

How Covid-19 will shape India's Budget 2021

The Indian Parliament is set to have its first budget session since the coronavirus outbreak hit the country. Here is a look at how Covid-19 will shape India's Budget 2021.

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Dipu Rai 

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Parliament's standing committee said that this is the time to focus on health, especially on health infrastructure.
(Photo: PTI)

After being shaken by a pandemic, India's upcoming budget is likely to allocate more money on health and related infrastructure. The first confirmed coronavirus case in the country was reported in Kerala on January 30, 2020. But neither the last Economic Survey (2019-20) nor the Union Budget 2020, presented on February 1, mentioned it.

Probably it was too early to figure out its catastrophic effect. The corona crisis has drained out huge financial and administrative resources in the last year. This deadly disease will most likely decide the shape of Budget 2021-22, which will be presented on February 1.

Along with rescuing the jobs and economy and the challenge to manage the widening gap of the budget deficit, health and infrastructure - especially the inoculation of the public against the Covid-19 - will also be a vital issue during this Budget. This may likely increase the size of the budget, and surpass its current Rs 30 trillion size.

Economists say that the government is likely to make special expenditure provision to handle the unprecedented financial situation. "The government will have to budget for a sizeable expenditure towards the vaccination of the general public. Also, spending on healthcare infrastructure would continue to remain an area of focus," said Madan Sabnavis, Chief Economist of CARE Ratings.



Parliament's standing committee, one of the apex bodies of lawmakers said that this is the time to focus on health, especially on health infrastructure.

"There should be more investments in health infrastructure for the rapid scaling up of public health services. A strong and effective public health infrastructure is necessary to respond to such a pandemic due to which thousands of people are getting admitted to hospitals in addition to non-Covid-19 health issues," a parliament standing committee (report number 229) said in its report on December 2020.

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The question is how the Finance Minister will spend more money on an ailing and overstretched health sector even as the pandemic shook the economy.

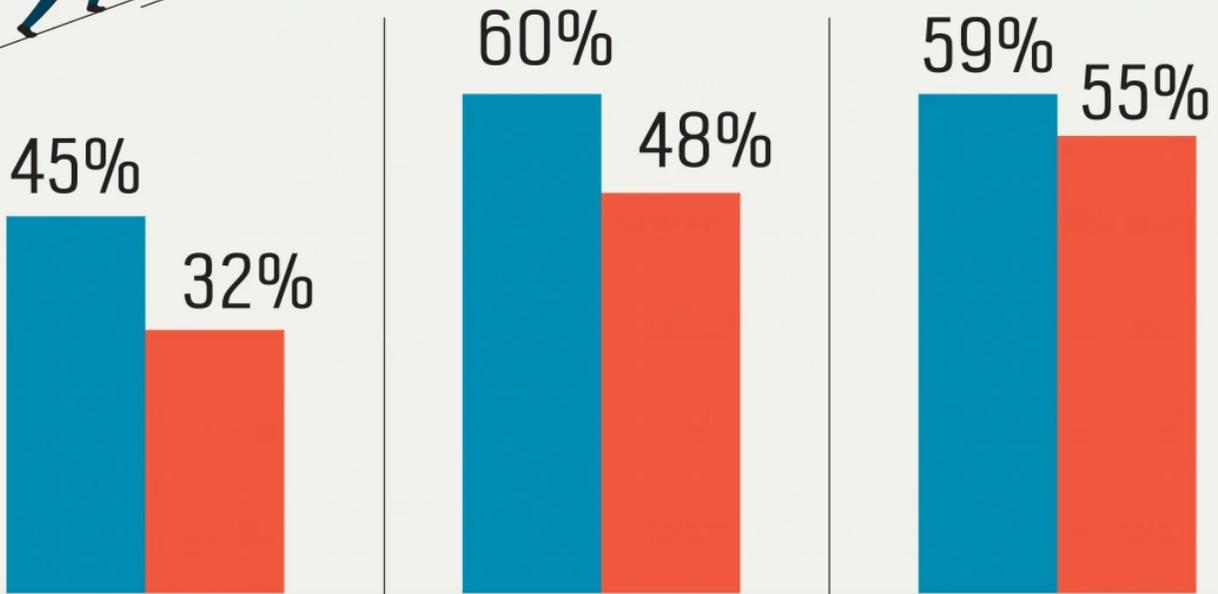


STUNTED EXPENDITURE

LOWER REVENUE HAS AFFECTED GOVERNMENT SPENDINGS



- APRIL- OCTOBER (2019-20)
- APRIL- OCTOBER (2020-21)



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% of budget estimate for the respective financial year
Source: India's Controller General of Accounts
Chart: Dipu Rai, Sarfaraz

(Photo: India Today)

The government budgeted a fiscal deficit of 3.5 per cent of the Gross Domestic Product (GDP) or nearly Rs 8 lakh crore for 2020-21 before the coronavirus outbreak. During April-October, 2020, the fiscal deficit was Rs 9.5 lakh crore, 120 per cent more than the budget estimates. The budgetary deficit sharply widened as economic activities hampered during the Corona related lockdown.

The government's budget gap will likely widen more than 7 per cent of the GDP this year as tax collection has dropped due to economic slowdown. The government will have to rely heavily on borrowing. The government has already revised its market borrowing plan to Rs 13.1 trillion from the planned Rs 7.8 trillion, this year.



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system, which was always overlooked in the past several budgets.



(Photo: India Today)

According to the National Health Profile 2019, India's per capita hospital bed is 0.55 (per 1,000 population). The country is still struggling to achieve one bed per 1,000 population, whereas the WHO recommends five.



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(Photo: India Today)

Most populous states like Uttar Pradesh, Bihar, Madhya Pradesh and Maharashtra have less government hospital beds than the national average.

Similarly, India has only 0.8 doctors per 1,000 population while the WHO recommends at least one doctor for the same population. China and Sri Lanka fare 1.8 and 1 per 1,000 population, respectively.

Low availability of health infrastructure badly hit the population. Most of the people have to bear the brunt of the private hospitals' costs that push them in a massive debt cycle. [Data shows](#) that India's out-of-pocket (OOP) expenditure is more than 60 per cent of India's total health expenditure. While Mexico, China and Brazil share OOP is around 40 per cent each.



(Photo: India Today)

India's public health expenditure is oscillating around 1.2 to 1.6 per cent of the GDP for the last 10 years. This expenditure is relatively low compared to other countries such as



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with \$69 (Rs 5,037), whereas private spending per person is nearly triple (\$183 or Rs 13,359), a World Bank data shows.

The revival of health is a long-term project. However, the announcement of 'Health for All' under the National Health Policy 2017 and Ayushman Bharat is a big initiative in this direction.

But every past initiative, from business and economy to health and climate change, looks shattered and derailed under the current circumstances. With the economic growth set to drop at the lowest level in 70 years, this Budget is not going to be the usual recession budget.

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