14. Budget for India @75 is a template for Amrit Kaal

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A focused, business-like approach to the budget at a time when there was pressure to come up with a populist one shows the maturity and sagacity of the Narendra Modi government. It leaves no doubt that the government is clear on long-term objectives and not too perturbed by short-term disruptions, and that it is committed to putting India on the trajectory of a high single-digit growth rate on a sustainable basis.

The budget is high on policy stability, predictability and trust-based governance. This is evident from the fact that it has left all important provisions related to direct and indirect taxation unchanged. Government after government has tweaked the tax regime in successive budgets, but the finance minister (FM) has changed the narrative this time. The government has reaffirmed its commitment to keeping tax rates low and, at the same time, easing tax compliances by giving an opportunity to taxpayers to rectify their tax return, subject to a few conditions.

The government has also decided to follow a sound litigation management policy and declared that if a question of law is pending before a jurisdictional high court or the Supreme Court, the tax department will not file any appeal in a matter involving the same question of law till the time it is settled. Stable and predictable policies play an important role in engendering private economic decisions and fostering economic growth.

While there are many takeaways from the budget, the continued emphasis on public capital expenditure (capex) is one of the highlights. The FM reiterated that private capital expenditure is still weak, and the government will have to do the heavy lifting. Public capex has been increased by a whopping 35% to ₹7.5 lakh crore for 2022-23. Together with central government grants and aids to state governments for capital expenditure, this figure goes up to ₹10.68 lakh crore. As a result of this, private capex may take off sooner than expected. This will catalyse growth in many business ecosystems. The Economic Survey 2021-22 has already showed that there has been an uptick in bank credit growth.

Micro, small and medium enterprises (MSMEs), which are the backbone of the manufacturing sector, have been more severely impacted by Covid-19. Keeping this in mind, the government has extended the Emergency Credit Guarantee Line by one additional year to March 31, 2023, with additional ₹50,000 crore for hospitality and related sectors that were hit the hardest by the pandemic. Credit guarantee for micro and small enterprises (CGTMSE) has also been revamped. Thus, the ameliorative measures in the budget are extremely targeted, bringing efficiency in the use of taxpayers' money.

The government has also struck a fine balance between capital expenditure and fiscal consolidation. Fiscal deficit for FY 22-23 has been projected at 6.4% of the Gross Domestic Product (GDP) and the government remains committed to bring it below 4.5% of the GDP by 2025-26. The glide path is going to be smooth and gradual. The Goods and Services Tax (GST) collection of ₹1.41 lakh crore in January 2022, the highest since the inception of this transformative tax regime, assures us of the strength of economic recovery post-pandemic. Hence, there should not be any negative surprises on the revenue front in the coming financial year. We must bear in mind that the current average tax rate under GST is around 11.6%, which is much below the revenue-neutral rate of 15-15.5% calculated by an expert body at the time of its implementation. Therefore, there is enough room to further increase GST collection, should the government choose to.

Nowhere is the budget as future oriented as when it talks about urbanisation. We all know that our top six cities are bursting at the seams and all additional expenditure being incurred by their governments is to mostly make them liveable for the existing population.

The FM rightly said that our tier-2 and tier-3 cities will have to step up to shoulder the responsibility of ongoing urbanisation. Cities and towns can be our future engines of growth only when they are properly planned, inclusive and operate on sustainable principles, not when they present a picture of squalor and apathy.

The emphasis on new building by-laws, revamped town planning and creating centres of excellence in these areas in leading academic institutions through the grant of ₹250 crore to five such institutions show the commitment of the Modi government in this area.

It is evident from the budget speech that the PM Gati Shakti is going to be the linchpin around which the government will build a world-class, seamless, multi-modal transport and logistics infrastructure, based on clean energy. One of the reasons why our manufacturers are not globally competitive has to do with high logistics costs and broken domestic supply chains.

The share of logistics costs right now is around 14% of GDP and the government is committed to bring it down to 8-9%. Gati Shakti, with its focus on seven engines (sectors), will bring down logistics costs, reduce tedious documentation and enable lean inventory management.

In her speech, the FM said that this budget will set the template for the next 25 years, from India@ 75 to India@100, the 25 years of Amrit Kaal. If India commits itself to follow this template of high public capital expenditure, control on populist measures, stable and predictable tax regime and government policies, and a single-minded focus on reforms, this budget will be remembered as the trailblazer.