

Growth Focus Stays, Capex Hike Notable



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The budget has clearly kept its focus on boosting economic growth. It is noteworthy that despite significant challenges to revenue mobilisation, the government has increased capital expenditure by 13% in FY20 and further by 18% in FY21.

Emphasis on the manufacture of networked products such as electronic items would help India become a part of the global value chain and harness India's export potential would pay dividends in terms of higher employment generation. Proposal to extend the partial credit guarantee scheme for NBFCs and higher limit for FPIs in corporate bonds are positives for NBFCs. Creation of data centre parks throughout the country will encourage the use of digital analytics in NBFCs.

The MSME sector will benefit

from the proposal to extend the restructuring window, a scheme for provision of subordinate debt and digital solution to deal with delayed payments. Further easing of taxation burden on startups should support their ecosystem.

The proposal to set up large solar power capacity alongside rail tracks and enabling farmers to set up solar power generation capacity on their barren lands have the potential to herald immense growth opportunity for the renewable energy sector.

The decision to shut thermal power plants having higher emission levels will also promote renewable energy sector and strengthen India's commitment to abide by the international carbon footprint standards. Plans to significantly increase the scope of National Gas Grid to 27,000 km should enhance availability of natural gas across the country. Setting up the Investment Clearance Cell looks promising and should help dealing with some of the existing bottlenecks relating to execution of projects.

While rationalisation of personal income taxes would revive demand, the focus on agriculture and social sectors would benefit broader economy. However, balancing the needs of economic revival amid very limited fiscal space is going to be a tightrope walk for policymakers at least in the coming financial year.