

Budget strikes the right note, it's realistic & well-balanced

CHANDRAJIT BANERJEE

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

Published Feb 2, 2018

Mr Jaitley's Budget has also accepted the demand of industry and raised customs duty on select items to provide a fillip to "Make in India".



Arun Jaitley, Finance Minister of Narendra Modi-led NDA government presented the Union budget 2018-19 on Thursday. (Photo: PTI)

Finance minister Arun Jaitley has presented a realistic and pragmatic Budget aimed at striking the right chord with all segments of society and successfully delivering on the nation's expectations. A well-balanced Budget, the first after the implementation of GST, it provides a compelling template for lifting growth and investment even while providing a fillip to employment generation and removing rural stress. The two-pronged approach adopted by the government — to provide a boost to the economy while taking measures to enhance welfare expenditure for the poor — speaks volumes about the sagacity and vision articulated in the Budget.

Under the circumstances, the Budget has adopted just the right approach for catalysing growth with social inclusion. A well-rounded Budget, it seeks to strengthen the major growth drivers which would rev up economic activity in the medium term. It takes forward the landmark reform measures like GST, Insolvency and Bankruptcy Code and bank recapitalisation taken by the government through the last three years.

At the same time, the FM has announced a slew of measures for better management of the food economy, developing human capital through better educational opportunities and skill development, game-changing measures to improve health outcomes, social security, intensifying infrastructure investment, continuing reforms in the financial sector, incentives for startups and MSMEs, encouraging Make in India, digitisation and e-governance initiatives to improve the ease of doing business, among others. In doing so, the FM has deftly managed the daunting task of reviving the growth and investment cycle while addressing the expectations caused by social and demographic changes.

The Budget offers a bold agricultural and rural thrust to give a stimulus to equity and economic growth. There is a jump in expenditure on agriculture, which is critical for improving farm productivity, creating farm and non-farm employment and augmenting farmer income.

Accordingly, the FM provides for raising the minimum support price for all unannounced kharif crops, strengthening irrigation and agri-infrastructure, enhancing credit support to farmers, facilitating agriculture marketing through the e-nam network, liberalising agro-exports, focused incentives in areas such as horticulture, organic farming, fisheries, bamboo, among others.

The FM rightly recognised that substantial investment in human capital through education and skill development is vital for sustainable economic progress and for building a prosperous future. The education sector sees a new initiative of “Revitalising Infrastructure and Systems in Education”, that would hike research investments and infrastructure in higher education institutions with a significant outlay of Rs 1,00,000 crores over the next four years. This is in line with CII’s recommendation to encourage research in academia.

A most striking feature of the Budget is the provision on healthcare and social protection. The launch of the National Health Protection Scheme, which is anticipated to cover 50 crore beneficiaries, is a game-changer in that it would be the world’s largest government-funded healthcare programme which would provide security to low-income households. The provisions on healthcare such as reducing the cost of healthcare including seeking private sector involvement in health and wellness centres through CSR reflects the Narendra Modi government’s commitment towards according a vanguard position in our development agenda.

Acknowledging the immense contribution made by the MSME sector towards growth and job creation, the Union Budget 2018-19 has announced a major tax reduction for these enterprises by lowering the corporate tax rate for enterprises with an annual turnover of up to Rs 250 crores to 25 per cent. The lowering of the rate would provide more cash to units to grow faster and create more jobs. Additionally, addressing the financing needs of this sector, special treatment to venture capital funds, addressing NPAs, promoting startups, etc, are noteworthy. Expanding of the Mudra Yojana, online loan sanctioning and use of fintech are positive steps for the sector. CII welcomes these initiatives by the government to MSMEs which are the drivers of growth, employment generation and equitable development across the country.

Mr Jaitley’s Budget has also accepted the demand of industry and raised customs duty on select items to provide a fillip to “Make in India”. CII also welcomes the extension of fixed term employment to all industries. The move towards a flexible employment

policy that protects the interests of both the employer and the employee would go a long way to boost investment and promote jobs.

Continuing with the focus on job creation, the Budget has made the right moves by further announcing measures such as extending government contribution to EPF of 12 per cent of wages for all new employees for the next three years and reducing the contribution for women to eight per cent. The relaxation in the conditions for claiming tax deduction on additional employment will help to boost new job creation in the formal sector, which was the need of the hour.

The reintroduction of standard deduction for the salaried class is a welcome measure and it would provide a much-needed relief to individual taxpayers, raise their disposable incomes and boost consumption demand in the economy. The Budget sends a strong message towards the continuity of fiscal prudence despite the economy being buffeted by domestic and global challenges. Overall, the Budget reflects a pragmatic approach and displays a vision to drive the economy back to the path of inclusive growth.