

Analysis of Interim Budget 2019-20 – An Economic Perspective

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ABSTRACT

This year, the budget generated lots of interest on whether it would be full budget or interim one. Interim means the government is not seeking funds from the parliament to its full year's expenditure but only for four months. The full budget would be presented after the new government is formed at the Centre. Finally the interim budget was presented on February 1, 2019 by Union ministry of Finance, Government of India. Only couples of months were left with the BJP-led NDA government ends before which the next for the general election will be held. Since election may be held in the year 2019, the budget is to be interim one in which it leaves to the next government to present the full budget. The main three proposals of this year's budget are introduction of minimum income support to the small and marginal farmers, introducing the pension scheme for unorganized sector employees and introducing the concept of rural industrialization.

The study also focus on new schemes which were introduced in the budget 2019 such as setting up the RashtriyaKamdhenuAayog, PradhanMantriSharm-yogi Mandhanyojana, PradhanMantriKisanSammanNiddhi Scheme etc.

The main objective of writing this paper is to analysis the impact of interim budget 2019-20 on Indian Stock market and to analysis the interim budget 2019-20 with an economic perspective. This paper offers analytical and descriptive aspects regarding the Interim Budget 2019-20.

1. Introduction

Generally, every year before the day of budget presentation, Economic survey is get prepared under the guidance of Chief Economic Adviser, Finance ministry. The survey includes the view on annual economic development over a previous 12 months, summaries of the performance on major development programs, and highlights the policy initiated by the government and prospects of economy in the short to medium term. In general words, the budget means an estimation of income and expenditure for a particular period of time. The budget can be made for family, business, group of people, a government etc. In other word a budget is the sum of money allocated for a specific purpose and the summary of intended expenditures along with proposals for how to meet the expenditures. Budget can be surplus, in which income is more and expenditure is less while budget can also be deficit, in which expenditure is more and income less. Just couple of months remains with the term of current BJP – led NDA government ends before which the next for the general election will be held. Since the election will be held in the year 2019, the budget is to be Interim one in which it leaves to the next government to present the full budget (Times, 2019). Interim budget means that the governments finds the approval of parliament for bridging the expenditure for the first four months of the fiscal year such as paying salaries, ongoing various programs in different sectors etc. with o changes in the tax structure, until the new government takes over and present a full budget that is revised for the full fiscal(Vikraman, 2019). In a country like India, the budget is prepared under the leadership of finance minister. The first budget of India was presented on February 18th, 1869 by James Wilson, who is also called as the father of Indian Budget.

2. Objective

- To highlight the process of making budget in the world.
- To study the impact of budget on the Indian Stock market.
- To analysis the economic perspective of interim budget 2019-20.

3. Research Methodology

Data collected for the completion of this paper is purely based on secondary sources such as websites of Government of India, documents from the International Monetary Fund, print media, Budget related articles, Books etc.

4. Analysis & Discussion

The interim budget 2019-20, has been announced by the Mr. PiyushGoyal, Union ministry of finance, Government of India, in the parliament on February1, 2019. As finance minister mention in his speech during the presentation of interim budget, India is recognized as a bright spot of the global economy and the nations is in the best phase of macro-economic stability. India is the fastest growing economy with the annual GDP growth rate during last five years, which is higher than the growth achieved by any other government since LPG reforms of 1991 (markets, 2019). The interim budget is focuses mainly on welfare measures, rural development, digital India, economically weaker sections, socially deprived communities and other various policies like MNREGA, PM AwasYojana, etc. The analysis and discussion of interim budget 2019-20 is divided into two parts. First is Indian stock market and Budget 2019-20, secondly economic analysis of Budget 2019-20

5. Indian Stock market and Budget 2019-20

With just a 24 hours left for BJP-led NDA government's pre-budget, speculations were going around whether the finance minister would present the full-fledged budget or following the protocol of presenting the interim budget. Ahead of general election, interim budget was presented by the Union ministers of finance, Government of India, on February 1, 2019. On the day of presentation of the Interim Budget Sensex was almost 400 points up which is consider as a benchmark high for a day.

