Steps to attract investors through PPP missing

Greater foreign investment in defence and infrastructure to bring in more money; salaried class to get some relief after tax exemption

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THE FINANCE MINISTER'S maiden Budget is more directional in nature. Several reformist measures have been announced viz., road map for fiscal consolidation to reach 3% by fiscal 2017, sorting out all issues related to GST by the end of the year, controlling non-planned expenditure and establishing stable and predictable tax regime. A lot depends now on the implementation of the road map.

Coming to specifics, the task of achieving the target of 4.1% fiscal deficit is indeed challenging, given the current state of the economy.

However, increase of planned expenditure to ₹5.75 lakh crore indicates channelling of tax payers' money for productive purposes. The increase in FDI level in insurance and defence was a low hanging fruit and should bring in some money to these sectors.

It is heartening to note that the government recognises the importance of PPP in the infrastructure sector.

However, specific initiatives are needed to boost the investments through the PPP model, which are yet to be announced.

The proposed allocation ₹37,880 cr for investment in central and state roads should provide impetus for roads.

The announcement for awarding 16 new ports and smaller airports in the PPP mode should augur well for these sectors.

The announcement of REITs type structure for Infrastructure projects would facilitate portfolio churning for developers. While the regulatory relief announced for banks in the form of lower SLR, CRR for infrastructure lending is a positive step, it is necessary to provide a similar kind of relief to Infrastructure Finance Companies (IFCs), which operate in this sector.

The Budget also provides some relief to the common man in the form of increase in the exemption limit in income tax, increase in exemption under section 80-C and also housing loans for self-occupied properties.

One of the steps for boosting the manufacturing sector, in the form of investment allowance for investments over ₹25 Cr would benefit SMEs significantly.

The finance minister has also tried to address the supply side bottlenecks and the burgeoning inflationary situation by establishing a Price Stabilisation Fund, which would strive to mitigate the risk of price volatility in agricultural produce. The plan to invigorate the warehousing sector should improve the distribution of food grains and enable tackling inflationary pressures. Overall, the Budget is a decent exercise given the fiscal constraints and the short time available with the new government.