

# INDIA BUDGET 2009-10



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## **HIGHLIGHTS OF INTERIM UNION BUDGET 2009-10:**

The Finance Minister, Pranab Mukherjee presented the Union Budget in Parliament on 16 February 2009. Agriculture, services, manufacturing, trade and construction sectors were announced as growth drivers and the budget highlighted the impact of global inflation, economic recession and financial crisis on the Indian economy. The sectors given prime importance in the interim budgetary allocation are rural development, infrastructure, information technology, education, defense and banking.

- The Gross Domestic Product increased from 7.5% in FY04-05 to 9% in FY07-08 recording a sustained growth of over 9%.
- Fiscal deficit down from 4.5% in FY03-04 to 2.7% in 2007-08 and Revenue deficit from 3.6% in FY03-04 to 1.1% in FY07-08.
- The domestic investment rate as a proportion of GDP increased from 27.6% in FY03-04 to 39% in FY07-08. Gross Domestic savings rate shot up from 29.8% in FY03-04 to 37.7% FY07-08 during this period.
- The Gross capital formation in agriculture as a proportion of agriculture GDP increased from 11.1% in FY03-04 to 14.2% in FY07-08.

## **FINANCIAL SECTOR REFORMS**

- The Companies Bill, 2008, introduced in the Parliament.
- Deepening and widening of the securities markets and strengthening the regulatory mechanisms for these markets.
- NPAs of Public Sector Banks declined to 2.3 % on March 31, 2008.

## **INFRASTRUCTURE**

- India Infrastructure Finance Company Ltd. (IIFCL) to refinance up to 60% of commercial bank loans for PPP projects involving total investment of Rs 1,000 bln (USD 20.8 bln) in infrastructure over the next 18 months.

## **AGRICULTURE**

- The plan allocation for agriculture by 300% between FY03-04 and FY08-09.
- Rashtriya Krishi Vikas Yojana is expected to increase growth rate of agriculture sector to 4% p.a during the 11<sup>th</sup> period.
- Agriculture credit disbursements amounted to Rs.2,500 bln (USD 52 bln)

- Financial assistance of about Rs 135 bln (USD 2.8 bln) provided to strengthen short-term cooperative credit structure.
- Farmers to get short term crop loans up to Rs 3 lakh at a reduced interest rate of 7% p.a.

### **RURAL DEVELOPMENT**

- A separate window for rural roads created under Rural Infrastructure Development Fund (RIDF) with a corpus of Rs.40 bln (USD 0.83 bln).
- Panchayat Empowerment and Accountability proposed to be expanded.
- 'Project Arrow' to provide new technology enabled services through post offices to the common man.

### **EDUCATION**

- Ordinance promulgated for establishing 15 Central Universities, 8 new Indian Institutes of Technology, 5 Indian Institute of Science Education and Research, 2 new schools of Planning and Architecture, and 6 new Indian Institute of Management.
- 500 ITIs upgraded into centers of excellence and the number proposed to be increased.
- Ordinance promulgated for establishing 15 Central Universities, 8 new Indian Institutes of Technology , 5 Indian Institute of Science Education and Research, 2 new schools of Planning and Architecture, and 6 new Indian Institute of Management.

### **OTHER AREAS**

- A comprehensive system of Unique Identity for the resident population of the country has been worked out. The Unique Identification Authority of India is being established under the aegis of the planning commission for which a notification has been issued in January 2009.
- Interest subvention of 2% on pre and post shipment credit for certain employment oriented sectors i.e. Textiles (including handlooms and handicrafts, carpets, leather, gem and jewellery, marine products and SMEs extended beyond March 31, 2009 till September 30, 2009, involving an additional financial outlay of Rs 5 bln (USD 0.2 bln).