

STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*



www.sib.co.in



ho2099@sib.co.in



September 2014

Theme 274

UNION BUDGET 2014-15 : PART 1

A monthly publication from South Indian Bank

NEXT GENERATION IS GETTING READY



SIB Mobile Banking



Experience Next Generation Banking



<http://www.facebook.com/thesouthindianbank>

Theme No. 274 : UNION BUDGET 2014-15 PART 1

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. The Finance Minister presenting his maiden national budget, expressed concerns over economic slowdown. The budget aims at 7-8 per cent growth over the next three-four years, lower inflation, less fiscal deficit and a manageable current account deficit. We begin this month the discussion on the major announcements in the budget (Part 1) and conclude the same in October 2014 issue (Part 11).

How does the budget view the present state of economy?

The budget targets 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. There is a need to introduce fiscal prudence that will lead to fiscal consolidation and discipline by generating more resources to fuel the economy – improved tax to GDP ratio and increased non-tax revenues. The country witnessed a decline in fiscal deficit from 5.7 per cent of GDP in 2011-12 to 4.8 per cent in 2012-13 and 4.5 per cent in 2013-14, mainly by reduction in expenditure. The external sector witnessed a turn-around with a Current Account Deficit of 1.7 per cent of the GDP against 4.7 per cent in 2012-13, mainly through restriction on non-essential imports and slowdown in overall aggregate demand.

What are the plans for the Expenditure Management Commission?

To achieve the goal “Minimum Government Maximum Governance”, the Government will constitute an Expenditure Management Commission to look into various aspects of expenditure reforms and submit a report within this financial year. The FM 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.

What is the announcement on tax administration?

To improve the confidence of tax payers and to provide clarity in tax laws, the budget proposes approval of the legislative scheme which enables the introduction of GST. This

will streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States. Upon certain retrospective amendments to the Income Tax Act 1961 undertaken through the Finance Act 2012, a few cases have come up in various courts. The budget is very specific on the Government stand to provide a stable and predictable taxation regime, more investor friendly to spur growth. All fresh cases arising out of the retrospective amendments will be scrutinized by a High Level Committee to be constituted by the Central Board of Direct Taxes (CBDT) before any action is initiated in such cases. The budget proposes to make certain legislative and administrative changes in order to reduce litigation in direct taxes and to remove the serious concerns of the tax payers in the country. The scheme of Advance Ruling in indirect taxes will be expanded to cover resident private limited companies. There is also a proposal to enlarge the scope of the Income-tax Settlement Commission for settlement of disputes, as once in a lifetime opportunity for tax payers. A High Level Committee will be set up to interact with trade and industry and on their recommendations, 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

What is the Government stand on FDI?

The country is buying substantial part of our Defence requirements directly from foreign players, controlled by foreign governments and foreign private sector, with huge outflow of foreign exchange. The current FDI limit of 26 per cent has been raised to 49 per cent with full Indian management and control through the FIPB route. The Insurance sector needs an expansion and the composite cap in the 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. To encourage development of Smart Cities, the requirement of the built up area and capital conditions for FDI is being reduced from 50,000 square meters to 20,000 square meters and from USD 10 million to 5 million respectively on a three year post completion lock in with full exemption for projects with at least 30 per cent commitment for low cost affordable housing, on a three year lock-in. The manufacturing units will be allowed to sell its products through retail including E-commerce platforms without any additional approval.

What are the steps planned for Bank capitalization?

The public sector banks require Rs.2, 40,000 crore as equity for implementation of Basel-III norms by 2018. While preserving the public ownership with majority shareholding by the Government, the citizens of India will also get direct shareholding in these banks, which currently they hold indirectly. The PSUs will play a major role in boosting the economy, by investing through capital investment a total sum of Rs 2, 47,941 crore in the current financial year to create a virtuous investment cycle.

What are the new schemes announced for rural development?

Pradhan Mantri Gram Sadak Yojana: A new PMGSY scheme- Rs 14,389 crore.

National Rural Livelihood Mission: Loan to women SHGs at 4% in 100 more districts.

Rural Housing: Rural Housing Fund (RHF) of National Housing Bank (NHB) - Rs 8,000 crore.

Watershed Development: “Neeranchal” with Rs 2,142 crores initially.

Safe Drinking Water: Rs 3,600 crore under National Rural Drinking Water Programme
Health and Family Welfare : AIIMS like institutions at AP, WB, Maharashtra and Poorvanchal.

What are the proposals in the field of education?

