Interim Budget indicates the way forward

EXIM MATTERS

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The well crafted and relatively short Interim Budget speech by the Finance Minister is a confirmation of the government's belief that its strategy of higher public expenditure in infrastructure development and welfare measures is working well, and in the near future that is the way to go. 'The economy is doing well', said the finance minister.

The highlight of the Interim Budget is the proposal to reduce the fiscal deficit next year to 5.1 per cent of the GDP in full confidence that the rising revenues, especially the tax revenues, will help meet that target, despite increasing outlays on capital expenditure and welfare measures. The government proposed to increase capital expenditure to ₹11.11 trillion in the hope that the multiplier effect of such investment in infrastructure will crowd in private investment and generate enough jobs to boost domestic consumption. The government does not appear to believe there is any problem of unemployment or tepid domestic consumption or poor growth in exports or private investment. 'Investments are robust. People are living better and earning better, with even greater aspirations for the future', said the Finance Minister.

The most remarkable proposal that will help fight climate change is the one relating to installation of solar panels on rooftops of ten million houses that, according to the government, will help each household obtain up to 300 units of free electricity every month. The Finance Minister said that the expected benefits include savings of ₹15,000-18,000 annually for each household from free solar electricity and selling the surplus to distribution companies, charging of electric vehicles, entrepreneurship opportunities for a large number of vendors for supply and installation and employment opportunities for the youth with technical skills in manufacturing, installation and maintenance of such solar panels. Another striking proposal is to establish a corpus of ₹1 trillion to provide long-term finance for research and innovation projects of private enterprises.

On the external sector, the Finance Minister said that geopolitically, global affairs are becoming more complex and challenging with wars and conflicts. Globalisation is being redefined with re-shoring and friend-shoring, disruption and fragmentation of supply chains, and competition for critical minerals and technologies. A new world order is emerging after the Covid pandemic, she said. However, if that was a cause for any concern, it did not show up in the Budget speech. Exports found only a passing mention in the context of the scheme to help fishermen.

On steps to facilitate the international trade, the Finance Minister said that the import release time declined by 47 per cent to 71 hours at inland container depots, by 28 per cent to 44 hours at air cargo complexes and by 27 per cent to 85 hours at sea ports, over the last four years since 2019, when the National Time Release Studies were first started. Such results of the initiatives of the bureaucracy are fairly routine, no matter which government is in power. The Finance Minister talked of port connectivity corridors that might interest importers and exporters if they get to know the details. No changes in the tax rates were announced as the necessary excise/customs notifications had been issued a few days earlier.

Overall, the Interim Budget is an indication of how the government will go about in its regular budget in July this year.

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