Just hours ahead of Interim budget, Sensex and Nifty was 80 points up while Nifty was traded above 10,850 points. As budget speech begins, 30 shares of Sensex were going to gain and Sensex was up to 112 points. The moment finance ministry announced about the allocation of Rs 60,000 crore for MNREGA, the Sensex was 139 points up. The moment finance minister announced to double income tax exemption limit up to five lakh, the consumer and consumer discretionary stocks rallied.



Source: Business Today

Though, market little bit was cooled off later on loses in shares of heavyweights including Vedanta, ICICI Bank, Yes Bank, State Bank of India etc. Shares of largest two wheeler maker Hero MotoCorp was 7 percent up, similarly largest passenger car maker Maruti soared 5 percent as well. Agriculture stocks were gained up as farmers schemes were announced. The government had announced income support of Rs 6000 per year for farmers with the land up to 2 hectares at estimate expenses of Rs 75,000 crore under the PradhanMantriKisanSammanNiddhi, adding that the scheme will be funded by Central government.

The Indian Stock market, Sensex and Nifty ended higher after the announcement of interim Budget 2019 which provides a major boost to sentiments. The Sensex was closed on 212 points higher at 36,469.43, while the Nifty closed just short of the 10,900-mark. Auto stocks Maruti Suzuki and Heromotocorp were the biggest gainers in the Sensex, ending up to 7% higher. Agriculture and auto stocks got a boost after favorable announcements made for farmers in Budget 2019. Throughout the day, the majority of the shares of Sensex were traded in the green. Hence it is founded that the interim budget 2019-20, was market friendly.

6. Economic Analysis of Budget 2019

In India, before the day of budget presentation, Economic Survey is get publish under the guidance of chief economic advisor, Ministry of Finance. The Economic survey is the overview of economic condition of the country which includes the overview of various governments project, policies etc. in the survey economic growth are also mentioned but due to election in the couple month, the ruling government presented the interim budget. In the fiscal year 2018-19, the GDP growth rate was 7.3 and In India will move towards 7.5 percent of growth rate during the fiscal year 2019-20, on strengthening the investment robust private consumption (Outlook, 2019). Ahead of general election, the sixth budget presented by BJP-led NDA government, since last few years government of India came with many economic and structural reforms like Demonetization, implementation of Goods and Service Tax, Bankruptcy Code etc. so now it's time to reap the long advantages of the same. The presentation of budget, leads to focus was mainly on increasing the income of small and marginal farmers, supporting the middle class taxpayers and thereby aiding consumption growth, and finally making efforts to revive the ailing real estate sector.

Following are the new schemes which were announced in the interim budget 2019-20

- **PradhanMantriKisanSanmanNiddhi**– under which the farmer who has land up to 2 hectares, they will get Rs 6000 per year through three equal installments. The Government of India had launched this scheme with the expenditure of Rs 75000 crore this scheme will benefits around 12 crore Small and Marginal farmer families, and it would be made effective from December 1, 2018 and the first installment for the period up to March 31, 2019 would be paid during this year itself.
- **RashtriyaKamdhenuAayog**– Allocation of Rs 750 crore is announce on setting up this scheme with the aim of touplescale sustainable genetic up gradation of cow resources and to enhance production and productivity of cows has also been announced. The Aayog will also look after effective implementation of laws and welfare schemes for cow.
- **PradhanMantriShram-Yogi Maandhan** – This scheme is to offer pensionary benefits to at least 10 crore labourers and workers in the unorganized sector. Further the Finance Minister said that within next five years it would be one of the largest pension schemes of the world. A sum of Rs.500 crore has been allocated for the Scheme.

