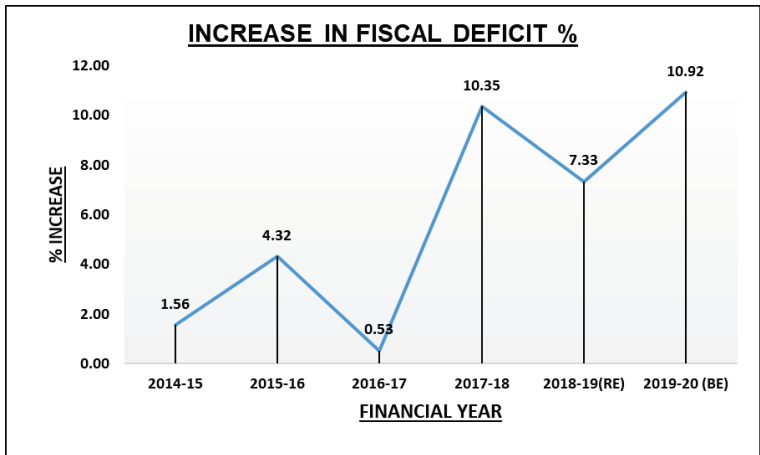


10. **Fiscal Deficit.** The Fiscal Deficit (is the difference between the Revenue Receipts plus Non-debt Capital Receipts and the total expenditure) for BE 2019-20 is projected at ₹7,03,999 Crs (3.4% of GDP against the target of 3.3%) which is an increase of ₹69,601 Crs compared to RE 2018-19 deficit of ₹6,34,398 Crs (3.4% of GDP). The slippage in the target has been attributed to the need for income support to farmers and thereby, the allocation of Rs 75,000 Crs for PM-KISAN scheme. The variation of Fiscal Deficit over the years is given below:-

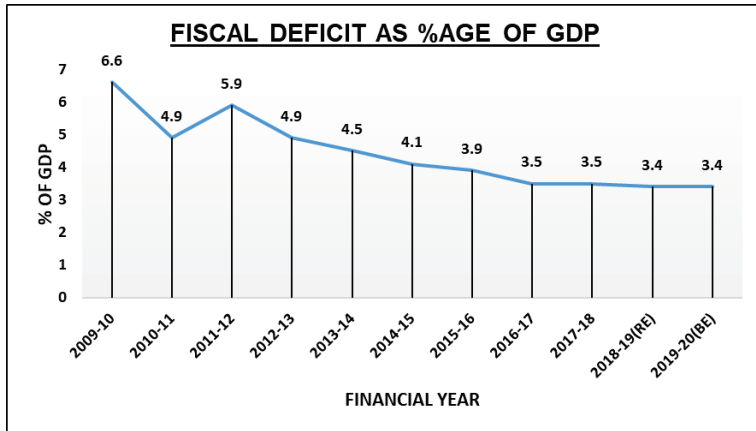
(a) The variation of Fiscal Deficit from 2014-15 to 2019-20(BE) is given below :-



(b) The % increase in Fiscal Deficit from 2014-15 to 2019-20(BE) is given below :-

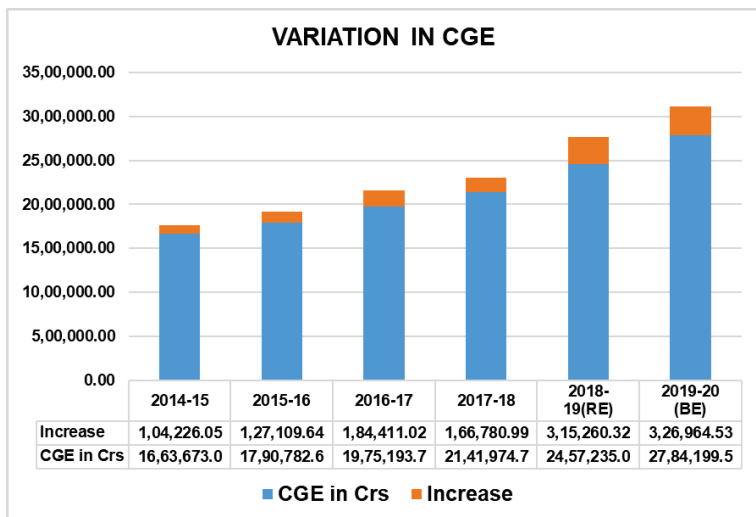


(c) The variation of Fiscal Deficit as a % of GDP from 2009-10 to 2019-20 (BE) is given below:-

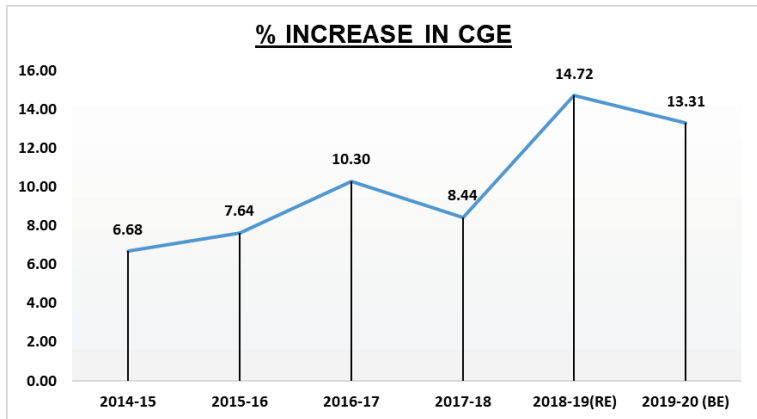


11. **Central Govt Expenditure (CGE).** The CGE for BE 2019-20 is projected at ₹27,84,200 Crs (13.25% of GDP), which is an increase of ₹3,26,965 Crs (13.31%) compared to RE 2018-19 figure of ₹24,57,235 Crs (13.04% of GDP). The increase in CGE over the years is given below :-

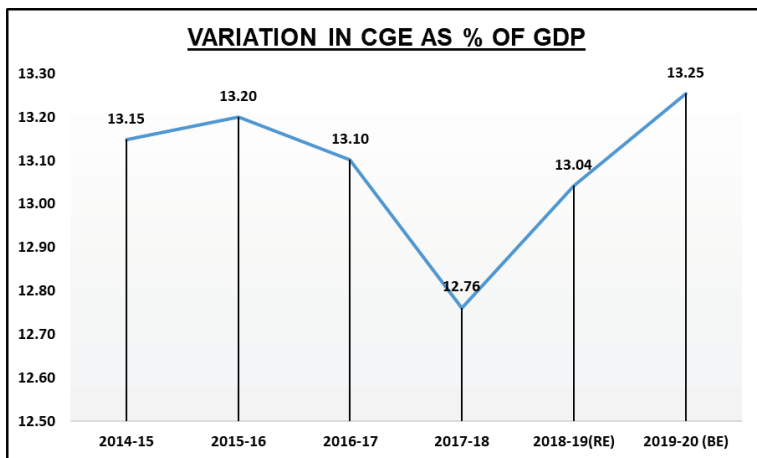
(a) The variation in CGE from 2014-15 to 2019-20(BE) is given below :-



(b) The % increase in CGE from 2014-15 to 2019-20(BE) is given below :-



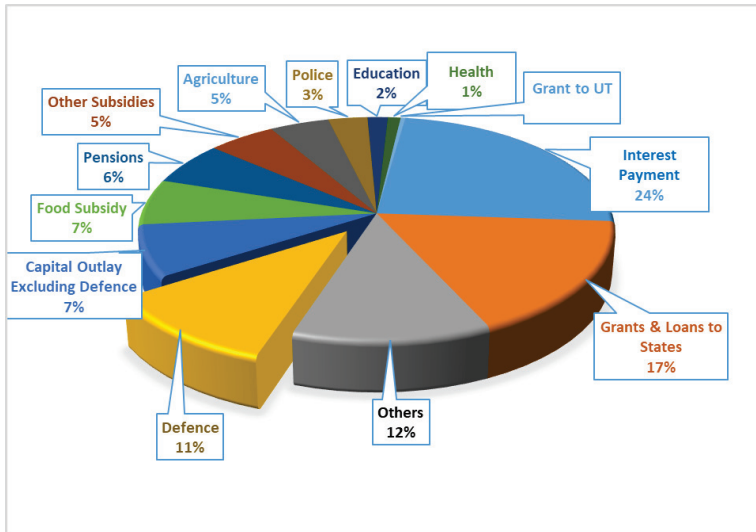
(c) The variation in CGE as a % of GDP from 2014-15 to 2019-20(BE) is given below:-



