

'Vision-setting Budget for Viksit Bharat'

A day after presenting the Union Budget for 2024-25, Finance Minister **NIRMALA SITHARAMAN** spoke to Shrimi Choudhary, Ruchika Chitravanshi, Asit Ranjan Mishra & Nivedita Mookerji on issues ranging from the private sector's role in job creation to coalition needs in making Budgets, at her North Block office. Edited excerpts:

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Was the seventh Budget your toughest yet?

Can't say this was the toughest. In the July 2019 Budget, I hardly had any time to prepare as it was the start of the month. This time, the letter and spirit of the vote on account had to be subsumed in the Budget, and a lot of additions were made.

But this is the first time you have had to deal with the challenges of a coalition...

I did not feel any additional burden. There is challenge each time, in each Budget. We did Budget-making during Covid-19. What can be more difficult than that? These states (coalition partners) are also working for the welfare of their people. If you are saying the Budget was coalition-driven, the answer is no. Isn't Bihar part of India?

What was the broad vision influencing this Budget?

What Rashtrapati ji had said was right. The PM also said on the day of the Economic Survey that this had to be a vision-setting Budget for Viksit Bharat. That was clearly before me, hence the emphasis on what we call the four castes — women, youth, farmers and the poor. The stream of the Budget flows through these four pillars.

Coming to employment and internship, how would you ensure that the issues the private sector might raise are addressed?

There's no compulsion.

Yes, it's voluntary, but still there could be discretionary issues like bureaucratic interventions...

No, there's no bureaucratic intervention. The Congress may talk about copy-paste schemes, but please understand that we apply our minds when we design a scheme. I'm not enshrining it as a right. As the central government, we have the convening powers to nudge people towards it (job creation, internship).

Can you elaborate?

Companies can optimally use their CSR (corporate social responsibility) funds and make sure that, when they talk about employable skills in people who come out from, say, engineering colleges, they are given apprenticeship opportunities on their shop floors. After one year, not just the company that gave them apprenticeship but any company would like to recruit them. Why should the private sector feel pressured when I am not making it mandatory. Equally, I'm not asking the private sector to pay these people. I am (the government is) paying them ₹5,000 every month, in addition to ₹6,000 over and above... All that these companies would have to do is use their CSR funds to get trainers for these interns. Also, ITIs (industrial training institutes) will have to have the equipment to teach skills linked to Industry 4.0. We will spend on ITIs, and state governments will also participate. In the past, Tatas have trained people through ITIs in Karnataka. When Tatas left, there were no instructors to train. So, we have learnt lessons on skilling or private participation. At the 500 top companies going for internship, we want to make sure the companies understand that employable skills are being given to people they or anybody else would want to recruit. I found it unbelievable that L&T said 45,000 jobs were waiting to be filled because of unavailability of suitable skillsets. So, when the Opposition sweepingly says there are no jobs, I'm sorry... I'm not saying it's raining jobs, but there are jobs. The (skill) gap has to be bridged.

It's not mandatory, but did you have a discussion with industry before making this proposal?

Yes, we did. We had extensive discussions with industry, including with business chambers CII (Confederation of Indian Industry) and Ficci (Federation of Indian Chambers of Commerce & Industry). They conveyed to us that such a proposal (on creating jobs and giving internships) could be implemented.

Going forward, is there a shift that's taking place from government-led to private-led job creation?

I don't think I will call it a shift. But in an open economy like ours, jobs have to be created everywhere. That's how it should be. People will not have to migrate if there are jobs everywhere. Jobs will be created wherever possible, if only the right policies and support mechanisms are provided.

How much does the job push in this Budget have to do with the performance of BJP in the general elections?

Election issues are not common across the

country. Some issues exist across a couple of states, and some others across some other states. It is a question of which state is able to attract more youth with the right skill. There are so many factors.

What kind of state collaboration do you envisage for the preparation of the national economic policy framework?

We will certainly consult every stakeholder. Since 2019, I have chaired every Goods and Services Tax (GST) Council with that intent, as has every finance minister. Despite the narrative of a friction in Centre-state relationships, the GST Council has set a beautiful precedent that cooperative federalism is not difficult to achieve as long as it is clear that all are working together in the interests of both the Centre and the state. I want to credit every party that, despite all that is being said, when it comes to sitting and working at that table, work gets done. Cooperative, competitive federalism is definitely working.

Will increasing Securities Transaction Tax curb speculative trading in futures & options (F&O)?

The regulators themselves are dealing with this issue with a soft touch. I don't think taxing anything conveys the message. What we have certainly done is give a minor increase. We don't intend to undermine anything that is happening in the market. We are quite happy with people finding avenues to put their saved money for better returns. It is their prerogative. Sebi has set the procedure and that itself is having an effect on F&O. We don't need to come up with anything new that might suggest we want to cap or contain the pace at which the people are coming to invest in it.

What triggered the change in the indexation clause in capital gains tax?

The income-tax department and the Central Board of Direct Taxes (CBDT) have been coming up with explanations. Removing indexation is not going to make people pay more at all. There will always be a person here or there whose investment hasn't given them that kind of return even after several years. There was no intent of raising the revenue. We have aimed for simplification.

