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Budget 2019-20 first take: Modi 2.0 Budget bolsters investments

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"Innovative financial instrument will also be used to achieve the government's aim of taking the investments in infrastructure to ₹100 lakh crore over the next five years".

The first Budget of the Modi 2.0 government came at an opportune time when there was an urgent need for providing stimulus to kick-start growth which had fallen to multi-year low in the last fiscal. The Union Budget 2019-20 did not disappoint. The Budget announced host of measures for improving investments especially in the infrastructure sector apart from providing a fillip to the ailing NBFC sector, without erring on the fiscal discipline. A growth booster in these two critical sectors is likely to have a significant multiplier impact on the economic growth over the short as well as medium term.

Growth stimulus

The Budget's thrust on giving a growth stimulus to the economy along with ensuring fiscal prudence is commendable. It did well to stick to the fiscal rectitude path underlined by the Interim Budget by targeting the fiscal deficit at 3.3% of GDP for 2019-20, a reduction by 10 basis points over the revised figure of 2018-19. This fiscal math will be challenging to achieve but the Finance Minister has kept open several levers for revenue mobilisation. These include an aggressive target for PSE disinvestment of ₹1.05 lakh crore as well as monetisation from existing assets of the government. Innovative financial instrument will also be used to achieve the government's aim of taking the investments in infrastructure to ₹100 lakh crore over the next five years.

Taking cognisance of the fact that investments provide the foundation for scaling up growth to 8%, the Budget announced several ground-breaking measures to revive investments in the economy, especially in the infrastructure sector, such as carrying out a comprehensive restructuring of the National Highway Programme, creation of a National Highways Grid among others. In addition, measures such as opening of sectors such as Insurance Intermediaries to 100% FDI and proposing to ease the FDI limits in other sectors as well, are likely to improve the availability of capital for investment purpose.

Recognising the role of the corporate sector in contributing to India's growth journey, the Budget did well to bring all companies having turnover up to ₹400 crore under the 25% corporate tax rate ambit from the erstwhile limit of ₹250 crore. This is a good beginning and is expected to provide a fillip to the corporate sector earnings which could be ploughed back in investments.

The ailing NBFC sector has also received a shot in the arm in the Budget. Given the sector's pivotal role in meeting the credit requirements of the economy, several measures to revive the fortunes of the sector were elucidated in the Budget. The move to provide one-time partial credit guarantee to banks for purchasing high rated pooled assets of financially sound NBFCs has the potential to enhance credit flow to the economy. The latter would in turn improve the investment spending in the economy.

The Union Budget 2019-20 will go down in history as a Budget which provided significant push to the investments in the economy by announcing several measures, many of which were pioneering ones.

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