

If history is to be believed, there is nothing bizarre in assuming that reform agenda is not confined to the Budget alone. Even though the big event of Budget has passed, it is not unlikely that bold reform measures could be taken now.

The Narendra Modi-led government has also shown its propensity to announce reforms outside the Budget. It has hiked rail fares and maintained status quo on the excise duty for automobiles and white goods before presenting its maiden Budget.

Zee Research Group (ZRG) has listed some structural measures which can help the economy in regaining its lost momentum.

It was expected that this Budget would announce a deadline for the implementation of Goods and Services Tax (GST). This pending reform is supposed to have cascading effects on boosting tax efficiency, collections and overall GDP growth. As per the NCAER study, a complete implementation of the GST could lift GDP growth by 0.9-1.7 percentage points for all future years.

However, GST was only given a cursory mention in the Budget speech and that too without a deadline for it. Arun Jaitley in his first Budget stated, “Some States have been apprehensive about surrendering their taxation jurisdiction; others want to be adequately compensated. I have discussed the matter with the States both individually and collectively. I do hope we are able to find a solution in the course of this year and approve the legislative scheme which enables the introduction of GST.” Hence, it is expected that during the course of this year, the government will find a solution and will set a deadline for its implementation.

In sync with the view, Ambit Capital in its report asserted, “In its first major economic outing, the NDA lost an opportunity to reset the tone and tenor of policy in India. On implementing the GST, the minister recognised the need for this piece of reform but resisted committing to a date.”

Another disappointment was that the government failed to give a roadmap for the reduction of subsidies. While the finance minister proposed to overhaul the subsidy regime, including food and petrol subsidies, he failed to lay a roadmap for a cut in subsidies. With a decisive mandate in hand, it is expected that going forward government can make bold announcements on price rationalisation of LPG, and kerosene.

Further, the cap on subsidised LPG cylinders could be reduced from 12 currently to 9 in order to limit the growth in fuel consumption. Currently, LPG subsidy accounts for almost 50 per cent of total oil subsidy bill. The move could reduce fuel subsidy burden by nearly Rs 4,000 crore.

Even the report by Espirito Santo India has shared its disappointments from the Budget. It includes: optimistic revenue estimates, no timeline for the roll-out of GST, no clear roadmap for subsidy reduction, and a vague view on retrospective taxation.

The decisive election mandate of the newly elected government has raised expectations that the government would initiate bold measures in this Budget which can improve the macroeconomic environment. However, the government has failed to outline tough policy changes in the Budget.

With regards to Land Acquisition Act, the government is expected to tweak it to make it more business friendly. It is expected that consent requirement for PPP projects may be reduced from 70 per cent to 50 per cent of land owners. Further, the BJP manifesto had hinted at reviewing the Act but one has to wait till the next session of the Parliament.

Likewise, everybody was waiting for some announcement related to Labour reforms. There are at least 250 labour laws in the country which have created a complex network of laws regulating organised labour. Restrictive laws have inhibited growth of the economy. Recently, Rajasthan took steps to reduce exit barriers for firms.

Taking cues from Rajasthan government's move, it was expected that in Budget government would provide an injection of flexibility into labour market regulation which can attract foreign capital, create jobs and unleash higher growth.

Going down in history, UPA-II government unleashed a slew of reforms outside the Budget under the leadership of P Chidambaram. The structural reforms started with the diesel price hike, capping the limit of subsidised LPG cylinders, allowing FDI in multi-brand retail and aviation. Further, the Cabinet cleared the proposal related to 49 per cent FDI in insurance along with 26 per cent in pension funds. It also cleared the revised draft of the Companies Bill apart from upgrading five airports to international levels.

Now, Modi being at the helm of the government, it is expected that India will unlock its growth potential in the coming years.