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Game-changer that will help enable growth with inclusion

Finance minister Nirmala Sitharaman has presented the Union Budget 2021-22 amidst extraordinarily difficult times created by the Covid-19 pandemic. Our GDP growth is estimated to witness the largest ever contraction of 7.7 per cent during the present year. Besides, the paucity of fiscal space, constraints within the financial sector to lubricate the system and headwinds from the global economy are the other challenges which could impact the country.

Under the circumstances, the finance minister must be commended for presenting a landmark Budget. The Budget has deployed varied policy levers to rebuild the economy devastated by the pandemic and steer it towards full revival and growth. The provisions serve to galvanise the growth enablers to build a robust and competitive India, in line with the "Atma Nirbhar Bharat" vision. At the same time, the Budget also focuses on social welfare and inclusion by addressing the issues of employment generation.

Standing on six strong pillars, the Budget seems to have played just the right strokes to stimulate investment and physical and social infrastructure and the focus on augmenting capital expenditure is in line with the CII's recommendations. Further, the disinvestment roadmap, asset monetisation, ensuring simplification, predictability and stability in tax policy, financial sector reform and inclusion, promoting the ease of doing business, steps to increase India's involvement in global value chains and measures to facilitate innovation, among others, are all moves that will help India get back to its potential growth rate.

The immediate concern of the finance minister has been to reinvigorate the economy, stimulate demand and alleviate widespread distress emerging from the Covid-19 setback. Against this backdrop, the Budget has taken a pragmatic decision of adopting a counter-cyclical fiscal policy impulse to resuscitate growth with inclusion. The rise in capital expenditure in the Budget also underscores the commitment towards improving the quality of fiscal spending by channelising expenditure in productive areas such as physical or social infrastructure.

However, fiscal prudence has not been discarded. A clear medium-term roadmap has been delineated for a return to the path of fiscal consolidation as the finance minister plans to bring down the deficit to less than 4.5 per cent of GDP by 2025-26. There is also transparency in the Budget as off-balance-sheet financing is gradually being brought into the mainstream.

There are several positives in this Budget on the infrastructure front. Some of the key initiatives such as the setting up of the National Asset Monetisation Pipeline, creating economic corridors, setting up of seven Mega Investment Textile Parks, and giving a choice to consumers to pick from more than one distribution company to buy power, among others, are noteworthy and will have a spillover effect on the economy. Successful implementation of these infra projects will be the key for the country to get back to the trajectory of pre-Covid growth track and create much needed jobs at the bottom of the pyramid. The setting up of a Development Finance Institution (DFI) to finance infrastructure and key sectors of the economy will address the long-term funding problem of the infrastructure sector.

India at present spends a meagre 1.3 per cent of GDP on healthcare, that is lower than the desired level of six per cent. Hence, the government's prescription to make an unprecedented 137 per cent hike in expenditure on healthcare and well-being is spot on. The specific allocation for Covid vaccination is also significant as it will boost sentiments and help in the economic recovery. The launch of a new Centrally funded scheme, the Pradhan Mantri Swasthya Suraksha Yojana, Mission Poshan 2.0 and the commitment of providing ₹35,000 crores for Covid-19 vaccines in FY22 are all encouraging developments.

The finance minister has made bold announcements in the direction of making the financial sector future ready. These include setting up a "bad bank" in the form of Asset Reconstruction and Management Company, increasing the FDI limit in the insurance sector to 74 per cent and the proposal to disinvest two public sector banks, the IPO of LIC and one general insurance company in FY22. These are game-changing initiatives that would buttress growth revival in the real sector of the economy.

The Budget has taken major strides towards building a climate of business confidence among entrepreneurs. Announcements such as extending decriminalisation of business laws to LLPs under Companies Act 2013, setting up the Dispute Resolution Committee to reduce litigation among taxpayers, strengthening of the NCLT framework for speedy dispute resolution, making the Income Tax Appellate Tribunal faceless and jurisdiction-less, will be well received. The other announcements like reducing the timeframe for reopening of income-tax assessment cases from six years to three years, putting a monetary limit of over ₹50 lakhs in a year for reopening of serious tax evasion cases will improve the business climate by reducing harassment to taxpayers.

On the indirect tax front, the reduction in customs duty on certain inputs and raw materials including long products of alloy & non alloy stainless steel, copper scrap, among others, that have seen a sharp price increase in the last few months, is laudable as it will help to keep the prices of the final products competitive. The government has also reiterated its commitment to help industry get integrated in global value chains by focusing on facilitating import of raw material and thrust on value added exports.

Overall, this is a development-oriented and pragmatic Budget which will help reset growth while promoting social inclusion.

The writer is the director-general of the Confederation of Indian Industry