School Education: Rs 28,635 crore for Sarva Shiksha Abhiyan and Rs 4,966 crore for Rashtriya Madhyamik Shiksha Abhiyan. “Pandit Madan Mohan Malviya New Teachers Training Programme” with Rs. 500 crore. Rs 100 crore for setting up virtual classrooms as Communication linked Interface for Cultivating Knowledge (CLICK).

Higher Education: Rs. 500 crore for Jai Prakash Narayan National Centre for Excellence in Humanities to be set up in Madhya Pradesh and five more IITs in Jammu, Chattisgarh, Goa, Andhra Pradesh and Kerala. Five IIMs would be set up in the States of Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra.

Digital India: Broad band at villages, for greater transparency in Govt. processes.

Which are the schemes for urban development?

Urban Renewal: Safe drinking water and sewerage management, use of recycled water.

Urban Transportation: Metro , light rail systems, in the PPP mode, through Viability Gap Funding (VGF).

Housing for All: Rs 4,000 crore for National Housing Bank

Minorities: “Up gradation of Traditional Skills in Arts, Resources and Goods” to preserve the traditional arts and crafts. Rs 100 crore for “Modernization of Madarsas”.

What are the plans for development of the Agriculture sector?

Price Stabilization Fund with Rs 500 crore and state governments to develop Farmers’ Markets in town areas to enable the farmers to sell their produce directly.

Agriculture Credit : Rs 8 lakh crore target during 2014-15.

Interest Subvention Scheme for ST Crop Loans: Scheme to be continued in 2014-15.

Rural Infrastructure Development Fund: The corpus raised to Rs 25,000 crore.

Warehouse Infrastructure Fund: Allocation of Rs 5,000 crore for the year 2014-15.

Creation of Long Term Rural Credit Fund: with NABARD - corpus Rs 5,000 crore.

Allocation of STCRC (Refinance) Fund: Rs 50,000 crore during 2014-15.

Producers Development and Upliftment Corpus (PRODUCE): - Rs 200 crore .

Kisan TV : Rs.100 crore for real time information to the farmers.

What are the major announcements for industry and other sectors?

A National Industrial Corridor Authority, in Pune, for transport connectivity linking smart cities.

New smart cities: Chennai-Bengaluru Corridor, Krishnapatnam (AP) & Tumkur (Karnataka)

Micro, Small and Medium Enterprises sector: Rs 10,000 crore to attract private Capital by providing equity, quasi equity, soft loans & risk capital for start-up companies.

Textiles: Trade Facilitation Centre and a Crafts Museum with an outlay of Rs 50 crore.

Infrastructure: Mainstreaming PPPs (3P India) with a corpus of Rs 500 crore.

Shipping : 16 port projects. Rs 11,635 crore for Outer Harbour in Tuticorin.

Inland Navigation: A project on the river Ganga called 'Jal Marg Vikas' (National Waterways-I)

Roads sector: National Highways Authority of India and State Roads -Rs 37,880 crore.

Power: Rs. 100 crore for "Ultra- Modern Super Critical Coal Based Thermal Power Technology."

New & Renewable Energy : Ultra Mega Solar Power Projects in 3 states - Rs 500 crore.

Smart Cities : Rs.7060 crore for developing one hundred Smart Cities.

e-Visa : To be introduced at nine airports facilitating the visa on arrival facility.

REITs & InvITs : A modified Real Estate Investment Trusts (REITs) type structure for infrastructure projects is announced as Infrastructure Investment Trusts (InvITs)

Kissan Vikas Patra: Kissan Vikas Patra (KVP) will be reintroduced.

Skill India : Training and support for traditional welders, carpenters, cobblers, masons & so on.

Pradhan Mantri Krishi Sinchayee Yojana : Irrigation scheme with Rs 1000 crore.

Swatchh Bharat Abhiyan : to cover every household by total sanitation by the year 2019.

Shyama Prasad Mukherji Rurban Mission : Project infrastructure in rural areas.

Deendayal Upadhyaaya Gram Jyoti Yojana : Power supply to rural areas -Rs 500 crore.

Statue of Unity: Largest statue of Sardar Vallabh Bhai Patel - Rs 200 crore.

Welfare of Scheduled Castes/Scheduled Tribes : Rs.50,548 crore and Rs.32,387 crore for welfare plans of SC and ST. Rs. 200 crore has been set aside for young entrepreneurs from SC to provide credit through IFCI. "Van Bhandhy Kalyan Yojana" for tribals with Rs.100 crore.

