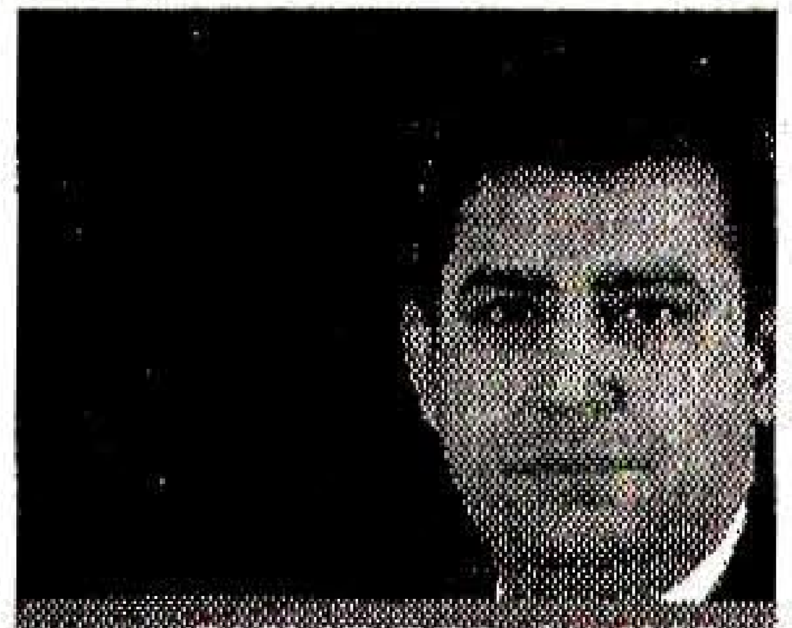
Well-balanced budget addresses a lot of key issues of economy



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- Govt gives a fillip to financial inclusion through Jan Dhan Yojana
- For individuals, the intent has been to encourage investments into financial assets

THIS year's budget was eagerly awaited, being the first full-year budget of the NDA government, which had won a historic mandate, particularly since it would set the tone for the next four years as well.

Expectations were also high since the government had the agenda to improve growth and bring about reforms.

In the last eight to nine months, the government had taken up a slew of initiatives. Improving the supply situation in key areas such as coal and power, increasing FDI limits in several sectors, gradual tweaking in sensitive areas such as labour laws, continued focus on lowering subsidy burdens, bringing inflation down on a sustained manner and pushing important reforms through the ordinance route are a few things worth noting.

The government had also given a fillip to financial inclusion through the Jan Dhan Yojana where in less than 100 days, new bank accounts worth nearly Rs 12.5 crore had been opened.

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The budget was expected to be an extension of the reform process that had been set in motion – touted as a "make in India" budget.

The budget turned out to be well balanced and addressed a lot of key elements effectively.

The broader objective to increase growth, while containing inflation was at the heart of the budget. Accordingly, the budget envisages a GDP growth of 8 per cent-8.5 per cent in FY15-16.

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At the same time, the government has proposed to set up a Monetary Policy Committee to keep inflation below 6 per cent.

Lot of emphasis has been laid on boosting infrastructure – the budgetary allocation for infrastructure has been increased by 70,000 crore.

The government would be setting up a National Investment & Infrastructure Fund and introducing tax-free infra bonds to support investments in infrastructure.

Corporate tax rate is proposed to be reduced to 25 per cent over four years, making Indian companies more competitive.

For individuals, the intent has been to encourage investments into financial assets and incentivise through tax benefits so that they have a higher disposable income. Such capital can be used productively to fund growth and even take up measures to offer social security to the poor.

Though there is no change in the tax slabs or rates, there have been a few benefits such as increase in the deduction towards health insurance premium (increased from Rs 15,000 to Rs 25,000) and doubling of travel allowance.

If individuals make good use of the various exemptions and tax benefits, they could have nearly Rs 7 lakh exempted from their income.

Another major announcement was on introducing schemes to monetise gold. India imports nearly 800 to 1000 tons of gold every year, contributing to higher current account deficit.

The budget recognised this as a problem area and has proposed to introduce schemes to encourage individuals to move away from holding physical gold, and instead invest into gold-backed financial assets.

This will help move unproductive money lying idle as physical gold to the financial system, and have a positive impact for the economy at large, while also helping the individual earn returns on the gold holdings.

The best part of this year's budget is the directional clarity – in making India an easy place to do business in, improving the processes for getting regulatory approvals and moving towards simplifying tax regime, and thereby taking the country towards the path of sustained higher growth.