Budget should catalyse manufacturing resurgence

Streamlining regulatory compliances, phasing out cross-subsidisation of power by industry and higher capex by govt will help

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There is much anticipation that the Finance Minister would unravel a momentous Budget. Expectations are that the Budget would announce bold next-gen reforms which would help realise the 'dream' of a resurgent, inclusive and a growing economy further feeding into the higher goal of Viksit Bharat by 2047.

The vital role the manufacturing sector plays for building a 'Viksit Bharat' is well known. No country in the world has grown and prospered without a strong manufacturing base. A fillip to manufacturing would help the private sector to strongly emerge as a growth multiplier for the economy through its contribution towards growth, employment, FDI and exports.

Hence, the share of manufacturing in GDP should increase from around 16 per cent at present to at least 25 per cent in the near future. A toolbox of policies in the Budget would provide a fillip to the manufacturing sector. Here are some suggestions to strengthen the sector's growth:

A key area of importance is to continue to focus on the ease of doing business. While much progress has been made, there is more work to be done. The Budget should continue its work on simplifying, rationalising and digitising regulatory compliances, reducing tax litigation, etc., to facilitate ease of doing business for industry. Besides, issues relating to exit of businesses should also be brought within the ambit of National Single Window System platform under the Insolvency and Bankruptcy Code (IBC) as well as the Companies Act, 2013. Special focus should be laid on ensuring strict adherence to timelines for both start and closure of businesses.

Besides, a continued focus on decriminalisation of business laws and the introduction of the Samadhan scheme for Customs on the lines of Sabka Vishwas - Vivad Se Vishwas Scheme for Income Tax, for clearing long pending legal cases, would inspire business confidence.

The government should work towards phasing out cross-subsidisation of power by industry to other consumers by rationalising power cost and withdrawing cross-subsidisation of railway passenger fares by freight to reduce logistics cost. Bringing electricity and petroleum products under GST will also improve the quality of power and reduce logistics costs by making road transport cheaper.

PLI SCHEME. Must be extended to more sectors

With industry 4.0 becoming a reality, a thrust to make manufacturing future ready becomes imperative. The government may consider creating two missions, namely, a Mission on Advanced Manufacturing which would focus on smart and advanced manufacturing technologies, and a Mission on Advanced Materials to identify key advanced materials and develop roadmaps from mining to their commercial use.

Another confidence booster would be to provide tax certainty to businesses by maintaining the corporate tax rates at the current levels.

The Production Linked Incentive (PLI) scheme is a pivotal reform undertaken by the government to promote domestic manufacturing at scale.

The scheme should be extended to more areas such as the labour-intensive and sunrise sectors which have a huge potential to boost manufacturing, employment and exports.

Finally, a thrust to manufacturing would remain incomplete unless government investment continues to be the bulwark of the investment cycle. The Budget should increase capex by around 25 per cent in FY25, for investing in infrastructure with a special focus on rural infrastructure which would have a positive spill-over effect on the economy and industry.

A Budget which is bold in ideas and firm in execution would go a long way in fostering manufacturing growth and helping reach the goalpost of a developed India by 2047.

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