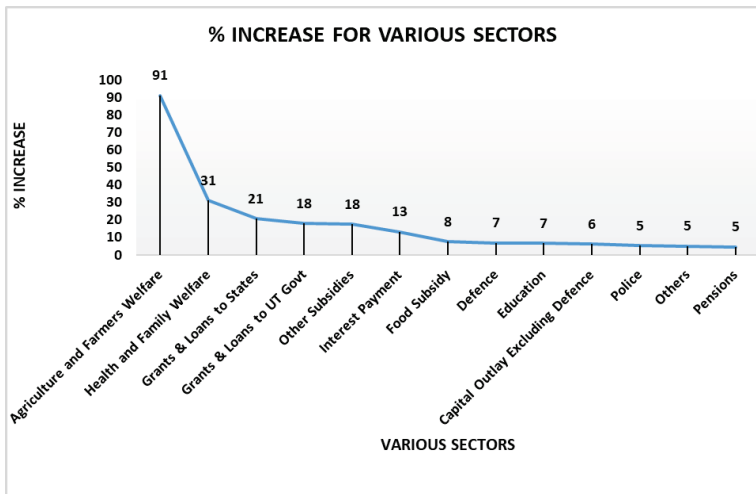
12. **Allocation amongst various Sectors.** The allocation of CGE in BE 2019-20 amongst various items of expenditure is given below :-

Item	RE 2018-19	BE 2019-20	Increase(%)
Grants and Loans to States	3,91,128	4,72,643	81,515 (20.84%)
Interest Payment	5,87,570	6,65,061	77,491 (13.19%)
Department of Agriculture, Co-operation and Farmers' Welfare	67,800	1,29,585	61,785 (91.13%)
Other Subsidies	1,25,370	1,47,321	21,951 (17.51%)
Defence	2,85,423	3,05,296	19,873 (6.96%)
Food Subsidy	1,71,298	1,84,220	12,922 (7.54%)
Capital Outlay Excluding Defence	1,93,105	2,05,213	12,108 (6.27%)
Pensions	1,66,618	1,74,300	7,682 (4.61%)
Health and Family Welfare	21,318	27,981	6,663 (31.26%)
Police	80,739	85,136	4,397 (5.45%)
Education	41,211	44,019	2,808 (6.81%)
Grants and Loans to UT Governments	8,310	9,813	1,503 (10.09%)
Other Expenditure	3,17,345	3,33,612	16,267 (5.13%)
Total Expenditure	24,57,235	27,84,200	3,26,965 (13.31%)

(a) The allocation in each Sector as a % of the CGE is given below :-



(b) The allocation % increase in various sectors in BE 2019-20 is given below :-



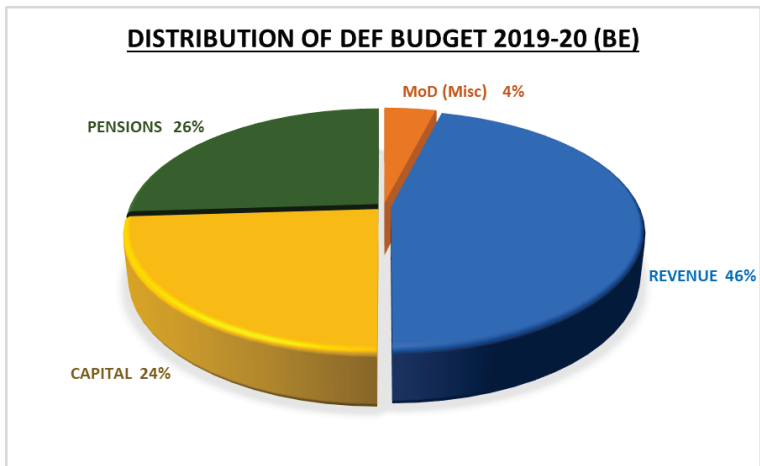
PART II. DEFENCE BUDGET

13. The Finance Minister in his budget speech has stated that **“Our Defence Budget will be crossing ₹3,00,000 crore for the first time in 2019-20. For securing our borders and to maintain preparedness of the highest order, if necessary, additional funds would be provided”**. The Union Interim Budget 2019-20 earmarks ₹4,31,010.79 Crs for the Ministry of Defence (MoD), which is an increase of ₹25,816.94 Crs (6.37%) in comparison to ₹4,05,193.85 Cr budget of RE 2018-19. The breakdown of MoD budget is given below :-

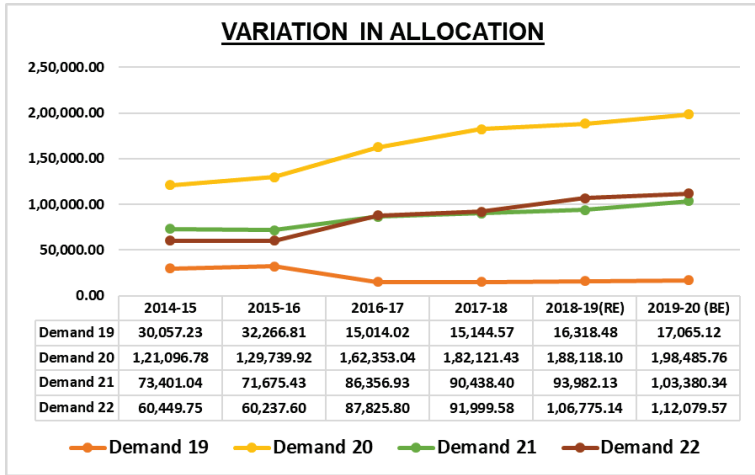
(₹in Crs)

<u>Ser</u>	<u>Head</u>	<u>Demand No.</u>	<u>Amount in Cr</u>	<u>%age</u>
(a)	MoD (Misc)	19	17,065.12	3.96
(b)	Def Services (Rev)	20	1,98,485.76	46.05
(c)	Def Services (Cap)	21	1,03,380.34	23.99
(d)	Defence Pensions	22	112079.57	26
Total Outlay			4,31,010.79	100

(a) The composition of various demands in the Defence Budget are given below :-



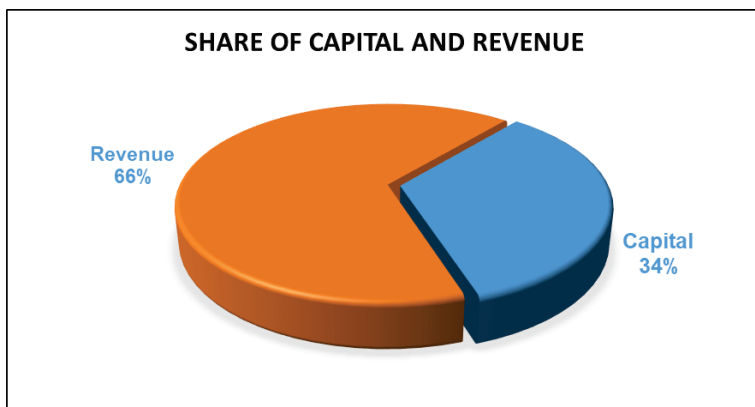
(b) The variation in allocations amongst various demands of defence budget are given below :-



