Nirmala's maiden Budget is reform oriented, and in the right direction

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The Union Budget 2019-20, the first Budget of the newly elected government, has been announced at a time when our macro-economic milieu continues to be domestically and globally challenging. The ongoing economic slowdown and the accompanying worries — sluggish industrial and manufacturing production, subdued consumption and tepid investments as well as farm stress — are already taking their toll on growth and job creation. In such a scenario, the finance minister, in her maiden Budget, has attempted a fine balancing act of reviving the virtuous cycle of growth and providing a much-vaunted fillip to social inclusion, even while continuing the path of fiscal prudence.

What is notable is that the finance minister has attempted a number of directional changes to resuscitate growth, boost both foreign and domestic investments and promote entrepreneurship. In doing so, the government has laid the path for India to grow into a $5 trillion economy in the next five years. The Budget provisions present a well-rounded, inclusive and progressive approach towards building a modern, technology-driven, equitable and transparent India.

The Budget has devised just the right strategies to take India on the path of inclusive growth. The key takeaway of the Budget is its focus on investment, manufacturing, the ease of doing business, simplification of the taxation system, strengthening the banking sector and NBFCs, doubling farmers' income, thrust to affordable housing, among others. The measures are meant to galvanise the economy by raising both investment and consumption and take it to the higher path of inclusive growth.

In this direction, the Budget has unveiled a clutch of measures to ramp up the country's road and rail infrastructure and power sectors. Reducing the infrastructure gap is critical to accelerate manufacturing growth and attract foreign investment. The Budget has rightly proposed a comprehensive restructuring of the National Highway Programme, inducting private capital through the public-private partnership route for the completion of railway tracks as well as manufacture of rolling stock and delivery of passenger freight services. For ensuring power connectivity, the concept of "One Nation, One Grid" is timely.

A landmark announcement is that of monetising land parcels of Central ministries and Central public sector enterprises for building public infrastructure. This is in line with CII suggestions which had recommended the monetisation of government land for capital creation in road projects. The Budget has also proposed alternative sources of providing low cost capital for infrastructure financing, which would help infuse more funds in the infrastructure sector and reduce pressure on the banking system for funds. The Budget will also pave the way for greater FDI participation in infrastructure projects.

Another positive aspect of the Budget is the bid to attract foreign savings into the country to bridge the resources gap. The move towards allowing 100 per cent FDI for insurance intermediaries and articulating the intention of further opening up FDI in aviation, media (animation, AVGC) and insurance sectors is noteworthy. The easing of local sourcing norms for FDI in single brand retail would encourage foreign investors to set up retail brands in India.

The Budget also proposes to rationalise and streamline the existing KYC norms for FPIs for creating a more investor friendly environment for encouraging fund inflows. The proposal to merge the NRI and FPI routes for investing in India would also boost the flow of foreign capital into the country.

The striking feature intended to improve the investment climate relates to addressing the liquidity shortage in the financial sector. The setting aside of ₹70,000 crores for bank recapitalisation and a rescue package for NBFCs with greater authority to the Reserve Bank is timely. Even the housing sector regulatory authority has now been moved to the RBI, that would lead to streamlining of regulation and implementation.

A stand-out announcement in the Budget has been to create a conducive business environment for start-ups. Steps such as resolving the "angel tax" issue, no scrutiny on valuation aspects where appropriate reporting made in return of income, are poised to generate greater start-up interest and create more jobs in the process.

Another striking feature of the Budget has been the attempt to rekindle trust between the government and industry and make India an attractive place for doing business for the domestic and foreign investor. The Budget has announced a transparent, simple and hassle-free tax environment with a focus to re-engineer tax administration and overhaul the dispute settlement mechanism to improve the ease of doing business in India. The announcement of a Legacy Dispute Resolution Scheme that will allow quick closure of these cases is noteworthy and much sought after by industry, which would like to settle their litigations and move ahead. Similarly, the launch of a scheme of faceless assessment in electronic mode involving no human interface, the move to integrate PAN and Aadhaar, among others, would reduce discretions and reduce the compliance burden. This is a sure way of strengthening business sentiment and restore the faith of the foreign investor in the India growth story.

A bold thrust to the agriculture and the rural economy in the Budget cannot be missed. The creation of 10,000 new Farmer Producer Organisations over the next five years, a fillip to e-nam to further agri-marketing, zero budget farming, among others, are all meant to double the income of farmers. Besides, the continued thrust on rural roads, housing, etc will help in rekindling investment of the economy and is a key driver for job creation.

The Budget has also kept in mind the interests of the youth and job creation. The proposals such as the New National Education Policy to transform both school and higher education, among others, better governance systems, greater focus on research and innovation are steps in this direction. The creation of 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 would go a long way to develop skilled entrepreneurs in agro-rural industry sectors.

The commitment of the finance minister towards fiscal consolidation is commendable. Hence, despite a slowing economy, the fiscal deficit target has been cut to 3.3 per cent for FY20 from 3.4 per cent given earlier.

Overall, the Budget reflects a pragmatic approach and displays a vision to drive the economy back on to the track of growth.

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