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## **Hard to find a negative point**

Guest Column - Tarun Das

The budget-industry connect now has a completely different framework from the past. Earlier, it was all about the focus on taxes — income, customs and excise. It is a reflection of the maturity of the national economy and industry that the budget's impact on industry goes far beyond only tax proposals.

This is because the complexion of industry has changed to go beyond manufacturing and includes a variety of services industry sectors and, of course, infrastructure and agribusiness. So, almost every part of the budget, including social sector plans, does and can impact industry.

The first issue is whether the budget of Pranab Mukherjee impacts business sentiment — and how. Looking at the budget's multiple strategies to sustain high growth and the finance minister's plan to reach out to 9 per cent and 10 per cent GDP growth, the vision is positive and therefore, impacts favourably on the intangible but crucial area of business sentiment.

Budget 2010's repeated reference to "growth", and the consequential commitment to higher growth, is a happy signal from the finance minister. Business likes growth because growth is always very good for industry. This budget is clear and firm on this account.

The second issue that impacts industry is infrastructure and the government's plan expenditure. These generate demand, production and growth. Therefore, the budget's constant commitment to increase plan expenditure, provide for highway development, power sector, etc are all in realm of "good news" for industry for 2010-2011.

This new priority for infrastructure development and expenditure will automatically generate higher industrial activity across key sectors, and it is clear that this is a process that will continue for many years to come.

The third issue which always concerns industry is whether the budget is addressing challenges, or evading these.

Budget 2010 shows a clear approach in this regard. The challenge of getting back to fiscal consolidation was inevitable. Hence, increasing excise duty from 8 per cent to 10 per cent and raising duties on oil and oil-related areas, as well as other sectors, were inevitable and expected.

Mukherjee has shown realism and responsibility. If he had not addressed these issues, it would have been sad in spite of the fact that the concerned industry-sectors would need to adjust their policies. Overall, therefore, these budget measures are seen as positive from the point of view of the overall economy.

The fourth issue is whether the budget recognises futuristic trends and builds policies to encourage positives such as innovation, R&D, and clean energy, which are critical to India's future well being and will support industry to grasp new opportunity, develop new technologies and products. The finance minister gives clear direction on all of this.

The fifth issue is whether the finance minister shows responsibility, or otherwise, in a country with multiple and complex challenges. He is steady, responsible and mature in his budget.

The country needs this. Bringing down debt, reducing the deficit, implementing GST to a date, financial stability council formation, new licences for private sector banks to spread banking, the Financial Sector Reforms Commission, agriculture — related measures, etc are all excellent, visionary steps in Budget 2010.

It is actually difficult to find a negative in this budget. Everyone looks for some clear weaknesses and inadequacies. But, the FM has cast his strategy so wide, in a positive manner, that it's really tough to find fault with him. The Indian economy is clearly in safe hands.

A challenge for industry is whether the option will be to pass on tax increase to the consumer or the effort will be to absorb all or part of the increased levies. Industry in India is competitive and creative. It is also a "new" industry in terms of maturity. The hope must be to absorb part or all of the tax increases because the consumer will have more money to save or spend and industry can tap into this through responsible action.

As a result of Budget 2010, the economic outlook for 2010-2011 looks very strong. It now seems likely that GDP growth will surpass 8 per cent and may reach near 9 per cent because the FM has given investment, business, entrepreneurship confidence in the future, confidence can move mountains.

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