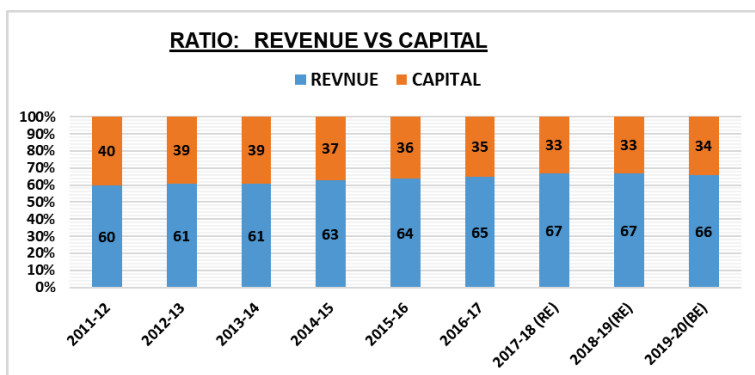
14. The Defence budget (as tabled in parliament consists of the sum total of allocations in Demand No 20 (Revenue), Demand No 21 (Capital) and Allocations for ECHS & Military Farms in Demand No 19. It excludes allocations of Demand No 22 (Defence Pensions) and Demand No 19 (MoD Misc), except ECHS and Mil Farms allocations. Accordingly, the Defence Budget for BE 2019-20 works out to ₹3,05,296.07 Crs as given below :-

	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>
Demand No 20	1,98,485.76	-	1,98,485.76
Demand No 21	-	1,03,380.34	1,03,380.34
ECHS	3,130.54	13.97	3,144.51
Mil Farms	285.46	-	285.46
Total	2,01,901.76	1,03,394.31	3,05,296.07

(a) The share of Revenue Vs Capital is as depicted below:-



(b) The ratio of Revenue Vs Capital in the total defence budget from FY 2011-12 to 2019-20(BE) is as shown below:-

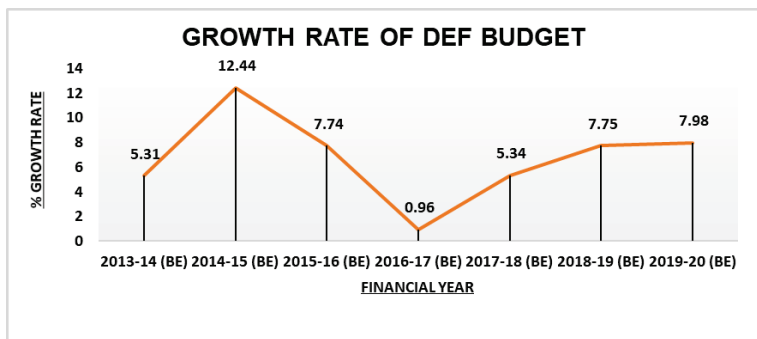


15. **Analysis of Defence Budget.** A comparison of Defence Budget (BE) over the years is given below :-

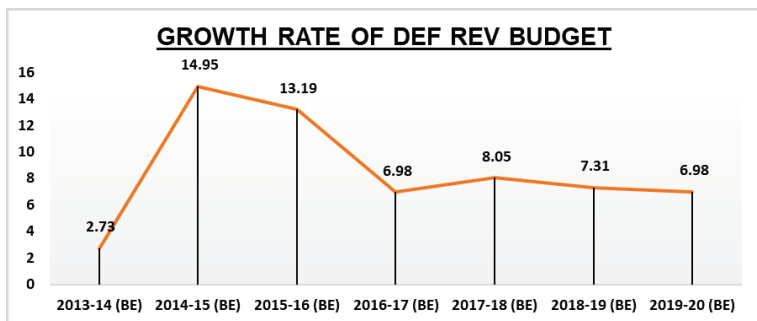
	<u>2014-15</u> <u>(BE)</u>	<u>2015-16</u> <u>(BE)</u>	<u>2016-17</u> <u>(BE)</u>	<u>2017-18</u> <u>(BE)</u>	<u>2018-19</u> <u>(BE)</u>	<u>2019-20</u> <u>(BE)</u>
Defence Budget	2,29,000	2,46,727	2,49,099	2,62,389.81	2,82,733.27	3,05,296.07
Growth (%)	12.44	7.74	0.96	5.34	7.75	7.98
Revenue	1,34,412.05	1,52,139.0	1,62,759.	1,75,861.16	1,88,722.72	2,01,901.76
YoY % Increase	14.95	13.19	6.98	8.05	7.31	6.98

	<u>2014-15</u> <u>(BE)</u>	<u>2015-16</u> <u>(BE)</u>	<u>2016-17</u> <u>(BE)</u>	<u>2017-18</u> <u>(BE)</u>	<u>2018-19</u> <u>(BE)</u>	<u>2019-20</u> <u>(BE)</u>
Capital	94,587.95	94,588.00	86,340.0	86,528.65	94,010.55	1,03,394.31
YoY % Increase	9.05	0.00	-8.72	0.22	8.65	9.98
%age of GDP	1.75	1.65	1.63	1.57	1.51	1.45

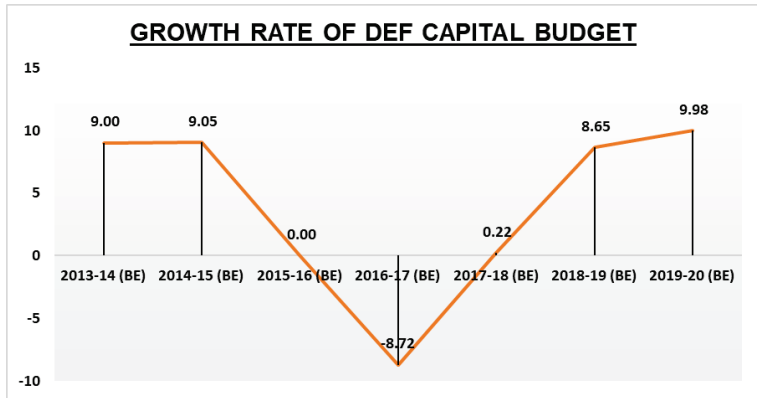
(a) The growth % of Def budget over the last seven years is given below :-



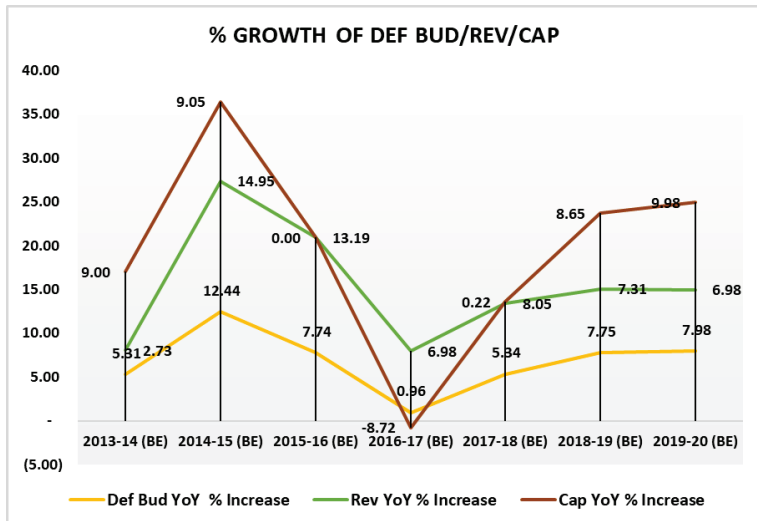
(b) The % growth of Def Revenue budget over the last seven years is given below :-



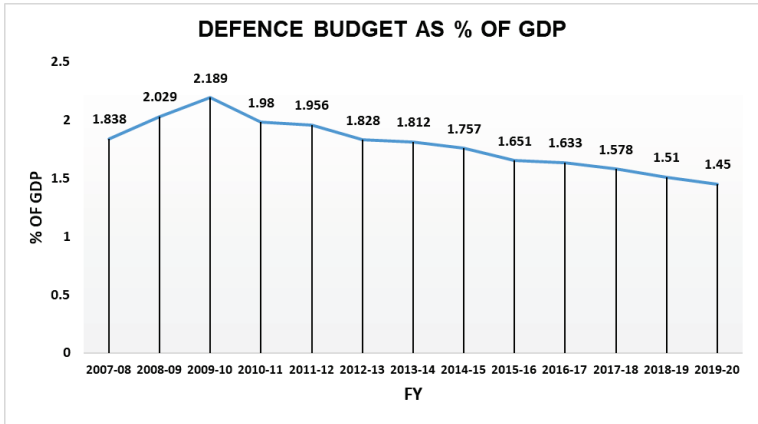
(c) The % growth of Def Capital budget over the last seven years is given below :-



