Published Date	3rd January 2025	Portal	Moneycontrol
Edition	National	Category	A
Headline	A prudent Budget that balances transformation with continuity in policy		

A prudent Budget that balances transformation with continuity in policy

https://www.moneycontrol.com/budget/prudent-budget-that-balances-transformation-and-continuity-of-policy-attention-article-12928833.html

The Budget for FY26 was set in the economic backdrop of weaker domestic demand and rising global uncertainties. Pushing counter cyclical measures to boost consumption and also structural reforms towards sustained domestic growth to counter global headwind was a tough task in face of the need for fiscal prudence to crowd in private investment. The Budget announcements have managed the exemplary task of striking a fine balance between these multiple asks while staying on course of fiscal consolidation at the same time.

The biggest step is of course the income-tax relief for the salaried tax payer. It will provide a big boost to the disposable income available with middle-class consumers and buoy both demand levels and consumer sentiments in the economy. The much-needed re-ignition of virtuous consumption cycle will trigger stronger market conditions for private sector investment, employment generation, and healthier credit conditions as well.

While the transformative direct tax reforms have got a lot of attention, and rightfully so, the Budget also signals continuity of some of the key themes that government has been pushing over the last decade such as infrastructure build-up, rural transformation, manufacturing sector push, MSMEs as lead growth drivers, clean energy and inclusive social transformation. Furthermore, the policy attention seems to be concentrated in sectors with relatively labour-intensive activities to support employment generation like toy manufacturing, footwear and leather sector, food processing etc.

Strengthening agricultural ecosystem towards building resilience and prosperity in the rural economy also continues to be a key budget theme. Focus on education and health continues as well with further support to strengthening global access to good education and skill development.

Some of the ingenious steps like repositioning India Post as a catalyst for the logistics solution and rural economy or national framework for Global Capability Centres and guidance to states for promoting GCCs in emerging tier-2 cities could prove to be big growth enablers if implemented well.

The Budget is also futuristic in terms of its aspirations for emerging sectors like critical minerals, nuclear power, energy storage solutions, deep tech and AI.

One of the big steps to take note of is the proposed review of all non-financial sector regulations, certifications, licences, and permissions, etc within a fixed timeline. This could indeed prove to be transformational in reducing the compliance burden for private investors.

Deregulation has been identified as a key stimulator for investment growth by the economic survey. Combined with trust-based economic governance, it can potentially unleash the animal spirits in a still under penetrated economy. Some steps announced in the same spirit for financial sectors like revamping Central KYC registry or proposed Grameen credit score framework could prove to be key enablers as well.

Overall, a well-balanced Budget that sets the path for broad-based and sustainable domestic growth despite global headwinds.

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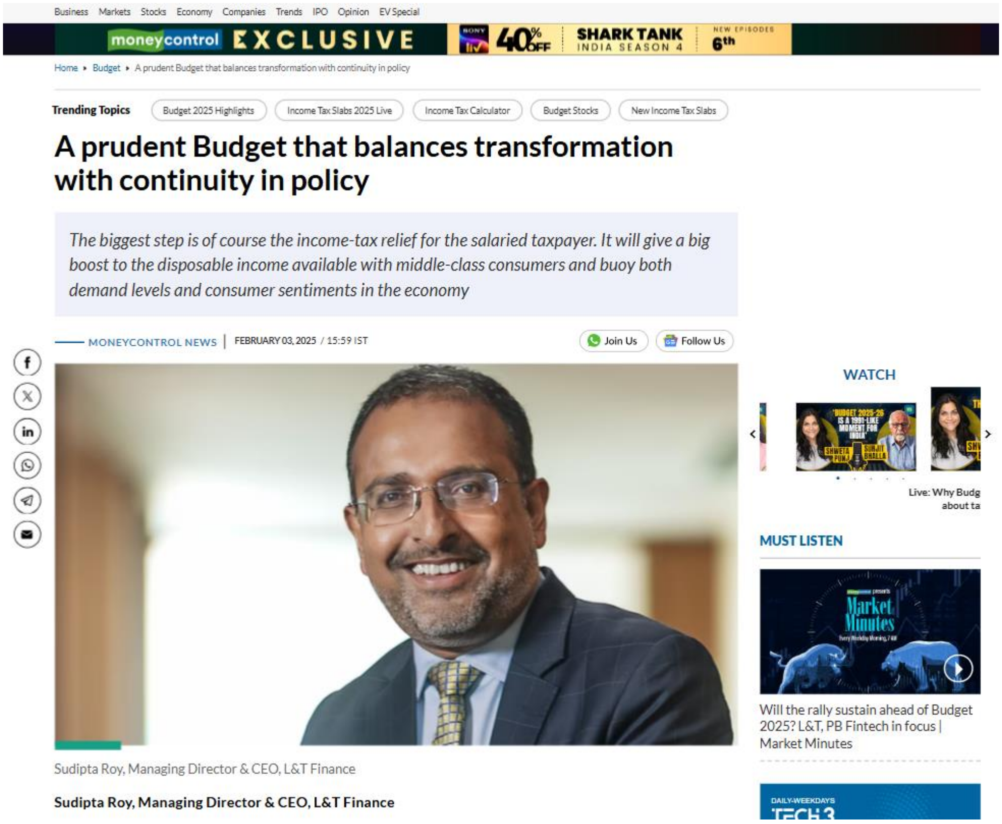

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