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Union Budget 2023: A balanced approach towards harnessing growth with fiscal prudence

The **Union Budget 2023** has the objective of supporting the economy's feel-good factor amidst global headwinds. It has presented a vision for Amrit Kaal – a blueprint for an empowered and inclusive economy with a focus on creating opportunities for citizens especially youth, a strong impetus to growth and job creation and strengthening macro-economic stability. As a balancing act, the **Budget** has rightly addressed every section of the society while boosting the sentiments of the middle class by lowering personal-tax rates under the new regime.

For another year, the government's growth focus agenda through capex has been reiterated in this Budget as well. Given the large multiplier impact of infrastructure investments on growth and employment, the capex has increased by a considerable 37.4% (budgeted over the revised estimates) to INR10 trillion -- 3.3% of the gross domestic product (GDP). This would be complemented by the continuation of 50-year interest-free loan scheme for the state governments with an outlay of INR1.3 trillion.

The higher public expenditure could crowd in the private investment, which is yet to see meaningful traction. Priority investment in 100 transport infrastructure pertaining to ports, coal, steel, fertiliser, and foodgrains sectors and setting up of Urban Infrastructure Development Fund (UIDF) to create urban infrastructure in tier-II and tier-III cities shall provide another leg of infra-led growth.

Boost for agriculture

Increased measures for agriculture and agri-related industries will have a positive impact on farmers' income. The Budget outlay to build a digital public infrastructure for agriculture will provide farmer-centric solutions through relevant information services to help improve crop yield and marketability.

The government's thrust on popularising millets, which is a high-value crop, as well as adopting measures for enhancing the productivity of extra-long staple cotton augurs well for boosting farmer incomes in states where these crops are primarily grown. Setting up a decentralised storage capacity will help farmers store their produce and realise remunerative prices through sale at appropriate times.

The launch of the Atmanirbhar Clean Plant Program for horticultural crops and the increase in the agriculture credit target to INR20 trillion with a focus on animal husbandry, dairy and fisheries will help boost the secondary income of farmers. To encourage agri-startups by young entrepreneurs in rural areas, the Agriculture Accelerator Fund will be set up and thus provide innovative and affordable solutions for challenges faced by farmers as well as bring in modern technologies to transform agricultural practices to increase productivity and profitability.

To promote alternative fertilisers and the balanced use of chemical fertilisers, the PM-PRANAM has been launched to incentivise states and UTs. Even the governmental thrust on natural farming practices will improve soil productivity and provide quality produce, augmenting crop yields and thus farmer income.

Focus on rural development

The government aims to scale up operations of the 81 lakh self-help groups through the Deendayal Antyodaya Yojana National Rural Livelihood Mission, which will enable rural women to achieve their financial goals. In the next five years, the setting up of a large number of multipurpose cooperative societies, primary fishery societies and dairy cooperative societies in uncovered panchayats and villages bodes well for the development of rural areas.

For the real estate and housing sector, the 66% increase in the outlay of PM Awas Yojana to INR79,600 crore will give a further boost to the government's programme to provide housing to the poor. The increase in rebate levels and change in tax slabs under the new income tax regime will lead to an increased interest in home buying.

MSMEs are identified as the backbone of the Indian economy from the medium-term growth perspective. In this regard, the credit-guarantee scheme for MSMEs has been revamped with an infusion of INR9,000 crore effective April 1, 2023. This will enable additional collateral-free guaranteed credit of INR2 trillion while lowering the cost of credit by almost 100 basis points. The government has also announced to refund 95% of the forfeited amount relating to bid or performance security due to failed execution. This shall free up some capital for the MSMEs whose cash flows are strained.

In addition, setting up of DigiLocker for securely storing and sharing documents online will enable banks and NBFCs to assess the credibility of the MSMEs. This shall improve the confidence and thereby, the credit flow to the sector.

A reduction in the basic Customs duty rate for textile and agriculture products from 21% to 13%, is aimed at making the country a manufacturing hub and an attractive investment destination.

India has set a target of Net Zero emissions by 2070 under its commitment to deal with climate change. Towards this end, the Budget rightly puts clean energy and climate action as one of the focus areas with INR35,000 crore outlay for energy security, energy transition and Net Zero objectives.

Towards a sustainable growth

The government's continued emphasis on digital infrastructure, fiscal support to digital payments and focus on agri-tech, education and healthcare indicate that it is keen to use technology as the primary driver of growth.

More importantly, the growth focus of the Budget is not facilitated by any fiscal profligacy. The government has been strictly adhering to the fiscal glide path and systematically reducing its dependence on market borrowings. That augurs well for the interest-rate trajectory and creates conducive environment for private-investment spending. If global situation remains under control, Union **Budget 2023** has the potential to kick-start the process of sustainable growth for India.

(*The author is the managing director and CEO of L&T Finance Holdings Ltd. Opinions expressed are personal.*)