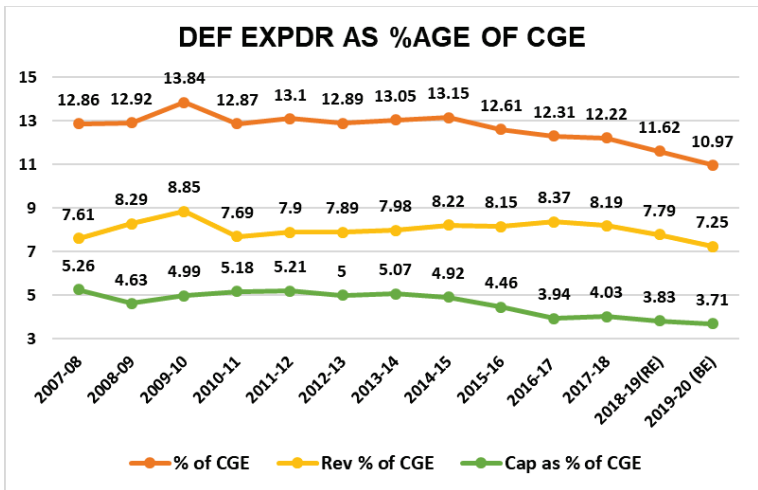
(d) The % growth of Total, Revenue and Capital budget over the last seven years is given below :-



(e) The variation of Def budget as % of GDP from 2007-08 is given below :-



(f) The variation of Defence budget as a % of CGE:-



16. **MTEF Projections.** The following are projected for the years 2020- 21 and 2021-22 :-

(a) The Fiscal Deficit is projected to be 3.0% of the GDP in both the years compared to the RE 2018-19 figure of 3.4%.

(b) The gross tax revenue is projected to be 12.1% for 2020-21 and 12.25% for 2021-22 compared to the RE 2018-19 figure of 11.9%.

(c) The nominal GDP is projected to grow at 12.1 % and 12.3 % respectively in 2020- 21 and 2021-22 compared to the growth of 11.5% projected for BE 2019-20 .

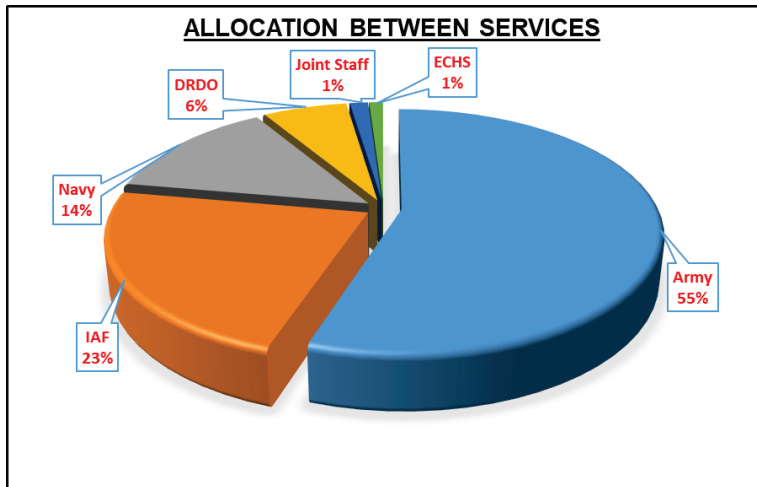
(d) **BE Allocation 2019-20 Vs MTEF Projection.**

	Revenue	Capital
MTEF Proj (Rev)	2,05,975.00	1,09,353.00
BE for 2019-20	2,01,901.76	1,03,394.31
Variation	-4,073.24	-5,958.69

17. **Allocation amongst the Services/Depts.**

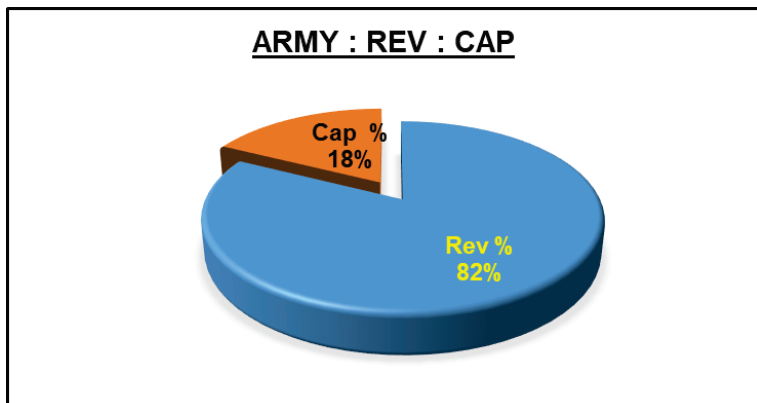
<u>Ser</u>	<u>Service</u>	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>	<u>%age</u>
(a)	Army	1,38,085.19	29,447.28	1,67,532.47	54.88
(b)	Navy	19,031.2	22,227.53	41,258.73	13.51
(c)	IAF	29,601.69	39,302.64	68,904.33	22.57
(d)	Joint Staff	3,180.51	928.9	4,109.41	1.35
(e)	OFB	50.58	884.05	934.63	0.31
(f)	DRDO	8,536.59	10,484.43	19,021.02	6.23
(g)	ECHS	3,130.54	13.97	3,144.51	1.03
(h)	Military Farms	285.46	0	285.46	0.09
(j)	DGQA	0 (Incl in Army)	10.96	10.96	0.00
(k)	Projects of the Army and Air Force	0	94.55	94.55	0.03
	Total	2,01,901.76	1,03,394.31	3,05,296.07	100.00

(a) The share of allocation amongst various Services/ Depts is given below :-

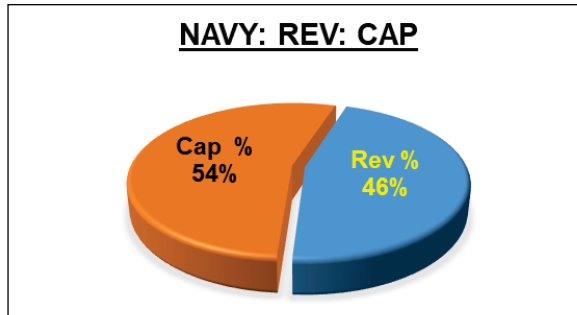


(b) The ratio of Revenue to Capital budget for BE 2019-20 for Army, Navy, Air Force and Joint Staff is given below :-

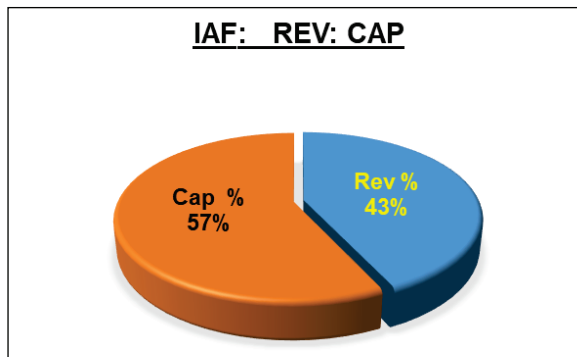
(i) **Army.**



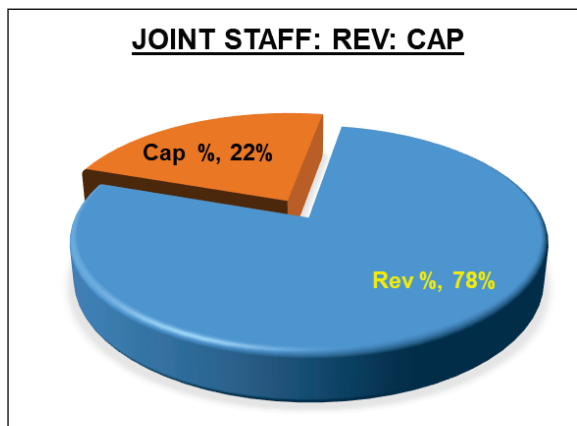
(ii) Navy.



