Our Views

Its union budget time -what would make us happy!

It's that time of the year again when we await the Hon. Finance Minister to rise and present yet another union budget. Being a student of the union budgets for past 40 years, 1983 being the first budget that I looked at, I must say that though most finance ministers leave their marks, the present Finance Minister is certainly making a difference. And therefore, our expectations from her budgets keep multiplying.

Today, with use of technology and the overall ongoing transparency in data from the government, a lot of critical numbers can be broadly estimated even before the budget is presented. Also, the government doesn't wait for the annual budget to announce critical policy initiatives and rather implements them all through the year. So, the focus of this article will be to cover a multitude suggestions about small but potentially impactful structural reforms that we would be delighted to see in the fine prints of this year's budget documents.

The first suggestion is regarding **Dispute Resolution Mechanism (DRM)**. We are a growing economy with scarce capital. Every resource, particularly capital, is very important for us and our endeavour should be to utilise it to its fullest. At times, when a project gets stuck in dispute, resolution of the same takes inordinate time through our legal system. This not only puts significant strain on project execution, but also delays the project leading to cost escalation and sometimes making the project unviable. To speedily dispose such disputes, the government should consider expanding the present Vivad se Vishwas (VsV) scheme, which is today meant to resolve tax disputes, and enhance its scope to cover all kinds of commercial disputes. Apart from making a huge difference to project execution and costs, this will also reduce the load of our judiciary and enable it to take up other important matters more expeditiously.

The second suggestion is to tackle the **issue of suburban becoming urban** and adding to the infrastructure load in cities. With the growth momentum we have witnessed in our country over the past few years, which is indeed very welcome, big cities have become bigger. A large part of the growth has been urban centric as the infrastructure and facilities there are much superior. Further, with education being pursued as a key enabler of growth for individuals and the overall ecosystem, young kids are migrating to bigger cities for education and thereafter staying on for job opportunities. As a result, our villages are becoming ghost villages even as the cities are bursting at the seams. An estimate suggests that almost 40% of our population will migrate to larger cities by 2030. Such massive migration, apart from implications of cost and infrastructure load, also has its own social challenges.

To overcome this problem, the government may consider **setting up three prestigious and established educational institutions (IIT, IIM and AIIMS) in each of the 766 districts** of India. I am sure that the state governments will be happy to provide free land for the same and the central government will have to budget for the capital cost. The day-to-day operating cost of these institutions can be met by the tuition fee, support from CSR funds, and other commercial arrangements like sponsorships for department chair etc. The admission process already established by the central government for such institutions can be extended to these institutes as well. This will not only prevent influx of population into large cities but will also help develop smaller towns and encourage industry to move into them. This will also fulfil the government's agenda of inclusive growth.

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The third expectation from the budget is a **greater focus on innovation**, without which no economy today can progress. At present, our share of new patents filed annually is less than 1%. China accounts for approximately half of the world's total patents. Innovation is an investment for the future and not focussing on it today would be like not educating your child. There is a need to make a serious commitment to innovation, not only financial but also in terms of creating an entire eco system of partnerships with industry, academia, and government.

The fourth point is regarding **privatisation**. A lot has been written about it over time and the current government has done brilliantly on privatisation by selling Air India last year. This was nothing short of a miracle. It would be useful for the Hon. Finance Minister to pull out the chapter on privatisation from the economic survey of 2020 wherein a clear strategy and roadmap was indicated for privatisation. We can follow the Singapore model of transferring all our Public Sector Undertakings (PSUs) from Govt to a new entity like NIIF which can manage this investment professionally. The improvement in the efficiency of our public sector can significantly add to the efficiency of our country. I hope the Hon. Finance Minister makes another bold decision in this regard like she did by selling Air India and listing LIC last year.

Finally, no budget discussion can close without a mention of **fiscal deficit**. While a prudent fiscal management is extremely important at the same time, we do need continued government support for the growth of our infrastructure and economy. Therefore, a fine balance between the gliding path of fiscal deficit and putting money in the economy will be required.

In conclusion, we expect to see some courageous decisions from the government in this budget which would be in line with some very decisive moves it has made in the past – be it during covid, opening of the economy or a very difficult issue like privatisation. Given that this is the last full budget before election, **NovaaOne is very confident that there will be enough to write about in the afternoon of February One**.

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