VIEWPOINT

JAIRAM VARADARAJ
MD, Elgi Equipments

Govt. keeps focus on critical areas

The Budget has placed emphasis on infrastructure development, MSMEs, skill development, and job creation

The world is witnessing unprecedented disruptions and uncertainty. India, however, presents the promise of growth, stability, and opportunities for investment.

To avail of these opportunities, multiple steps were necessary: strong capital expenditure and infrastructure push by the Indian government; significant support to small and medium enterprises; job creation and skill development; and enhancing the purchasing power of both urban and rural Indian consumers.

There are several positive announcements in the Budget 2024 focused on some of these critical areas. A continued focus on infrastructure development is welcome, with high budgetary allocations for roads, railways, and urban infrastructure, covering tier-two and tier-three cities too. This is crucial for enhancing connectivity and supporting the growth of manufacturing hubs across the country.

For MSMEs, the credit guarantee scheme for acquiring plants and machinery and the announcement to formulate financing packages for technology support are laudable.

Another aspect that has attracted adverse attention in the past has been the underwhelming skill levels of the workforce, and lack of job creation. The Budget places these among the key priorities. Announcements of schemes such as the First Timer, Manufacturing Jobs Assistance, and Support to Employers, will support employment generation. The Finance Minister has also highlighted that youth will get internship opportunities in the top 500 companies in the next five years, emphasising the importance of quality of experience.

Extending the 15% corporate tax rate to newer investments is an aspect worth considering

There are a couple of areas that may merit further consideration by the government in its post-Budget deliberations. In implementing production-linked incentives (PLIs), the government has followed a sectoral approach to promoting private investments in manufacturing. This is important, but what will also be welcome are general fiscal measures, whose benefits are not limited to select products/value chains.

It was only for five years that the window for claiming a 15% corporate tax rate was open for manufacturers. Several of these years were lost to COVID. Extending this rate to newer manufacturing investments is an opportunity worth reconsidering.

India has been embedding itself in manufacturing supply chains, but it has faced competition from Vietnam, Thailand and others. The government is rightfully moving on the trade agreement front. Accelerating this agenda needs to be supplemented with incentives for Research and Development. It is R&D that can move Indian manufacturers from their legacy of great execution skills and cost-arbitrage to becoming product innovators.

The Budget 2024 marks the start of a journey that has begun well, with several headwinds globally and Indian economic needs balanced with finesse.