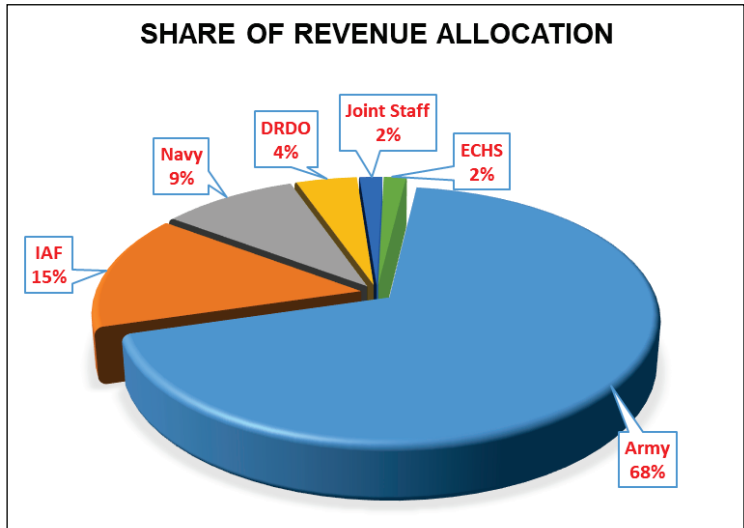
(iii) IAF.



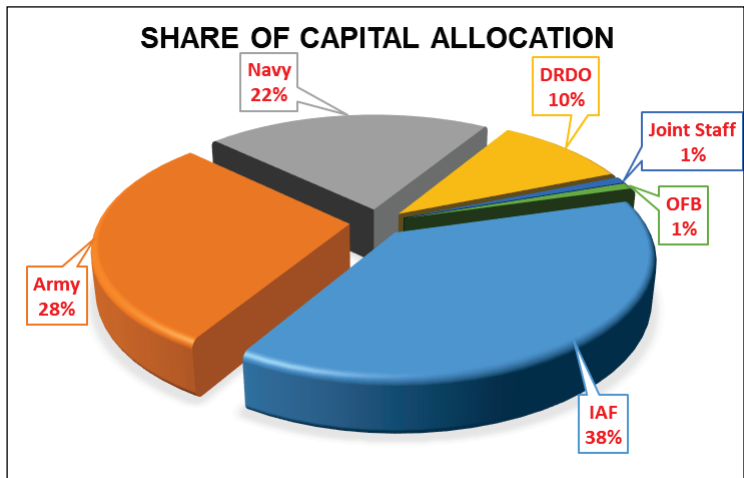
(iv) Joint Staff.



(c) The share of Revenue allocation amongst various Services/ Depts is given below :-

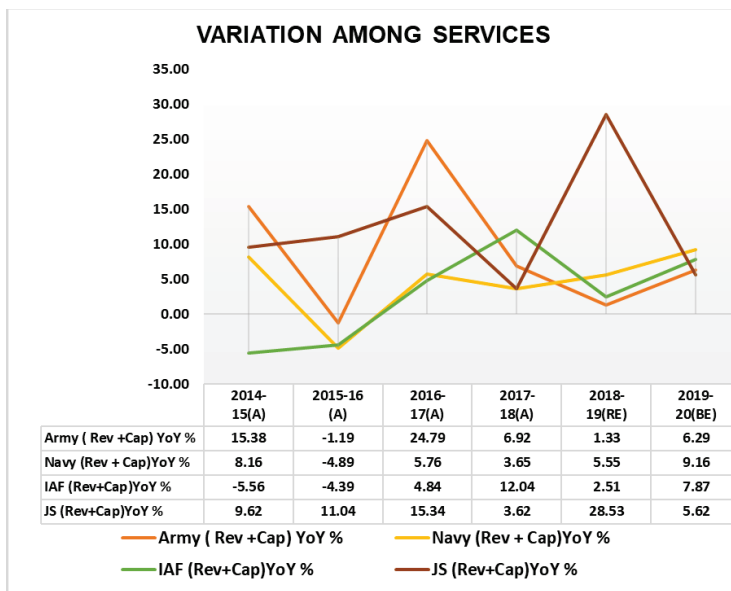


(d) The share of Capital allocation amongst various Services/ Depts is given below :-

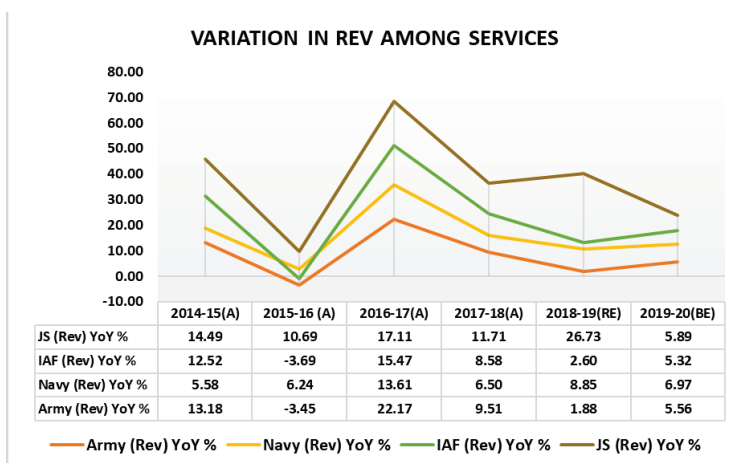


(e) The variation of % increase in budget amongst Army, Navy, Air Force and Joint Staff in last five years is given below :-

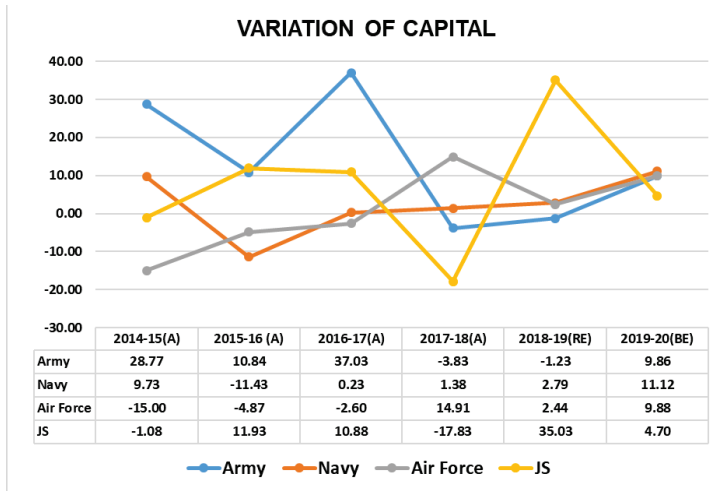
(i) **Total Budget.**



(ii) **Revenue .**



(iii) **Capital.**



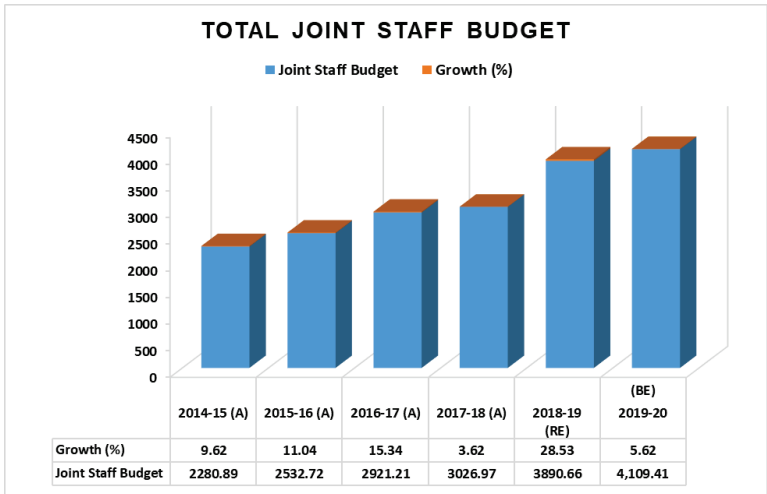
17. **Joint Staff.** The budget allocated to Joint Staff in BE 2019-20 is given below:-