7. Key highlights of interim budget 2019-20

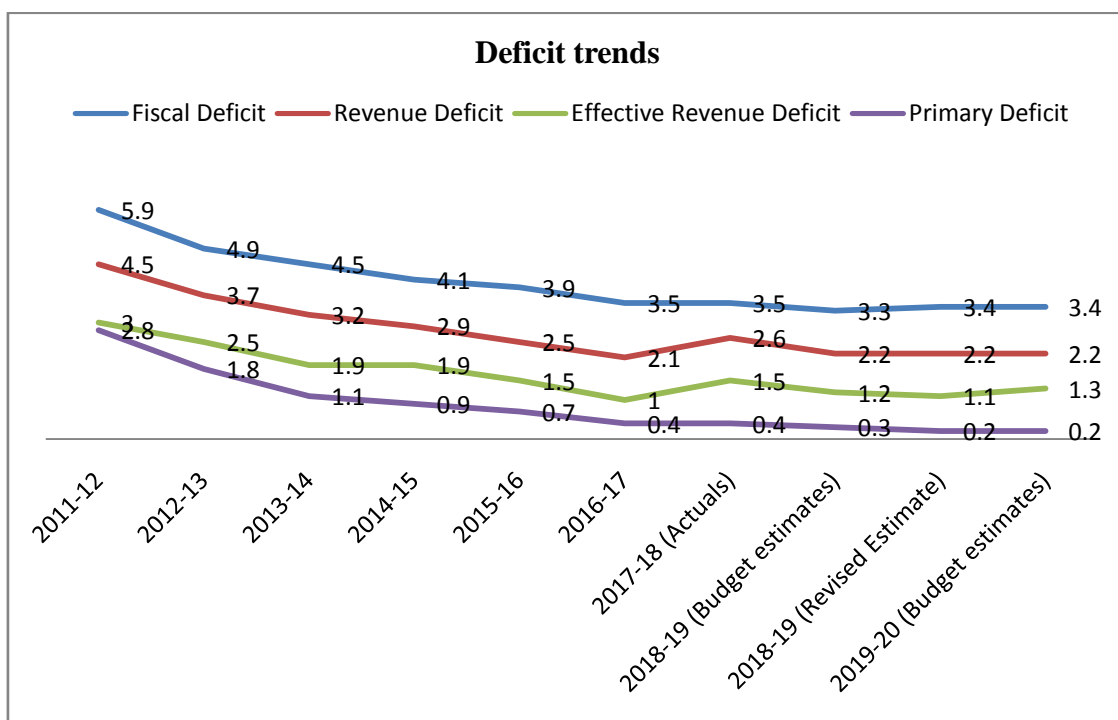
A. Deficit trends and inflation

Fiscal deficit occurs when government revenue falls short of its expenditure. It is also termed as Shortage of revenue. It is a signal of total borrowings required by the government. The fiscal deficit target at 3.4 percent of GDP for fiscal year 2019-20 and fiscal deficit was 3.3 percent of GDP in the year 2018-19

Table 1: deficit trends (% of GDP)

Year	Fiscal Deficit	Revenue Deficit	Effective Revenue Deficit	Primary Deficit
2011-12	5.9	4.5	3.0	2.8
2012-13	4.9	3.7	2.5	1.8
2013-14	4.5	3.2	1.9	1.1
2014-15	4.1	2.9	1.9	0.9
2015-16	3.9	2.5	1.5	0.7
2016-17	3.5	2.1	1.0	0.4
2017-18 (Actuals)	3.5	2.6	1.5	0.4
2018-19 (Budget estimates)	3.3	2.2	1.2	0.3
2018-19 (Revised Estimate)	3.4	2.2	1.1	0.2
2019-20 (Budget estimates)	3.4	2.2	1.3	0.2

Source: Press information bureau(GOI, 2019)



The finance minister also mentions that after the end of the fiscal deficit consolidation program, the government will focus on debt consolidation. He also mentions that the glide way towards our target of 3 percent of fiscal deficit to be achieved by 2020-21. A country's Debt to GDP ratio was 46.5% in the fiscal year 2017-18. The Fiscal Responsibility Budget Management Act prescribes that the Debt to GDP ratio of the Government of India should be brought down to 40% by the year 2024-25.

