



BOLD REFORMS IN VITAL SECTORS TO CATALYSE GROWTH

The Union Budget presented in the wake of the pandemic-led economic contraction lays out many proposals to strengthen the current V-shaped recovery and sets India on the path to high growth. We believe this budget has met the twin challenges of boosting growth while laying down a path to fiscal consolidation. It prioritises growth in the immediate term while taking a medium-term view of fiscal consolidation. It also has some path-breaking reforms.

With the overall expenditure at ₹34.83 lakh crores this year, quality of spending is moving in the right direction, as more money is being put into productive capital expenditure. Capital expenditure is slated to increase by a significant 37% over last year. As per RBI, capital expenditure by the central government has a multiplier effect of 2.45 in the year the expenditure is incurred and 3.14 in the succeeding year. Therefore, higher government capital expenditure will boost demand and have a significant impact on growth.



Chandrajit Banerjee
Director General, CII

.....

The government must focus on implementing the disinvestment and privatisation programme to generate revenues. The target of ₹175,000 crore through this mode is realistic, which the government must strive to achieve. Asset monetisation has also received mention in the finance minister's speech. There is potential for raising resources by finding buyers for the government's assets such as toll roads and surplus land and this needs to be realised. Infrastructure building has one of the highest multiplier effects on the economy.

The government must ensure projects are implemented so that the construction activity generates employment. Setting up of a Development Finance Institution for infrastructure will help in execution of the ₹111 lakh crore National Infrastructure Pipeline over the next few years. This will boost demand creation and improve overall productivity of the economy and ease of living. Private investments have been in a slowdown mode. CII had suggested ensuring a stable tax regime and contractual sanctity for encouraging investments.

The proposed conciliation mechanism and mandating its use for quick resolution of contractual disputes is a confidence-building measure. The policy for strategic disinvestment of public sector enterprises and initiatives towards aggressive monetisation are welcome moves. CII is confident the reform process will continue beyond the budget. Private investments will be key for returning to high growth. Early implementation of the recently-announced Production Linked Incentive Scheme will boost manufacturing investments. PLIs, by encouraging economies of scale, will make manufacturing globally competitive.

Read the full column on newindianexpress.com