	<u>2019-20 (BE)</u>	<u>Increase from RE 2018-19</u>
Revenue	3,180.51	177.01 (5.89%)
Capital	928.90	41.74 (4.70%)
Total	4,109.41	

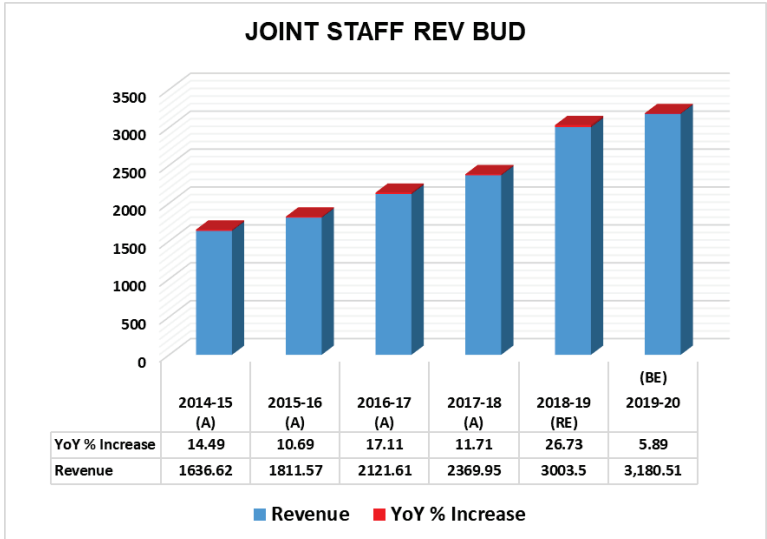
18. The comparison of Joint Staff budget over the years is given below:-

	<u>2014-15 (A)</u>	<u>2015-16 (A)</u>	<u>2016-17 (A)</u>	<u>2017-18 (A)</u>	<u>2018-19 (RE)</u>	<u>2019-20 (BE)</u>
Joint Staff Budget	2280.89	2532.72	2921.21	3026.97	3890.66	4,109.41
Growth (%)	9.62	11.04	15.34	3.62	28.53	5.62
Revenue	1636.62	1811.57	2121.61	2369.95	3003.50	3,180.51
YoY % Increase	14.49	10.69	17.11	11.71	26.73	5.89
Capital	644.27	721.15	799.60	657.02	887.16	928.90
YoY % Increase	-1.08	11.93	10.88	-17.83	35.03	4.70

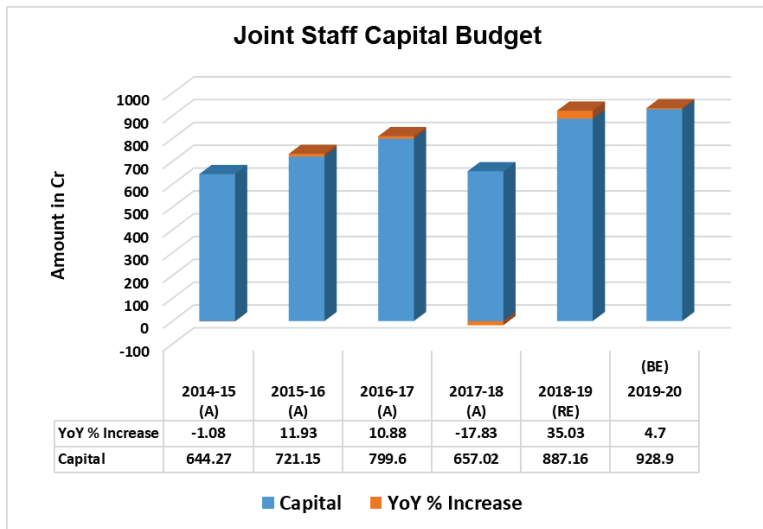
(a) **Total Budget**



(b) **Revenue.**



(c) **Capital.**



19. **Progress on Defence related Announcements made in Budget Speech of 2018-19.** The update is given below :-

(a) **Construction of Sela Tunnel.** Detailed Project Report (DPR) for construction of Sela Tunnel has been finalized and administrative approval has been issued on 23 Oct 2018. The work is planned to be completed in three years.

(b) **Defence Industrial Production Corridors.** It has been decided to set up one defence production corridor each in Uttar Pradesh and Tamil Nadu. Six nodal points have been identified in Uttar Pradesh and five in Tamil Nadu. Consultants have been appointed for preparation of DPRs. Defence Production Policy (DPrP) is under finalisation.

20. **Vote on Account.** Lok Sabha makes a grant to cover expenditure for a part of the financial year (April to

July), pending detailed consideration and passing of the Demands for Grants for the full year. Broadly, the provision represents 1/3rd of the estimated gross expenditure exhibited in the Demands for Grants, 2019-20, except in certain cases where the expenditure is not uniformly spread over the year and larger provision is required to meet the likely expenditure during April to July, 2019. The amount in excess requested in Vote on Account for Revenue and Capital heads of Defence Budget is given below :-

(a) **Demand No.20 (Revenue)**. An additional provision of ₹13,833.73 (voted) in the Revenue Section has been provided for meeting deferred expenditure of 2018-19 and contractual obligations of 2019-20 including payments to HAL, foreign vendors, refit/repairs of ships, machinery spares, aviation stores, weapon spares, POL and arrears of Standard Table Rent.

(b) **Demand No.21 (Capital)**. An additional provision of ₹37,423.98 (voted) in the Capital Section has been provided for meeting deferred expenditure of 2018-19 and contractual obligations of 2019-20, land acquisition in Srinagar, funds to DRDO, runway resurfacing, machine & Equipment etc.

SUMMARY OF ANALYSIS

21. **Interim Budget**. The interim budget was announced by the Govt on 01 Feb 19 and the full budget is expected to be tabled in the parliament by the new govt in June/ July 2019. The full budget allocations may vary from the interim allocations and would depend on the priorities of the new govt. However, it is unlikely that there would be any large variations in defence allocations.

22. **GDP**. Indian economy is likely to be the fastest growing large economy of the world for the second year in a row. The headwinds could be weak monsoon, natural disasters, adverse impact of global trade tensions and sharp rise in oil prices. The probability of the adverse impact of these factors in the near term (2019-20) is very low and the growth momentum is likely to continue at an average estimated GDP growth rate of 7.3 to 7.5%.

23. **Inflation**. The inflation figures in the recent years have been under control and projected to be under control in the immediate future. The major head winds would be weak monsoon and sharp increase in oil prices. The adverse effect of both the factors is less probable in the near term (2019-20) and the average inflation is likely to be maintained at 4 to 6%.

24. **Tax Receipts**. There has been a shortage of one Lakh Crores in GST collections between BE and RE of 2018-19. The tax receipts for 2019-20 is projected to increase at 13.52 % compared to RE 2018-19. There would be a marginal effect on the income tax collections due to the tax benefit announced for income group upto five Lakhs per annum.

25. **Fiscal Deficit**. The fiscal deficit has been projected to be at 3.4% of GDP in BE 2019-20 against the targeted 3.3%. The target could not be achieved due to increase in allocation towards farmers welfare.

26. **Central Govt Expenditure**. The YoY % increase in CGE for BE 2019-20 is planned to be 13.31%. The max % increase has been in Agriculture/ farmers welfare (91.13%), Health (31.26%) and Grants / Loans to States (20.845), while increase in Defence is only 6.96%. The Defence budget forms 11% of the total CGE.

27. **Total Defence Budget**. As is widely accepted, the sum total of Revenue (D.No 20), Capital (D.No 21) and allocations

for ECHS and Mil Farms (D.No19) are taken as Defence Budget for analysis. There has been a YoY % increase of 7.98% in BE 2019-20 compared to BE of 2018-19 and an increase of 6.96% compared to RE of 2018-19.

