

Defining India's growth trajectory



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AROUND THIS TIME two years ago, the world was still warming up to the term Covid-19. Some warned of the turmoil it could cause, some just rubbished it by terming this invisible virus a propaganda of one nation. The turns of events ever since have potentially changed the world in ways we could never predict. And in times like these, it's only natural to look to the governing authorities to lead the country to a promising future. Nirmala Sitharaman's Union Budget for 2022-23 might just have done that.

Despite the state polls being just around the corner, the Budget treads the path of fiscal prudence at the expense of populism. It refrains from subsidies and splurging on unproductive measures. Given the financial and sociological disruption from the pandemic, it's imperative to spend resources in ways that could boost the economy in a stable manner.

Sitharaman took many by surprise by wrapping up the document in about 1 hour 32 minutes after having famously delivered India's longest Budget speech of 2 hours 40 minutes two years ago. But the shorter length by no means indicates lesser announcements in the direction ahead. Laying the blueprint to Amrit Kaal of the next 25 years – from India at 75 to India at 100, the Budget depicts a firm and forward-looking approach.

Expecting the country to grow at 8-8.5% in the coming financial

year, the finance minister's Budget focuses primarily on three elements – infrastructure, sustainable development, and all-inclusive welfare. All need of the hour.

As we still struggle under the pandemic's pressure, a higher-than-expected ₹7.5-trillion allocation in the infrastructure sector in public investment for asset creation will likely crowd-in private sector investments and uplift sentiment. Drones in agriculture, organic farming, and wasteland development with an outlay of ₹3 trillion will help build 'Bharat' and lead to transformation of life in rural India. The extension of ECLGS scheme by one more year and ₹5-trillion of guarantee covers is an excellent step to support the MSME sector that took the brunt of the second wave of pandemic.

Taking learnings from the past few years, the government's bid to spearhead digitisation and take technological benefits to as many people as possible across the country is laudable. Plans to create portals for health care and education will go a long way in shaping the country's future and ensure inclusive growth.

All this will consume a larger dose of ₹7.5 trillion of capital expenditure next year. The flip side to which is a much larger-than-expected gross borrowing programme of ₹14.3 trillion, adjusting the announced number of ₹14.95 trillion down by ₹0.65 trillion switch of short-term with long-term securities with RBI. While this does spoil the sentiment for fixed-income markets in the short term, a similar issue cropped last year, and the RBI and the government managed incremental borrowings very well through a slew of innovative measures.

Overall, the Budget couldn't have been better given the current situation. There are challenges all around, but the FM has put forth a forward-looking plan of action. Be it increased push on digitisation, commitment to build infrastructure or putting technology to use for a greener and cleaner future – the measures announced today will likely ensure sustained growth in the coming months and years.