Welfare of Senior Citizens Varishtha Pension Bima Yojana: Rs 6,095 crore

Empowerment of the Differently Abled Persons: National institutes for Universal Inclusive Design, Mental Health Rehabilitation & Centre for Disability Sports. 15 new Braille Presses, modernization of existing & currency notes with Braille like signs.

Women & Child Development: Rs 50 crore for "Safety for Women on Public Road Transport". & Rs 150 crore for safety of women in large cities. Crisis Management Centres in all the districts of NCT of Delhi this with funding from the Nirbhaya Fund.

Beti Bachao, Beti Padhao Yojana: Rs. 100 crore for awareness and efficiency of delivery of welfare services meant for women.

Gender Mainstreaming: Campaigns to sensitize people to the concerns of the girl child and women including gender mainstreaming in the school curriculum.

Culture & Tourism:1) 5 tourist circuits around specific themes - Rs 500 crore.

2)National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) -Rs. 100 crore. 3)National Heritage City Development and Augmentation

Yojana (HRIDAY) - Rs 200 crore. 4) Archeological sites preservation-Rs 100 crore. 5)

World class convention facilities to Goa in PPP mode through VGF.



HIGHLIGHTS:

FISCAL DEFICIT : Target of 4.1% of GDP for 2014/15 & 3.6% of GDP in 2015/16

GROWTH : Sustained growth of 7-8 % in the next 3-4 years

TAXATION: Approval goods and services tax by end of this year. All pending cases of retrospective tax for indirect transfers to be examined by a high-level committee before action is taken.

FOREIGN DIRECT INVESTMENT: Raises limit on foreign direct investment in defence and insurance sectors from 26 per cent to 49 percent

SPENDING: Capital outlay for defence raised by Rs. 5000 crore over interim budget. Rs. 7060 crore to create 100 "smart cities". Rs. 5000 crore for warehousing capacity; Rs. 10000 crore of private capital for start-up companies; and Rs. 37800 crore of investment in national and state highways.

SUBSIDIES : Plans to make food and petroleum subsidies more targeted. Rural job-guarantee scheme, which provides 100 days of paid employment a year, will become more focused on asset creation

AGRICULTURE: Focus on achieving 4 per cent growth per year in agriculture, farm credit target at 8 lakh crore for 2014/15, long-term rural credit fund with an initial corpus of Rs. 5000 crore



Displaced Kashmiri Migrants : For rehabilitation a sum of Rs 500 crore is provided.

Conservation of Himalayas: National Centre for Himalayan Studies to be set up in Uttarakhand with an initial outlay of Rs.100 crore.

Academy for Customs: Proposal for setting up National Academy for Customs & Excise at Hindupur in Andhra Pradesh.

North Eastern States: Rs 100 crore allocated for development of commercial organic farming.

North East Railway Connectivity: For development of rail system Rs 1,000 crore is provided over and above the amount provided for in the interim Budget.

24x7 Channel for the North East: A new 24x7 channel called "Arun Prabha" will be launched.

National Capital Territory of Delhi : Rs 200 crore for power reforms, Rs 500 crore for water reforms and Rs. 50 crore for construction of long pending Renuka Dam.

Andaman and Nicobar Island and Puducherry: Rs.150 crore to tide over communication related problems of the Island and Rs.188 crore for Puducherry for meeting commitments for Disaster preparedness.



**Your Dream Home
need not remain
just a dream!!!**



**SOUTH INDIAN BANK INTRODUCES
SIX NEW HOUSING LOAN PRODUCTS**

TAILORED TO SUIT THE NEEDS OF:

**| SALARIED CLASS | BUSINESS PEOPLE | NEXT GEN
| AGRICULTURISTS | NRIs | SENIOR CITIZENS**

| The first of its kind home loans focusing on various categories of customers | Reduced interest rates | Margin 10% to 25% | Longer repayment period upto 30 years (depending upon the type of loan) | Flexible repayment options

The South Indian Bank Ltd., Regd. Office, SIB House, P.B. No. 28, Thrissur, Kerala, PIN-690 001,
Ph: 0487 2420020, Fax: 0487 2426187, Toll Free (India): 1800-843-1800, 1800-425-1809 (BSNL)
Email: sibcorporate@sib.co.in | CIN : L65191KL1929PLC001017

South Indian Bank is a member of BCSBI and is committed to treat customers in a fair,
transparent and non-discriminatory manner.

 <http://www.facebook.com/thesouthindianbank>



Experience Next Generation Banking