BusinessLine
FRIDAY, JULY 11, 2014

Budget boosts growth drivers

The truth is that industry can't stop smiling because things just got better

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Budget 2014-15 has come at a time when the Indian economy faces multiple challenges relating to growth deceleration, subdued investments, slow job creation and difficult global conditions.

A fine balancing act was needed to revive investor sentiments and set the macroeconomic framework for restoring growth impulses. Under these circumstances, it has succeeded in adhering to fiscal prudence while addressing multiple economic growth drivers.

In its pre-Budget memorandum to the finance ministry, the CII had recommended areas for critical intervention such as fiscal consolidation, promotion of savings, revival of investments and tackling agriculture to mitigate inflationary pressures. Manufacturing was placed as high priority in order to generate jobs.

The macroeconomic agenda demands strong fiscal discipline, and the Finance Minister has adhered to the target of 4.1 per cent for the fiscal year. This was critical to avoid further deterioration in savings and investment rates.

Reviving spirits

The announcement of an expenditure reforms commission and overhaul of subsidies implies that rationalising both sides of the Budget accounts is on the anvil.

In addition, as the private investment rate touched a decadal low of 23.9 per cent in FY13, it was important to rebuild the investment pipeline while also encouraging savings.

The Budget unveiled a slew of measures across different areas to meet these economic imperatives, thus strongly reviving investor sentiments and imparting a fresh fillip to consumer confidence. On the savings side, the Budget provides for small savings schemes and offers some relief to the tax-payer by raising the threshold of personal income tax exemption and savings under sec 80c.

For promoting investments, the Budget has taken up issues in tax administration, FDI, PPP, long-term financing, and sectoral initiatives. The intention to avoid retrospective taxation and the commitment to a clear, stable and predictable tax regime would greatly reassure investors.

Opening up the defence and insurance sectors as well as e-commerce for FDI was also a much-awaited step. The establishment of a 3P institution to support public private partnerships could assist new projects.

Long-term financing by encouraging bank loans, strengthening the bond market and liberalising ADR/GDR would go a long way to bringing new investments into infrastructure. The crux for reviving investments would be to keep the project pipeline flowing smoothly and continuous monitoring of ongoing projects.

Hope for farmers

Agriculture has been accorded high priority. A noteworthy aspect is that supply chain linkages have been stressed, connecting farm produce to markets. Re-orienting the state APMC Acts to establish private markets, development of farmers' markets in towns, and encouraging farmer producer organisations would offer more selling avenues to farmers.

The price stabilisation fund of ₹500 crore contributes to moderating inflationary pressures. While rejuvenation of warehousing would help post-harvest lending, storage and cold chain infrastructure could have also received some benefits. A welcome initiative is on addressing power supply in rural areas through the Deen Dayal Upadhyaya Gram Jyoti Yojana.

The good times They are a-coming UMNOLA / SHUTTERSTOCK.COM

For industrial growth, the route of corridors, transport connectivity and smart cities has been finalized, thus bringing together the objectives of promoting manufacturing and urbanisation.

As India increasingly shifts out of rural areas, the manufacturing sector must be geared towards providing more job opportunities. By integrating this with the urbanisation process, productivity of workforce could be enhanced, thus raising incomes. The proposed National Industrial Corridor authority should look at long-term perspective planning, including land use.

It is very welcome that entrepreneurship and the MSME sector should be high on the Budget priority list. CII had long recommended that redefinition of MSME was in order as the previous capital investment limits had been set in 2006. We look forward to working with the Government on setting realistic thresholds to define micro, small and medium enterprises.

We had also suggested that the investment allowance floor at ₹100 crore should be brought down and this has now been set at ₹25 crore, which would greatly incentivise more investments from smaller companies.

Multitasking

A fund of ₹10,000 crore is proposed to finance startups, and another fund of ₹200 crore for innovation and agri industry was also a much needed initiative. Now, MSMEs would also find it easier to exit once the legal bankruptcy framework is instituted.

Budget 2014-15 addresses multiple issues in the power sector relating to extension of tax holiday for 10 years for generation, distribution and transmission, and coal linkages. However, it stops short of revamping coal mining.

The renewable energy sector receives many benefits including ultra mega solar power projects and customs duty reductions on some intermediates.

The Budget has also announced strong interventions for skill development, particularly in reforming the Apprentice Act. We hope that these policies would be rolled out without delay.

As the maiden financial statement of a new Government, Budget 2014-15 meets the expectations of industry.

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