

FM may bring in measures to tackle inflation, unemployment

RENEWED PUSH. Sitharaman to sustain focus on capex with ₹11.11-lakh cr allocated in Interim Budget

Shishir Sinha
New Delhi

Finance Minister Nirmala Sitharaman will resume her tenure in the North Block with a long-detailed agenda starting with the presentation of the full Budget for fiscal year 2024-25. However, her first important challenge will be to tackle retail food inflation.

Sitharaman, 65, is the first full-time woman Finance Minister. She has so far presented six budgets (including one Interim Budget). The Interim Budget for FY25 was the conventional vote-on-account only.

Now, all eyes are on the full Budget, where she is expected to present vision for the next five years along with some policy announcements. She will also attempt to address the issue of unemployment through measures to boost manufacturing.

Meanwhile, Sitharaman

has some advantage on the issue of containing fiscal deficit after the record surplus transfer from the Reserve Bank of India and consistent higher collection of taxes. There are now two options before her — to lower the fiscal deficit target of 5.1 per cent, as proposed in the Interim Budget, by at least 10 basis points, or stick to the same target and focus on allocating more towards public expenditure. Such a move will also help boost consumption.

CAPEX PIVOT

The Minister is expected to remain focussed on capital expenditure, for which ₹11.11-lakh crore has been provided in the Interim Budget. Though there is no change expected in the full Budget, for the remaining four years of Modi 3.0, she is likely to provide more and more money towards that.

Taking cue from the BJP manifesto, Sitharaman is expected to allocate more under PLI or some new innov-



RIGHT ON. Union Finance Minister Nirmala Sitharaman PTI

ative scheme to boost manufacturing. The manifesto promised to build on the “good success” seen in manufacturing in electronics, defence, mobile, automobiles sectors under the ‘Make in India’ programme and enhance employment in these crucial sectors.

GLOBAL HUB

The party promised to turn Bharat into a global leader in automobile and EV manufacturing and make it a textiles and global electronics manufacturing hub by 2030.

One immediate key concern is the rising retail food

inflation. Though headline inflation is around 5 per cent, food inflation, especially prices of vegetables and edible oil, are posing uncomfortable questions for the government.

The Minister is expected to announce new measures not just for higher production of horticulture but also for cold storages. At the same time, though focus on promoting oil seeds production has given some desirable results, more is expected on this.

Sitharaman has a long pending agenda to push for GST rate rationalisation.

This is going to be a tricky exercise as rate rejig could take some items to the higher tax bracket, impacting inflation in the process.

GST RATE REJIG

The rate rejig is expected to resolve inverted duty structure (where rates are high on input and low on output, resulting in refunds) especially in sectors such as textiles.

This is a politically-sensitive issue as attempts to resolve it have met with strong resistance not just from the Opposition parties but from BJP-ruled States as well, forcing the GST Council to put its recommendation in abeyance.

Another key issue before the Finance Minister would be to rework the new pension scheme. A committee under Finance Secretary T V Somanathan is said to be working on the new pension scheme. The committee's recommendations are expected to be made public soon.