

SPECIAL REPORT FM has complex challenges to meet than before as hopes are high, and from multiple directions

The five-fold path to meeting Budget expectations

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EXPECTATIONS are often wishes unlikely to happen. Any way, here goes, in putting one's neck on the block.

First, expenditure and provisions in a variety of areas - water, education, health etc - which are designed to enable and empower people at the bottom of the pyramid, should go up in the Budget. The larger objective is to bring three hundred million people into the mainstream of society over the shortest period of time.

Second, infrastructure. The critical area to support and promote, push and pull the economy and society at large will get special attention. Having moved from a completely

government-owned, managed and controlled infrastructure sector up to the early 1990s to a framework for public-private partnership, rapid infrastructure development will receive budget focus in a significant manner. This will include new ways of generating investment in infrastructure to replicate the success story in telecom.

Third, agriculture, a sector which provides livelihood to more than half our people but represents less than 25 per cent of GDP. Since the early 1990s, policy and deregulation had focused on trade and investment, on industry. Now, the focus will be more on agriculture and enabling this sector to be more productive, competitive and growth-oriented. The Budget will address the food and agri-

culture sector, including the food processing sector, to unleash growth.

Fourth, the rural economy. Rural roads. Rural Power. Rural infrastructure. Rural Education. Rural health. Rural development.



BUDGET 2005

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ment, as a whole. This has to be a special area of focus in the Budget to bring development to 600 million people. These are long-term, tough development issues but since the Budget is the flagship economic

and development policy document of government, it has to go beyond fiscal issues and address growth of areas in society and the economy.

Fifth, human capital or people. Apart from education and health, this Budget would focus on training and skills development, vocations and trades which create employability and

self-employment/ enterprise. India's human resources are clearly the most powerful and capable asset of the country, in fact, globally. So, the Budget will help to spur the empowerment of human resources, es-

pecially youth. With over 500 million people below the age of 25 years there is a clear national agenda to use the Budget to enable and empower the young people of India.

Moving to the 'traditional' areas of budget focus - taxes - there is a strong likelihood of the Budget focusing on simplifying rules and procedures, moving to a trust-based system and public-private partnerships to promote tax compliance and a wider base of tax layers.

At the same time, tough action required to deal with tax evasion is likely to figure in the Budget. So, administration, compliance and evasion will also get focused. On the tax rates. Direct tax rates should remain the same, but the process of doing away with exemptions

will be continued.

On indirect taxes, there is need to continue the process of reducing and converging the rates and, at the same time, being conscious of the volatility of the US dollar and the need for caution.

The Finance Minister has more complex challenges to meet than ever before because expectations are both high and coming from multiple directions.

The Budget will go a long way towards meeting these huge challenges and stimulate growth. Governments talk of 8 per cent, but the potential is 10 per cent and more. The Budget will speed the country in this direction.

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