On the MSME (micro, small and medium enterprises) issue, is there any change likely after what the Budget proposed? Lenders are saying the SMA (special mention account) classification period should extend to 180 days from 90...

That comes down to the banking regulation. Banks are given a clear mandate to deal with MSMEs even as stress creeps in. Banks can do some handholding, give a curative solution, even as they enter the SMA stage. Banks may not understand how to deal with an MSME when they enter stressful times because banks give them only working capital. Till today MSMEs don't get bank assistance for buying the plant and machinery, unlike the way in which banks deal with their bigger corporate clients. This is a grievance of MSMEs that banks are not as invested as they should be.

So, what happens now?

We didn't want banks to do something outside of the prudential norms. So, we've had discussions with the Reserve Bank and MSMEs. That is why, like the skilling employment and youth package, we are taking eight different steps.

Is there anything else that is needed as they are asking for 180 days instead of the current 90 days?

That is something which the MSME Act has to deal with. It is an Act which has been in existence since 2006.

Isn't your tax projection conservative? My approach has been to be realistic; attain it rather than be ambitious.

What is the focus of reviewing the Income-Tax Act? It is for the committee that is going to look into it to see what they want to do about it.

On fiscal consolidation, you said we are not going to chase a number (after FY27). What is the focus after FY27?

It is one thing to be obsessed by the number and say that FRBM (Fiscal Responsibility & Budget Management) wants me to reach this level, and I reach it anyway. It's a totally different thing to say, how do I get there. It cannot be random. It has to be in a meaningful way while keeping the fiscal prudence principles high. The best thing for any country is to reduce its debt-to-GDP (gross domestic product) ratio. If you start looking at it from that point of view, you will anyway reach that number. So, instead of obsessing on the number, we wanted to see what are the ways in which we can achieve it, in a way which is sustainable, and



prudentially justifiable. There's no point for a government to go on borrowing to repay only its debt, and not borrow to do some asset-creating work. That is why we took that approach to say from 2026-27, fiscal prudence and fiscal deficit should be arrived at from that route, rather than a number we have to reach.

Are you expecting any upgrade from rating agencies?

I am keeping my fingers crossed.

Where does China figure in the foreign direct investment (FDI) road map?

FDI doesn't need a new road map. Since 2014, we have taken many steps to sectorally increase the FDI limit. We also opened it up for almost all sectors in the FY21 Budget. We are moving from that gradient to another level to say that we will go on refining the FDI policy, because India has to be more and more favourable to receive this investment.

And what's on FDI from China?

As of now there may be discussions in some parts of the government, but nothing is before me. There are discussions on the visa issues as well.

Do you think a rethink is required on allowing FDI from China?

I have not applied my mind to it yet.

Your Customs duty review announcement has raised hopes on the exports front. What kind of duty changes can one expect after the review?

For those goods which are labour-intensive in manufacturing, such as leather, textiles, gems, diamond cutting and polishing, and gold jewellery making, we have removed the duty that comes with raw materials. Barring two precious metals, I have kept some limited basic Customs duty, but otherwise they won't drop considerably. Gold, for instance, is a drastic cut that is showing up in the market. So, the logic behind it was that

we should unlock those sectors which are creating employment and have the potential for greater employment. In the last few years, we have increased duties where we were very clear that capacities exist in this country. And we should allow them to grow and stabilise in some items. Where the stabilisation is obvious, I can remove them, for instance electronics, mobile phones. Now, you see that very clear and concrete steps are being taken when industry no longer requires the protection. That will be the route on which we will move.

Why did you rush to withdraw the equalisation levy, and not wait for the implementation of the global tax deal?

The way in which we are going, it is clear that when there is a global understanding, we will be better off, and we will have to bargain for being better off. So, the negotiations on Pillar 1 and Pillar 2 have all happened in that spirit — that globally these companies will have to be where the revenue generation happens, where they are registered. These differentiations should not hit the country from where the revenue is being generated. Besides, we need to inform Parliament. Secondly, it was causing a lot of compliance-related problems for those in business.

Why has the Budget outlay for defence not increased?

The outlay reflects the long-term procurement plan.

Will you prioritise education and health over infrastructure in future?

We have never cut down on education and health. After Covid, the emphasis was on

infrastructure spend as a strong route through which the economy had to recover. That has never been at the cost of education or health.

Any thoughts on reforms moving forward?

Since 2019, I have undertaken major reforms, sometimes several within one Budget. And I would think that Budget or a set of mini-Budgets that I gave during Covid had so much of reforms.

How challenging would it be to rationalise the GST rates?

The GST Council is a place where people sit and talk about the objective, which is that GST should function simply and effectively, and be a very easy code to comply with taxation. Of course, it should generate revenue not at the cost of the ordinary and poor. So, the understanding among all the members of the GST Council is clear. Rationalise and simplify it so that we are able to optimise the revenue, whether it is a single rate or two rates or three rates. It is for the Council to come up with it subsequently.

Your revenue expenditure is growing very slowly. And there has been criticism that a lot of expenditure compression has

happened over the years and a lot of fiscal consolidation has been at the expense of expenditure, not through additional revenue mobilisation. Your view?

I think that (the criticism) is not fair. You should see the effectiveness of the revenue expenditure. It is not expenditure compression but optimum use of resources.

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