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Steps that strike the right chord

Budget 2016-17 has been announced at a time when the macro-economic milieu continues to be domestically and globally challenging.

Under the circumstances, the finance minister has struck a right chord by taking steps to provide an impetus to the economy and industry, reignite investment demand even while enforcing fiscal prudence and taking steps to alleviate the plight of the dispossessed.

The budget has provided a strong agriculture and rural focus which is understandable considering two successive years of poor monsoon. The budget has rightly allocated resources towards bolstering farm productivity by launching two new schemes to increase crop yields in rain-fed areas. Incentivising pulses production is also long overdue considering the huge

shortfall in pulses production in the country. Similarly, an array of welfare schemes to improve the income security of the rural populace would be critical for raising consumer demand.

Jaitley has focused on rural infrastructure and rightly so because 60 per cent of India's population lives in villages. Likewise, agro industries and irrigation facilities in rural India will be enhanced and 100 per cent electrification would be achieved by 2018.

A significant push to augment investments in key projects, particularly in infrastructure, is commendable. The gross fixed capital formation is expected to be 30 per cent of GDP in 2015-16 which is much lower than 33.6 per cent in 2011-12. The allocation on infrastructure at Rs. 2.21 lakh crore is hence encouraging. This would 'crowd in' private investment and have a cascading effect on growth.

Another takeaway is the accent on affordable housing which has one of the highest multiplier effects on the economy as there are over a 150 industry segments directly linked to the home construction industry. It also provides the largest number of semi-skilled and unskilled jobs. Some of the budget provisions such as 100 per cent

profit deduction and service tax deduction on housing projects of specified size, deductions for first time home buyers, facilitating investments in REITs and INVITs, excise duty exemption would go a long way to incentivise affordable housing.

The government's approach to tackle the burgeoning non-performing assets of banks has been noteworthy. CII welcomes the allocation of Rs 25,000 crore in BE 2016-17 towards recapitalisation of PSU banks. A slew of financial sector reforms unveiled in

the budget are also credible for imparting efficiency to markets.

The most striking feature of the budget has been the adherence to fiscal roadmap by meeting the fiscal deficit target of 3.9 per cent and 3.5 per cent of GDP for 2015-16 and 2016-17, respectively, without compromising the developmental agenda. What is noteworthy is that the budget is serious about rationalising non-productive expenditure.

To arrest the current slide in exports, it has widened and deepened the duty drawback scheme to include more products and countries. We understand that duty drawback is the only WTO compliant export incentive and the finance minister has rightly used the instrument to support exports. In India, we do not have "zero rating" of exports and, therefore, the timeliness of this initiative.

To conclude, the budget has displayed a long term vision to strengthen the foundations of the Indian economy

GUEST COLUMN

Chandrajit Banerjee

● Banerjee is director-general, CII