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Pragmatic and growth oriented

From a macroeconomic perspective, the Budget emphasises the need for fiscal prudence which clearly is the need of the hour.

By Dr. Baba Kalyani

We had moderate expectations from this Budget and I am happy that these have largely been met. Given the constraints of time and the severe economic challenges before the country on both the internal and external fronts, the Finance Minister, Arun Jaitley must be commended for his pragmatic proposals which are aimed at reigniting growth and reviving the economy. Clearly the Budget carries a distinct imprint of the priorities spelt out by the Prime Minister in the past 6 to 8 months.

From a macroeconomic perspective, the Budget emphasises the need for fiscal prudence which clearly is the need of the hour. What is particularly noteworthy is the emphasis on the manufacturing and infrastructure sectors as the key levers to revive economic growth. This is perhaps one of the few times that the manufacturing sector has received special attention. The government's commitment for early introduction of GST and a new DTC are positive signals. The proposed overhaul of the subsidy regime to make food and fuel subsidies better targeted is also encouraging.

From a policy perspective, the decision to raise FDI in the Defence sector from 26 per cent to 49 per cent through the FIPB route with management control in Indian hands will provide a boost to domestic manufacturing industry. The FM's statement of wanting to reduce reliance on imports coupled with his intent to streamline defence procurement systems is very positive. We are confident that Indian manufacturing industry would now be able to play a more effective role in indigenisation in this critical sector of the economy.

The emphasis on infrastructure through increased allocations for roads, national highways and expressways, ports, airports, power, new & renewable energy, industrial corridors, smart cities etc are measures that will spur the economy,

We also welcome the government's commitment to take effective steps to operationalise SEZs as a means to revive investor interest and use unutilised lands for productive purposes. Industry is keen to understand what these measures are. Expectations were that Minimum Alternate Tax and Dividend Distribution Tax introduced in 2011 on SEZ developers and units would be entirely withdrawn. We hope suitable instructions in this regard will follow.

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As regards the automotive industry, government announced a month before its decision to extend the excise duty concessions provided in the Interim Budget till December 31, 2014. We hope that this together with initiatives contained in this Budget for the infrastructure and manufacturing sectors will help revive demand for all categories of vehicles in the country. This would in turn benefit the domestic automotive component manufacturing industry.

Another notable announcement made by the FM was with regard to measures proposed to be taken for faster clearance of imported cargo at our ports.

The Economic Survey released recently has projected GDP growth to range between 5.4 percent to 5.9 percent in this fiscal. Measures announced in the Budget should facilitate the economy to achieve the higher end of this target. As the FM observed, green shoots of growth are increasingly evident in the global economy and should these take firm root in the next few months, our economy could do even better.

This being the first Budget of the new government, we believe it is a good beginning. The key lies in efficient implementation of the various proposals through quick decision making across bureaucratic levels. We are confident that the government will place considerable emphasis in bringing back the growth momentum in the economy which is clearly possible if the directions contained in the Budget proposals are well implemented.

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