FIRST TAKE

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Springboard for a high growth

Budget 2015-16, with its strong focus on growth, job creation and infrastructure, meets the expectations of an aspirational nation. From the macroeconomic perspective, the country's economy arguably stands at a far more positive juncture than at the time of the previous budget. However, with flagging investments and restrained savings as well as subdued sentiments on the part of both investors and consumers, there was need to bolster the mood of the nation.

Finance Minister Arun Jaitley has imparted much comfort to consumers by encouraging savings activity and providing strong platforms for social security. While boosting consumer confidence, such steps would also add to investible resources and expand the infrastructure pipeline. The government has further committed to inflation targeting at 6 per cent in partnership with the Reserve Bank of India and this would help keep interest rates at a moderate level. As the economy heads towards an 8-plus per cent rate of GDP growth targeted for next year, we can envision a period of double digit growth rates, going forward.

The Finance Minister has further laid out a medium-term vision that aims at providing basic amenities to all citizens, including housing, economic opportunities, physical and social infrastructure, and so on. Targets have been clearly demarcated for the year 2022 when India completes 75 years of Independence. CII has been working on a vision of India@75 for several years, which aligns with the government's intentions.

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The Finance Minister has acknowledged that maintaining the fiscal deficit target was challenging under the circumstances of enhanced allocation of revenues to States, upcoming Pay Commission, and introduction of Goods and Services Tax. Hence, he has prudently extended the fiscal consolidation target by one year, targeting fiscal deficit at 3.9 per cent of GDP for 2015-16. The added fiscal space is promised for infrastructure and capital investments, which would bridge the widening gap in availability of facilities like roads, power, and irrigation. Such enhanced public sector investment would also help to 'crowd in' private sector investments.

The key emphasis in the budget thus has been the infrastructure build-up. The Finance Minister announced the creation of a National Investment and Infrastructure Fund which would add Rs 20,000 crore annually and enable it to raise debt and invest in infrastructure finance companies.

Importantly, private sector participation in infrastructure projects is facilitated through several means, including revisiting the PPP model to rebalance allocation of risk between the public and private sectors. Regulatory reforms are also promised by the introduction of a law for a common approach to regulation. CII had earlier recommended placing infrastructure projects for bidding after obtaining all approvals and administrative clearances which would reduce risk for private sector bidders, and the announcement of this in the budget through a 'plug-and-play' mechanism would greatly facilitate the auction process. Industry is particularly enthused by the strong emphasis on start-ups and Micro, Small and Medium Enterprises (MSME) sector.

The FM announced the creation of a Micro Units Development Refinance Agency (MUDRA) with a fund of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore to refinance micro-finance institutions and increase lending to new and existing entrepreneurs. The electronic Trade Receivables Discounting System would also add to working capital for MSMEs. The FM has promised an exit scheme through a new bankruptcy law which would enable failing enterprises to bail out in a systematic manner. Start-ups are also sought to be encouraged through a fund entitled SETU or Self-Employment and Talent Utilisation to help incubate technology-driven enterprises.