1. Falling Short of Aspirations

Context:

- There were many expectations from the Union Budget 2020: that it would reverse the falling growth rate, reduce unemployment and rekindle the animal spirits needed to revive private investment.
- The Budget can be judged in terms of its effect on rural demand, investment and private sentiments — all critical elements for recovery. While the Budget offers hope on the last count, it leaves much to be desired on several other parameters.

Skill Development Allocation:

- There is a huge, unmet demand for teachers, paramedical staff and caregivers, and skilled workers. Well-paying jobs are created in the organised services and industry but require candidates with quality education and skills.
- Both elude India's youth **due to the poor quality of education and lack of Opportunities to acquire Practical Skills.** Skilling will require massive investment and concerted efforts. But budget allocated only paltry of ₹3,000 crore for skill development.

On Flagship Welfare Schemes:

- The Budget falls well short of expectations when it comes to boosting demand. The MGNREGA is allocated ₹61,500 crore, which is less than ₹71,000 crore for the current fiscal year. Disbursement under the PM-KISAN will also be less than budgeted, unless the beneficiary base is expanded.
- These two schemes **are Good Instruments for income transfers to small and marginal farmers, landless labour who spend most of their income and generate demand for a wide range of goods and Services.** Higher disbursement under these schemes would have benefited most sectors of the economy. Budgetary allocations for health and education are also well below what is Needed.

Focus on Infrastructure:

- Focus of schemes such as **Micro Irrigation schemes for 100 Water-Stressed** districts is welcome and so is a modest increase in allocations for agriculture and rural development schemes.

- Rural roads, cold storage, and logistical chains are crucial for the growth of income and employment in rural India, as the multiplier effects of rural infrastructure investment on growth and employment are large and Extensive.
- The allocation of ₹1.7 lakh crore for transportation infrastructure is also a welcome step. If the public investment infrastructure actually materialises, it will lend credence to the government's stated commitment to revive the investment cycle — to spur job-creating growth.
- To pull in private investment, the public funding should be front-loaded in under-implementation projects. Small irrigation and rural road projects are also relatively easy to complete and deliver immense benefits to several sectors.

Getting Private Investment:

- The budget is hope for a deluge of private infrastructure investment through public-private partnership (PPP) and external sovereign wealth funds that have been given 100% tax exceptions in the Budget.
- But private investment depends on the cost of capital along with the certainty of returns. **Many projects have been mired in contractual disputes with government departments and various Regulatory Hurdles.** All these factors make infrastructure investment unnecessarily risky and render these projects unattractive for investors.
- The fundamental problem of infrastructure finance is the asset-liability mismatch which can be addressed only by developing a vibrant 'corporate bond market. A well-developed bond market should draw upon domestic insurance funds, pension funds and mutual funds which are capable of investing in corporate bonds across different schemes.

Start-ups and MSMEs:

- Some relief on the tax they have to pay and on taxation of the Employee Stock Option Plans is welcome but the **reluctance to abolish the angel tax that results in harassment of start-ups and their investors is Unfathomable.**
- **To reduce the compliance burden on Small Retailers,** traders and shopkeepers the threshold for **audit of the accounts has been increased from ₹1 crore to ₹5 crore for those entities that carry out less than 5%** of their business transactions in cash
- However, for many products produced by these enterprises, the tax rates are higher for inputs than the final goods. In addition, many SMEs suffer from high taxes on imports of raw material and exports of intermediary services by them.

- The abolition of dividend distribution tax, and the assurance that tax-related disputes will be considered with compassion might deliver the expected results provided these promises are fulfilled in letter and spirit.

Conclusion:

- The future of the economy will turn on whether the government walks the talk in terms of public investment and the promises made to different sections of society including the taxpayer and companies.
- When it comes to reviving private sentiments, actions will speak much louder than the budgetary promises.