

## FIRST TAKE

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# An attempt to bolster growth, fiscal discipline

**T**he Budget strives to attain a balance in the government's agenda to maintain fiscal discipline and simultaneously bolster growth. It plans to achieve its goals through increasing the tax base and planned capital expenditure, while digitising subsidy transfers.

Faced with an arduous task of turning around the economy, the Finance Minister reassures that the government is steadfast on the path to fiscal consolidation of 3% albeit delaying it by a year. Infrastructure and manufacturing are the two sectors, where it emphasises its attention on. It is pertinent to note that additional fiscal space is being used to fund infrastructure investment. It resolves systemic issues in this spectrum by



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providing holistic solutions. Having a pre-existing regulatory mechanism for approvals, infrastructure bonds and a comprehensive bankruptcy code are steps in the right direction. Revitalising the PPP model, with the sovereign bearing a major part of the risk would lead to a much needed rebalancing and crowding in of the private sector. Increased allocation and focus towards renewable energy is also commendable.

Establishment of a National Investment & Infrastructure Fund for Rs. 20,000 crore will assist in funding infrastructure projects. A proposal to set up five new Ultra Mega Power Projects, each of 4000 MW in the plug-and-play mode with pre-clearances and linkages should unlock investments to the extent of Rs.1 lakh crore.

### GST implementation

Clarity on the implementation of the GST, staggered reduction of corporate tax, deferring GAAR by two years and increasing defence expenditure is a welcome move for the Make in India initiative. Tweaking the customs duty on raw material augurs well in revamping the inverted duty structure. The intent towards avoidance of retrospective taxation is commendable.

Setting up a Public Debt Management Agency (PDMA) will bring both India's external borrowings and domestic debt under one roof. This will lead to the debt market being at par with the equity market thereby leading to deepening of the Indian Bond market. A proposal to overhaul capital gains taxes paves the way for the listing of Real Estate Investment Trusts (REITs). An autonomous Bank Board Bureau would help in overhauling the governance structure of public sector banks.

Gold monetisation and investment in the National Pension Scheme is another move towards creating an alternate financial asset class that would channelise public savings towards asset creation. A comprehensive Bill for curbing black money and incentivising digital transfer of funds would encourage the inflow of liquidity into the real economy. Abolishing wealth tax and taxing the super-rich attempts is a prudent move to reduce inequality.

In retrospect, a targeted increase in the fledgling savings rate accompanied by specific provisions to improve manufacturing would have been beneficial.

Overall, the budget ensures that the country stays on the track of sustainable growth.