

High Commission of India
Colombo

Press Release

India's budget for Financial Year (FY) 2021-22

Finance Minister Nirmala Sitharaman presented the first paperless (digital) budget on 1 February 2021. The budget for FY 2021-22 coincides with India's strong V-shaped economic recovery, overcoming hurdles posed by COVID-19. India is slated to be the fastest growing economy in the next two years with its real GDP estimated to attain a new record of 11.5% growth in FY 2021-22 and 6.8% in FY 2022-23. India has also set a USD 5 trillion target for its economy in FY 2024-25. With a strong rebound expected in the second half of FY 2020-21 (October 2020 to March 2021), the Indian economy is well on course towards realizing these figures.

2. Strong performance of the economy translated into increased attractiveness among investors. FPI inflows reached an all-time monthly high of USD 9.8 billion in November 2020. Forex reserves also stood at a record high of USD 586 billion, which is sufficient to cover India's import bill for 18 months. Performance of stock market indices have been robust and capitalization to GDP ratio crossed 100% after more than 10 years.

3. India's sterling bounce back is attributable to the Government's disciplined and mature policy response to COVID which was guided by four principles - strategy of containment, fiscal, financial, and long-term structural reforms. These were coupled other measures such as cushioning vulnerable sections of the society during lockdown and boosting consumption and investment while unlocking.

4. Total outlay for FY 2021-22 budget is close to USD 500 billion. India's agricultural sector which witnessed 3.4% growth in agriculture during the first half of FY 2020-21, contrary to the global economic downturn, got a big boost in the budget. Agriculture credit target has been increased to USD 226 billion and various farmer friendly initiatives are being envisaged, in continuation of the progressive reforms that have already been carried out. These steps are aligned with the goal of doubling farmer's income by 2022. The budget gave further impetus to foreign investment by introducing several investor friendly measures such as increasing the FDI cap in insurance sector from 49% to 74%.

5. Finance Minister outlined the vision for a self-reliant India (*AatmaNirbhar Bharat*) in the budget. This blueprint consists of various elements such as strengthening infrastructure, providing opportunities for youth, offering education for all, empowering women among others. The budget stood on six key pillars namely health and wellbeing; physical & financial capital, and infrastructure; inclusive development; reinvigoration of human capital; innovation and R&D; and minimum Government and maximum Governance. Under these, manufacturing has been further incentivized and startups are being given focused attention. Ambitious targets have also been set in the field of space expeditions.

(Financial Year (FY) in India is from April to March.)

Colombo
05 February 2021