



## Infrastructure route to high growth

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**A** lot of focus of the Finance Bill is typically placed on fiscal deficit and budget math, but the maiden budget of the Modi government was also being watched for the priorities that underpin the vision for the country.

The Union budget should be seen as a downpayment on returning India to its potential growth rate of 7-8 per cent. As the finance minister said, he is "duty-bound to usher in a policy regime that will result in the desired macro-economic outcome of higher growth, lower inflation, sustained level

of external sector balance and a prudent policy stance".

Not surprisingly, the key focus of the new government seems to be on infrastructure development. The budget has laid out a broad road map and allocated resources to a number of infrastructure sectors such as highways, ports, smart cities, low-cost housing, gas pipelines and river transportation.

In the port sector, 16 projects will be announced in the current fiscal. The government also plans to leverage the public-private partnership route to double the 15,000km gas pipeline in the country. In an innovative step, the government is planning a national

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waterway between Allahabad and Haldia and has allocated Rs 4,200 crore for this project. Another Rs 7,000 crore has been allocated for the development of smart cities. With the above steps, the government wants to kick start the process of bridging our infrastructure deficit.

The second key focus is skill development. Four AIMS, five IITs and five IIIMs have been proposed. These institutes will be critical in ensuring our demographic dividend is realised by imparting high

quality education.

Finance minister Arun Jaitley also allocated Rs 28,600 crore to the primary education programme of Sarva Shiksha Abhiyan. Another Rs 200 crore has been allocated towards new farm and horticulture universities.

An area where the budget did not place enough emphasis was on lowering inflation through supply-side measures. The government has announced a Rs 500-crore price stabilisation fund for food items and allocated Rs 5,000 crore towards adding warehousing capacity.

However, steps to streamline the inefficient supply chain were not taken.

While the finance minister mentioned that he will work towards creating a national common farm market, concrete steps towards this goal were missing in the budget speech. It is likely that these issues will be dealt with subsequently as Jaitley had a very short time to prepare the budget.

The government deserves credit for taking some strong steps to reform our tax structure and making our financial sector more robust. The most positive statement was that there will be a final solution to the goods and services tax in 2014-15.

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