Our Views

Union Budget 2024: expectations in pursuit of national happiness

As the Hon. Finance Minister (FM) rises to present the record 7th budget in a row next week, she will be making a history. It's also a historical occasion to have the third term of the same government. As a result and also based on pre-election promises the nation is abuzz with anticipation from the budget. This year's budget carries significant weight as it is expected to lay out the roadmap for "Vikshit Bharat". This article focuses on various themes and reforms that have the potential to collectively bring us closer to the goal of Vikshit Bharat.

Growth via investment

Given the slightly different outcome of the election, there is a renewed discussion around the right model for the economic growth i.e. Consumption vs Investment. While there will be a tendency to move towards consumption led economic growth as it gives quicker result, for a long term sustained economic growth we need to continue to embrace the path of investment led economic growth. **Prioritizing investment will drive innovation, enhance infrastructure, and create lasting job opportunities, fostering a resilient economy for the future.** This Government has decisively moved towards that. The total allocation for capital expenditure (capex) has been raised significantly by 11.1% to reach a substantial allocation of INR 11.1 lakh crore in the interim budget of 2024-25. India's capex has almost doubled in last 3 years from INR 5.9 lakh crore in FY22 to INR 11.1 lakh crore in FY25. The capital expenditure share as a % of GDP tracks from 1.7% in 2019-20 to a projected 3.4% in 2024-25 interim budget. It is anticipated that in the forthcoming final budget for FY25 the capital expenditure outlay could increase from the initial allocated amount on account of better-than-expected tax revenue and record surplus transfer by the RBI to the government. The interim budget has signalled the government's ongoing commitment to prioritize infrastructure development, highlighting its critical role in boosting the economy. **I believe this commitment will be enhanced further.**

Fiscal Discipline

A hallmark of this government is its commitment to fiscal discipline, driven by robust economic growth and increased tax collection. Hopefully there will not be any unexpected departure from this path of fiscal consolidation and further efforts will be made to improve the efficiency in revenue spending. **It is crucial to maintain prudent fiscal management while ensuring continued support for infrastructure investment and economic growth.** The fiscal deficit is forecasted to be 5.1% of GDP in 2024-25, with an aim to reduce it below 4.5% by FY26, that is also anticipated to improve India's sovereign credit rating and economic standing which is important to bring down the cost of financing in India.

Strategic Privatisation and Asset Monetisation

Enhancing the efficiency and productivity of our Public Sector Undertakings (PSUs) is important. There has been extensive discussion on privatization, with the current government marking a significant milestone by successfully selling Air India in 2021. This achievement highlights the need for the Hon.

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Finance Minister to revisit the 2020 economic survey chapter on privatization, which outlines a clear strategy and roadmap. We can draw inspiration from the Singapore model for a better management and monetisation of our PSUs. This can be done by transferring all PSUs to a new entity like NIIF for independent and professional management of PSUs. Additionally, all non-essential PSUs should be privatized to enhance efficiency.

Leveraging the current robust capital markets for PSU divestment and assets monetisation is important. Instruments such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) represent a strategic shift towards transforming traditionally illiquid investments into high-yielding assets. These instruments can be used to unlock value in asset-intensive sectors paving the way for increased investor participation and sectoral resurgence. **We need to embrace the slogan that Government has no business to be in business.**

Enhancing Corporate Sector Efficiency

The corporate sector is a crucial part of any economy. In India, listed companies alone have a market capitalization exceeding USD 5.4 trillion. The corporate sector, encompassing both listed and unlisted entities, contributes over 50.0% of direct taxes in the country. Therefore, it is essential to streamline the operations of this sector and improve its efficiency to compete globally. One specific area requiring improvement is corporate restructuring, which currently is cumbersome and time-consuming. We have made significant strides in incorporation of a company and with SEBI's recent approval of a fixed price process for voluntary delisting, a listed company can now exit the market in a smooth process. However, corporate restructuring remains a challenge.

While we have improved our primary and secondary markets significantly with the use of technology and dynamic regulatory framework which has a big positive impact on the level activities, on Corporate restructuring side we are still following the age old process despite the requirement having been changed significantly. We need to take a relook at existing laws to bring in robustness in line with the primary and secondary markets. One solution to this issue could be to assign the power vested in NCLT to SEBI for the listed companies and to the Regional Director (RD) of Ministry of Corporate Affairs for unlisted companies. Both SEBI and RDs have established themselves as strong organizations overtime and have the required expertise. Also, the shareholders meeting has now moved to electronic mode which doesn't require court's direct interference. This one change could provide much needed relief to corporate India.

We expect the forthcoming historical budget of the Hon. FM will be a pathbreaking one which will set up India towards its goal of Vikshit Bharat!

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