



Budget 2021 Highlights: Physical and Financial Capital

Why in News

Recently, the Minister of Finance presented the Union [Budget](#) 2021-22. This was the **first digital budget**.

- This section deals with proposals related to **Physical and Financial Capital**.

Key Points

▪ Financial Capital:

- A single **Securities Markets Code** to be evolved.
- To develop **an investor charter** as a right of all financial investors.
- A new permanent institutional framework to help in development of the [Bond market](#).
- Setting up a system of **Regulated Gold Exchanges**.
 - [Securities and Exchange Board of India \(SEBI\)](#) to be notified as a regulator and Warehousing Development and Regulatory Authority to be strengthened.
- **Stressed Asset Resolution:**
 - **Asset Reconstruction Company Limited and Asset Management Company (Bad Bank)** to be set up.
- **Increasing Foreign Direct Investment (FDI) in Insurance Sector:**
 - To **increase** the permissible [FDI](#) limit from **49% to 74%** and allow foreign ownership and control with safeguards.
- **Deposit Insurance:**
 - Amendments to the [Deposit Insurance and Credit Guarantee Corporation Act, 1961](#), to help depositors get easy and time-bound access to their deposits to the extent of the deposit insurance cover.
 - Deposit insurance **increased from Rs. 1 lakh to Rs. 5 lakh** for bank depositors.
 - Minimum loan size eligible for debt recovery under the [Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest \(SARFAESI\) Act, 2002](#) proposed to be reduced from Rs. 50 lakh to Rs. 20 lakh for NBFCs with minimum asset size of Rs. 100 crore.

▪ For Companies and Firms:

- To [decriminalize the Limited Liability Partnership \(LLP\) Act, 2008](#).
- Easing Compliance requirement of Small companies by revising their definition under [Companies Act, 2013](#).
- Promoting [start-ups](#) and innovators by incentivizing the incorporation of **One Person Companies (OPCs)**.
- To ensure faster resolution of cases by:
 - Strengthening [National Company Law Appellate Tribunal \(NCLAT\)](#) framework.
 - Implementation of [e-Courts](#) system.
 - Introduction of alternate methods of debt resolution and special framework for [Micro, Small and Medium Enterprises \(MSMEs\)](#).

▪ Disinvestment and Strategic Sale:

- New policy for [Strategic Disinvestment](#) approved; **Central Public Sector Enterprises**

(CPSEs) except in four strategic areas to be privatized.

- **Initial Public Offering (IPO)** of **Life Insurance Corporation (LIC)** in 2021-22.
 - **Special Purpose Vehicle** in the form of a company to monetize idle land.
 - Introducing a **revised mechanism** for ensuring timely **closure of sick or loss making CPSEs**.
- **Government Financial Reforms:**
- **Treasury Single Account (TSA) System for Autonomous Bodies** to be extended for universal application.
 - Separate Administrative Structure to streamline the **Ease of Doing Business** for Cooperatives.

Source:PIB

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