

Multiple measures to boost investment

Reflecting its overwhelming electoral mandate, the government presented a bold Budget 2019-20. Although focused on spurring investments, other elements such as rural India, institutional reforms and social issues were also given prominence.

The budget addressed many of the critical elements of boosting investment including infrastructure development, credit availability, easing norms for foreign investors and human capital.

Given the high logistics costs in India, the focus on inland waterways along with strengthening the road and rail network is a welcome move; the former is considered a cheaper,

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albeit underdeveloped, mode of transport. The “One nation, One Grid” model to ensure affordable power in all states will also reduce the cost of doing business.

The budget has proposed a number of initiatives expected to result in increased availability of credit, particularly for MSME and the infrastructure sector. An online platform for filing bills and making payments, targeted at MSMEs, should reduce payment delays and therefore enhance cash flow.

Setting up a Credit Guarantee Enhancement Corporation, an action plan to deepen the long-term bond market and permitting foreign investors to sell select debt securities to a domestic investor are some of the measures proposed by the Budget to fund the \$300 billion investment re-

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quired for infrastructure. While the budget proposed permitting 100 per cent FDI for insurance intermediaries and easing local sourcing norms for single brand retail entities, it has suggested the possibility of further opening up sectors such as animation, aviation and insurance.

These are, indeed, sectors with potential for attracting high investments, especially given India’s expertise in the engineering, IT and financial space. As important, though, is the messaging this sends to the world in relation to India’s openness to foreign investors. Initiatives such as a government-supported Global In-

vestors Meet enhance the perception.

The budget emphasises skilling in new-age areas such as Artificial Intelligence, Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics. As Indian manufacturing moves towards smart manufacturing, the Indian IT sector aims to move up the value-chain and all sectors, in general, seek to enhance value to the customer through techniques such as data analytics, this is much appreciated initiative. The budget reiterates the government’s intent to streamline the multitude of labour laws into four codes — a much-awaited move.

Rural India received considerable attention, with the government explicitly stating its aim of extending the “ease of doing business” and “ease of living” to the farmer. To this

end, the budget has set a target of 2024 for delivering safe drinking water to all rural households, undertaking solid waste management in all villages and ensuring internet connectivity in all Panchayats.

Further, promoting clusters for traditional rural industries, setting up Livelihood Business Incubators and Technology Business Incubators to foster a targeted 75,000 skilled entrepreneurs in the agro-rural sector will boost livelihood and job opportunities in rural areas.

These initiatives should help boost rural incomes and thus consumption. The criticality of institutional and structural reforms in enhancing overall governance standards and India’s perception from an investor’s standpoint cannot be over-emphasised.