28. **Revenue Vs Capital**. The ratio of revenue Vs capital budget in BE 2019-20 is 66:34 compared to 67:33 in RE 2018-19. The YoY % increase for revenue budget is 6.98% compared to 9.98% increase of Capital Budget. This indicates a change in the past trend towards improving the ratio in favour Capital share.

29. **Defence Budget as a % of GDP**. The Defence budget as % of GDP for BE 2019-20 is 1.45% compared to 1.51% for BE 2018-19. The reduction is following the past trend and is likely to continue the same way in the near term.

30. **Allocation VS MTEF Projection**. The Def Budget allocations in BE 2019-20 are lower in both revenue (-4,073.24 Crs) and capital (-5,958.69 Crs) in comparison with MTEF projections.

31. **Comparison of Army, Navy, Air Force and Joint Staff Budgets**. A comparison of various budget statistics of the Services is given below :-

	Total as % of Def Bud	YoY inc in %	Rev as % of Def Bud	YoY inc in %	Cap as % of Def Bud	YoY inc in %	Ratio of Rev and Cap
Army	54.88	6.29	68.39	5.56	28.48	9.86	82:18
Navy	13.51	9.16	9.43	6.97	21.50	11.12	46:54
AF	22.57	7.87	14.66	5.32	38.01	9.88	43:57
JS	1.35	5.62	1.58	5.89	0.90	4.70	78:22

CONCLUSION

32. Indian economy is likely to be the fastest growing large economy for the second consecutive year in 2019-20. The growth forecast in the near future also looks bright. The interim budget presented on 01 Feb 2019 projected an increase of 13.31% in Central Govt Expenditure in BE 2019-20 compared to the RE 2018-19. The increase in Nominal GDP and Gross Tax Revenues were projected at 11.5% and 13.52% respectively. However, the YoY increase in Defence Budget was only 6.96 %. Though, the absolute amount allocated to the defence has been increasing over the years, it has not kept pace with the economic growth of the nation.

33. The new schemes announced by the govt are not one time in nature and need recurring allocations in the subsequent budgets. In addition to these recurring commitments, the limited fiscal space projected by the govt may result in such marginal increases in defence budgets in the near future also. The rising Revenue expenditures due to increase in pay & allowances, rising fuel costs and increasing maintenance costs of vintage eqpt would only aggravate the problem of limited resource availability for defence capacity building.

34. There is a need for the Services to identify and implement the measures to reduce the routine maintenance/operational costs and ensure optimum utilisation of the meagre resources for capacity building by prioritisation of the procurements based on threat perception. Savings in revenue expenditure must become a priority for the armed forces so that the we have a favourable ratio of revenue to capital thus leading to better capacity building.

**Appendix
(Refers to para 3)**

MAJOR ACHIEVEMENTS/ ANNOUNCEMENTS
BROUGHT OUT DURING INTERIM UNION
BUDGET SPEECH 2019-20

1. The present govt during its term has reversed the policy paralysis that had engulfed the nation and have restored the image of the country.
2. From being the 11th largest economy in the world in 2013-14, we are today the 6th largest in the world.
3. The average rate of inflation during 2009-2014 was 10.1%. This govt has brought down average inflation to 4.6%.
4. The fiscal deficit has been brought down from the high of almost 6% seven years ago, to 3.4% in 2018-19 RE.
5. The current account deficit (CAD), against a high of 5.6% six years ago, is likely to be only 2.5% of GDP this year.
6. The non-performing assets (NPAs) of Public sector banks amounted to ₹5.4 lakh crore in 2014. Through various measures implemented by the govt, close to ₹3 lakh crore NPAs have been recovered in favour of banks and creditors.
7. Ushered in a new era of transparency and gave a corruption free government. Conducted transparent auction of natural resources.
8. India has achieved 98% rural sanitation coverage and 5.45 lakh villages have been declared “Open Defecation Free.”

9. 10% reservation in educational institutions and Government services for poor.

10. Towards food subsidy for the poor, ₹1,70,000 crores were spent in the year 2018-19 which is almost double the amount of ₹92,000 crores spent in the year 2013-14.

11. 15.80 lakh habitations out of a total of 17.84 lakh habitations have already been connected with pucca roads and work is going on to complete the rest very soon.

12. Till the year 2014, about 2.5 crore families were without electricity. Under 'Saubhagya Yojna', the present govt provided free electricity connection to almost every household. By March, 2019, all willing families will get electricity connection.

13. Launched the world's largest healthcare programme, Ayushman Bharat, to provide medical treatment to nearly 50 crore people. Already close to 10 lakh patients have benefited for medical treatment which would have cost them ₹3,000 crore.

14. Out of 22 AIIMS operating/ being established in the country, 15 have been announced since 2014.

15. For the first time in history, this govt has fixed the minimum support price (MSP) of all 22 crops at minimum 50% more than the cost.

16. **Pradhan Mantri Kisan SAMman Nidhi (PM-KISAN)**. A new scheme with a direct income support of Rs 6,000 per year for farmers having cultivable land upto 2 hectares. This income support will be transferred directly into the bank

accounts of beneficiary farmers, in three equal instalments of ₹2,000 each. Around 12 crore small and marginal farmer families are expected to benefit from this. The programme would be made effective from 01 Dec 18 and the first instalment for the period upto 31st March 2019 would be paid during this year itself. This programme will entail an annual expenditure of ₹75,000 Crs.

17. During the last five years, for providing affordable loans to farmers, the amount of interest subvention has been doubled.

18. All farmers affected by severe natural calamities, where assistance is provided from National Disaster Relief Fund (NDRF), will be provided the benefit of interest subvention of 2% and prompt repayment incentive of 3% for the entire period of reschedulement of their loans.

19. **Pradhan Mantri Shram-Yogi Maandhan**. A new pension scheme for the unorganised sector workers with monthly income upto ₹15,000 has been announced. This scheme provides a monthly pension of ₹3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age.

20. Under Ujjwala Yojana to provide 8 crore free LPG connections, more than 6 crore connections have already been given and the remaining will get free gas connections by next year.

21. Under Pradhan Mantri Kaushal Vikas Yojana, over 1 crore youth are being trained to help them earn a livelihood.

Under MUDRA Yojana, 15.56 crore loans have been disbursed amounting to ₹7,23,000 crore.

22. **Empowering MSMEs and Traders.** Recently, a scheme of sanctioning loans upto ₹1 crore in 59 minutes has been launched. GST- registered SME units will get 2% interest rebate on incremental loan of ₹1 Crore. The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, the material to the extent of at least 3% will be sourced from women owned SMEs.

23. **Government e-Marketplace (GeM).** GeM was created two years ago and transactions of over ₹17,500 crore have taken place, resulting in average savings of 25-28%. The GeM platform is now being extended to all CPSEs.

24. Implemented One Rank One Pension (OROP) and disbursed over ₹35,000 Crs so far.

25. Defence Budget will be crossing ₹3,00,000 Crs for the first time in 2019-20. If necessary, additional funds would be provided.

26. The number of operational airports has crossed 100 with the commissioning of the Pakyong airport in Sikkim. Domestic passenger traffic has doubled during the last five years.

27. Today, India is the fastest highway developer in the world with 27 kms of highways built each day.

28. Indian Railways has experienced the safest year in its history. All Unmanned Level Crossings on broad gauge

network have been eliminated. The Operating Ratio (Ratio of expenses to revenue) is expected to improve from 98.4% in 2017-18 to 96.2% in 2018-19 (RE) and further to 95% in 2019-20 (BE).

29. Allocation for the North Eastern Areas is being proposed to be increased by 21% to ₹58,166 crore in 2019-20 BE over 2018-19 BE.

30. Monthly consumption of mobile data increased by over 50 times in the last five years. The cost of data and voice calls in India is now possibly the lowest in the world. Mobile and parts manufacturing companies have increased from 2 to more than 268 in India.

31. In the last five years, nearly 34 crore Jan Dhan bank accounts were opened.

32. The direct tax collections increased significantly from ₹6.38 Lakh crore in 2013-14 to almost Rs 12 lakh crore this year. The number of returns filed have also increased from 3.79 crore to 6.85 crore showing 80% growth in tax base.

