

## Theme:

- On 1st Feb 2021, Finance minister Nirmala Sitaraman presented the union budget 2021-22 in digital format.
- It was announced in the speech that the budget 2021 is focused on six pillars -
  - Health and Wellbeing.
  - Physical and Financial Capital, and Infrastructure.
  - Inclusive Development for Aspirational India.
  - Reinvigorating Human Capital.
  - Innovation and R&D.
  - Minimum Government and Maximum Governance.

## Budget 2021-22 - Analysis:

### Health sector:

- After facing the pandemic, all the countries including India realized the importance of strengthening the health sector. So, in the budget 2021, the government launched “AtmaNirbhar Swasth Bharat Yojana” to develop primary, secondary and tertiary healthcare services with the amount of Rs.64,180 crore for the span of 6 years. This is a very good move because India is struggling with the lack of healthcare infrastructure for a long time.
- Rs. 35,000 crores were allocated for the COVID-19 vaccination program, which is very much needed.
- ‘Mission Poshan 2.0’ was launched to improve nutritional outcomes, with a special focus on 112 aspirational districts. This has the potential to address the malnutrition issue.
- It was mentioned in the speech that there is a 137% increase in the budget allocation of the healthcare sector. But, this drew a lot of criticism that the number is misleading since it added a one-time expenditure of COVID-19 vaccination fund and Rs. 60,030 crore budget allocation of drinking water and sanitation. In reality, this year’s budget allocation of the healthcare sector is just 1.8% of GDP. For a long time, economists and healthcare experts are recommending that the healthcare budget should be at least

2.5% of GDP. But it didn't reach the recommended amount.

### **Agriculture:**

- To strengthen the state-controlled mandis - APMCs (Agricultural Produce Marketing Committee), Agricultural Infrastructure Fund will be utilized. Rs. 1 lakh crore was allocated in the last year's budget to Agricultural Infrastructure Fund. Now, the promise of strengthening APMCs with the fund can increase the trust of farmers in the government.
- It was also promised that the MSP (Minimum support price) system will continue and will be strengthened. This assures the farmers, who are worried about the new farm laws.
- Even though the farmers are protesting against the new farm laws, their concerns were not addressed. PM-KISAN scheme's budget is decreased by 13%. The total allocation of budget on agriculture sector was Rs. 1.23 lakh crore. That is a 5% increase from the previous year's budget, which is just enough to offset inflation.

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### **Employment opportunities:**

- Focus on strengthening infrastructure has the potential to create plenty of jobs.
- Increased budget allocation to MSMEs (Micro, Small and Medium enterprises) also has the potential to create many employment opportunities.
- Gig and platform workers are brought under social security benefits, which is a very good move.
- The budget allocation of MGNREGA is Rs. 73,000 crore, which is 34.5% lower than the

revised expenditure of 2020-21. This results in reduced rural employment opportunities. Moreover, there were no such schemes for the urban unemployed. Even though the focus on strengthening infrastructure will create jobs, they are not enough to solve the unemployment crisis, which was worsened by the COVID-19 pandemic.

### **Education:**

- Rs 93,224 crore were allocated to education, which is lower by 6% than the previous budget allocation.

### **Defence:**

- The capital outlay for 2021-22 is ₹1,35,060 crore aiming for modernization of armed forces. This is about a 19% increase from the previous year's allocation.
- Rs. 4.78 lakh crore were allocated for the defence sector, which is just a 1.4% rise from the previous year budget.

### **Switch to renewable energy resources:**

- A capital infusion of Rs.1,000 crore to Solar Energy Corporation of India (SECI) and Rs.1,500 crore to the Indian Renewable Energy Development Agency were allocated.
- 'Hydrogen energy mission' was launched to generate hydrogen from green power sources.

### **Impact on economy:**

- The capital expenditure target of 2021-22 is Rs. 5.54 lakh crore, which is a 34.5% increase from the previous year. This is very helpful for the recovery of the economy.
- Focus on strengthening infrastructure can reduce transportation costs and hence will boost trade. 'National Infrastructure Pipeline' (NIP) is now expanded to 7,400 projects. It has 6835 projects earlier.
- Rs. 20,000 crores were allocated to set up the 'Development Finance Institution' (DFI), which is also called a Development bank. DFI finances infrastructure projects that are of national importance. This will help in creating lots of jobs in the infrastructure

sector.

- Rs. 15,700 crores were allocated to the MSME sector, which is almost double the amount of the previous year's budget. This is a great step for the recovery of the economy.
- Loss-making Public Sector Undertakings (PSUs) are being privatized, which will reduce the burden on the government in the long run.
- The setting up of Bad bank (Asset reconstruction company (ARC) and an Asset management company (AMC)) was announced. If it is implemented well, it can recover many bad loans and that will be a plus for the economy.
- Plans for the 7 mega textile parks were announced. It has the potential to make India an exporting hub in the textile industry.
- One person companies are included in the definition of small companies. This encourages entrepreneurship and innovation.
- FDI limit in the insurance sector is increased from 49% to 74%. This can attract huge investments in the insurance sector and thereby can increase the industry's reach to middle income and lower-income groups. If it happens as planned, the increase in savings and investments can be sourced for government projects.
- The privatization of two PSU banks and one general insurance company has faced so much criticism. There are fears that privatization of public sector banks may make bank services costlier and may not be affordable to common people.
- No steps were taken to drive consumption.

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**Others:**

- Rs. 2,87,000 crore were announced for 'Jal Jeevan Mission (urban)' for 5 years aiming at a better water supply nationwide.
- Rs.50,000 crores were allocated for National Research Foundation over 5 years. This is very much needed to strengthen the research and innovation in the country.
- 'National Faceless Income-tax Appellate Tribunal Centre' was announced. It will increase transparency.
- Import duties were levied on several items including mobile phones and auto parts to protect domestic industries.

**Conclusion:**

Budget 2021 did not bring any flagship schemes and focused on the recovery of the economy and health sector as needed. Privatization of public sector undertakings is a big move in this budget and it has the potential to boost the economy. But this budget didn't take any direct steps to boost employment opportunities.

**Your Turn...**

What are your thoughts on Union Budget 2021-22? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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