Inflation is considered as a hidden and unfair tax on the poor and the middle class people. Our government has broken the back of back breaking inflation. The Finance Minister said that the Government has been successful in bringing down average inflation to 4.6% over last five years, which is lower than the inflation during the tenure of any other Government. In fact Inflation in December 2018 was down to 2.19% only. The

average rate of inflation during previous five years 2009-2014 was a backbreaking 10.1%, he pointed out.

B. Tax Bonanza

In the Interim budget 2019-20, seems to be middle class friendly by announcing the income tax exemption for individual taxpayers having taxable income up to 5 lakhs Rs, will not be need to pay any income tax. Even person having an income up to 6.5 lakh also don't need to pay income tax of they make investment in provident fund, insurance or specific savings. Such steps are welcome by increasing the minimum taxable limit which may encourage many other non-salaried individuals to file the correct taxes. By giving the exemption the government is trying to bring more people into formal economy.

C. Digital India

India is now leading in the mobile consumption data. Since, last five year the monthly consumption of mobile data is

got increase by fifty percent. More than three lakh common service centers are employing about 12 lakh people for delivering several services to the citizen digitally. The expansion of CSCs also create digital infrastructure in the villages. The government will make 1 lakh village into digital villages over next five years. This step will improve the education and healthcare services by bringing technologies in to remote villages and it is one of the fastest ways to bridge the gap between rural and urban area.

D. Cleanliness drive

A year 2019, is a 150th birth Anniversary so in tribute to Gandhijee, the Government of India introduced the world's largest behavioral change movement with the Swachh Bharat Mission. India has achieved 98% rural sanitation coverage and as many as 5.45 lakh villages have been declared "Open Defecation Free." It is a holistic programme and has succeeded in changing the mindset of our people. With the people participation, they transformed it from a Government Scheme to a national movement. The people of India, adopted this scheme whole heartily.

E. Allocations to major scheme

- Rs 60000 crore allocated for MGNREGA, the announcement also made about allocating additional fund if required.
- Government increased defence budget to over Rs 3 lakh crore, and the announcement also made about allocating additional amount if required.
- Rs 19000 crore is allocated for PradhanMantri Gram SadakYojana against Rs 15,000 crore in the year 2018-19. During the 2014-18, total number of 1.53 crore houses been built under the PradhanMantriAwasYojana.

- Allocation for Integrated Child Development Scheme is being increased from Rs 23,357 crore in revised estimate 2018-19 to Rs 27,584 crore in budget estimate of 2019-20
- Capital support from the budget for Indian Railway is proposed to Rs 64,587 crore in 2019-20. Vande Bharat Express launches with the world class experience with speed, service, and safety.
- Allocated Rs.27, 584crore for Integrated Child Development Scheme (ICDS).
- Country's Defense Budget will be of Rs 3 lac crore and it will be more if required.
- National Artificial Intelligence will also be developed soon. National Centre on Artificial Intelligence as a hub along with Centers of Excellence has been established.
- Allocated Rs 19,000 Crores for PradhanMantri Gram SadakYojana in 2019-20 and a total number of 1.53 Crores houses have also been constructed under the PradhanMantriAwasYojana.

8. Conclusion

In the recent years, India had emerged towards fastest growing economy and it is also expected one of the top three powers of world in the next ten to fifteen years with the strong democracy and partnerships but it continues to face the challenges related to inequality and exclusion. As per the protocol, the BJP-led NDA government was about to present the interim budget, but it seems to be full-fledged budget to win back rural and urban votes. India is moving towards building a New India by 2022. In the concluding remark from the finance minister, he said "This budget is not merely an interim budget but it shows the country's development path. During the BJP-led NDA government, development has become a mass movement during the year 2014-18."

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