33. Last year, 99.54% of the income-tax returns were accepted as they were filed. Government approved a project to transform the Income-tax Department into a more assessee-friendly one. All returns will be processed in twenty-four hours and refunds issued simultaneously. Within the next two years, almost all verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers.

34. **GST**. In spite of major rate reductions and relaxations in GST, revenue trends are encouraging. The average monthly tax collection in the current year is ₹97,100 crore per month as compared to ₹89,700 crore per month in the first year. The State revenues are improving with guaranteed 14% annual revenue increase for the first five years.

35. The Fugitive Criminal Offenders Act and Demonetisation, have brought undisclosed income of about ₹1,30,000 crore to tax, led to seizure and attachment of assets worth approximately ₹50,000 crore. As many as 3,38,000 shell companies have been detected and de-registered, and their directors disqualified.

36. **Vision 2030**. India is poised to become a Five Trillion Dollar Economy in the next five years and aspire to become a Ten Trillion Dollar Economy in the next 8 years thereafter. The Govt has given ten most important dimensions towards Vision 2030 as given below :-

(a) To build physical as well as social infrastructure for a ten Trillion Dollar economy and to provide ease of living.

(b) To create a Digital India reaching every sector of the economy, every corner of the country and impacting the life of all Indians.

(c) To make India a pollution free nation.

(d) To expanding rural industrialisation using modern digital technologies to generate massive employment.

(e) To clean Rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation using micro-irrigation techniques.

(f) To develop inland waterways faster and exploit our coastline and ocean waters for powering India's development and growth.

(g) To make India the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022.

(h) To make India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way.

(j) To make India healthy. Aim for healthy society with an environment of health assurance and the support of necessary health infrastructure.

(k) To have a proactive and responsible bureaucracy which will be viewed as friendly to people.

37. Fiscal deficit of year 2019-20 at 3.4% of GDP. Target of 3% of fiscal deficit to be achieved by 2020-21. Due to the need for income support to farmers of ₹20,000 crore in 2018-19 RE and ₹75,000 crore in 2019-20 BE the fiscal deficit target could not be maintained. If we exclude this, the fiscal deficit would have been less than 3.3% for 2018-19 and less than 3.1% for year 2019-20.

38. Total expenditure rises from ₹24,57,235 crore in 2018-19 RE to ₹27,84,200 crore in 2019-20 BE, a rise of ₹3,26,965 crore or approximately 13.30%.

39. The allocation in 2019-20 BE for welfare of the Scheduled Castes and Scheduled Tribes has been increased by 35.6% and 28% respectively over BE of 2018-19.

40. The Government received over ₹1 lakh crore from disinvestment proceeds during 2017-18. The Govt confident of crossing the target of ₹80,000 crore this year.

41. India's Debt to GDP ratio was 46.5% in year 2017-18. The FRBM Act prescribes that the Debt to GDP ratio of the Government of India should be brought down to 40% by 2024-25.

42. The existing rates of income tax will continue for FY 2019-20. However, Individual taxpayers having taxable annual income up to ₹5 lakhs will get full tax rebate and therefore will not be required to pay any income tax. Standard deduction is being raised from the current ₹40,000 to ₹50,000.

43. Proposed to exempt levy of income tax on notional rent on a second self-occupied house.

44. TDS threshold on interest earned on bank/post office deposits is being raised from ₹10,000 to ₹40,000. The TDS threshold for deduction of tax on rent is proposed to be increased from ₹1,80,000 to ₹2,40,000.

45. The benefit of rollover of capital gains will be increased from investment in one residential house to two residential

houses for a tax payer having capital gains up to ₹2 crore. This benefit can be availed once in a life time. Also, for giving impetus to the real estate sector, proposed to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.

INDIAN DEFENCE BUDGET – WAY AHEAD

46. The interim Union Budget for the year 2019-2020 presented in Parliament on 01 February 2019 has been applauded by many as a balanced election year budget. Various welfare schemes have found resonance with the masses.

47. Indian economy is expected to grow at 7.2% in 2018-19 and at 7.4% during 2019-20. The Defence budget as % of GDP for BE 2019-20 is 1.45% compared to 1.51% of BE 2018-19. The downward trend is continuing. This trend is required to be reversed and a defence budget of 3% of GDP should be targeted in phases.

48. The Central Government Expenditure (CGE) for BE 2019-20 is projected at 13.25 % of GDP. The Defence budget forms 11% of the total CGE. The year-on-year percent increase in CGE for BE 2019-20 is planned to be 13.31% while increase in defence budget is only 6.96%. (This increment should be raised to a level where defence budget eventually stabilize at 3% of the GDP in the near to mid term.

49. Many perennial shortcomings of the defence budget have remained somewhat unattended. The long pending demand of Rollover Defence Capital Budget is one such problem. A large chunk of the capital budget remains unutilised as it lapses every year whereas long defence procurement procedures take years to streamline the payment schedules. This affects adversely the capacity building up process of the defence forces. The concept of Roll on Budget be implemented for both revenue & capital budget to ensure non-lapsability and optimal utilization.

50. At 1.58% of the GDP the defence budget is by far the lowest. India is a risen, responsible regional power and a global leader. Military is an Essential Element of National Power. A strong military is also essential to ensure long term peace, security and development as also protect and project our national interests. Competing national priorities of education, development and poverty alleviation are well understood, however, these can only be addressed in an environment of peace and stability. Given the regional and global security environment, it is an imperative that India plays its role as a global leader. This can only be achieved, in case we have optimal military power well harmonised with other elements of National Power. To this end it is an imperative that there is a long term (five years) commitment of a budget of 3% of GDP.

51. The limited delegation of financial power by the MoF to MoD in the capital budget plays a crucial role in the non utilisation of budget year on year. The powers delegated to the services are up to Rs 150 Cr, Defence Minister up to Rs 500 Cr, Finance Minister up to Rs 1,000 Cr and by the CCS for all proposals exceeding Rs 1,000 Cr. Since a department

of Defence (Finance) headed by a Secretary level officer is available within the framework of MoD, the present delegation of financial powers of the Defence Minister be raised up to Rs 3000 Cr for speedy progressing the capital procurements of the defence forces.

52. The procurement procedures followed by the armed forces contained in DPP 2016 and DPM 2009 alongwith pre audit requirements (a provision especially applicable to the defence procurements) also need further simplification for accelerating the procurement processes and to bring in the required efficiency in the Defence Expenditure Management.

53. The overstuffed Defence Accounts Department (DAD) organisation plays an important role in regulating the defence expenditure. It needs urgent reforms and should take on the mantle of a facilitator rather than an obstructionist as perceived by many. DAD should improve the systems and procedure, make greater use of ICT and provide useful inputs to the decision makers. There is a strong need to fully migrate to Computer Aided Audit Technique (CAAT) to cope with an e-governance oriented set up. Defence Forces, MoD and CGDA should use a common platform for financial documents so that real time status of expenditure in the procurement process is available to all stake holders.

54. Defence Forces undertake several unplanned aid to civil authorities and disaster management tasks. Expenditure met out of defence allocations for these tasks should be recouped through budgetary process to reduce the pressure on revenue expenditure. Likewise, there is an issue of revenue generation from defence deployments in UN Missions. The

entire earnings go to the consolidated fund of India and there is hardly any linkage between incomes earned with allocation of budget. Such a linkage should be established and a defined portion of earnings from defence resources should be ploughed back into the defence budget for bridging the gap between projection and allocation of funds.

55. Many of the Defence Forces procurement plans go awry or do not see the light of the day due mainly to lack of budgetary provisions corresponding to Long Term Integrated Perspective Plans (LTIPP). There is a need for a budgetary provision for the LTIPP and Technology Perspective and Capability Roadmap (TPCR) after due deliberations.

56. A pragmatic and supportive defence budget, optimally utilized is essential to transform Indian Military Force to Military Power. Military Power being an imperative to ensure India's growth trajectory and rightful position in an emerging global order.

