There has been a marked push in infrastructure



LAMON RUTTEN

MD & CEO, MCX

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- Such a steep hike in gold in both excise and customs duties would hurt households and small traders

THE BUDGET is a welcome policy statement from the UPA government as it contains a number of intentions of the government to streamline governance while delivering on social programmes. The most significant part is the declaration of a series of policy measures towards fiscal consolidation. For instance, capping the target for subsidy at 2 per cent of GDP in the next year and 1.5 per cent in the year after, together with leveraging the UID system to deliver all subsidies, is indeed a bold and desirable decision from the government. Similarly, the enlisting of the legislative action that the government would take up immediately to fulfill the avowed financial sector legislative reforms is a welcome step. The much-awaited Forward Contracts (Regulation) Amendment Act, 2010 was conspicuous by its absence. As expected, there has been a marked push in the infrastructure sector. This is particularly welcome for kickstarting the growth process and creating the right environment for rural investments. This augurs very well for the growth of the rural commodity market. Measures such as earmarking Rs 5,000 crore out of the RIDF for warehouse creation and capex deduction at 150 per cent for cold chains and warehouses would create investor interest in this sector. Now that the interest subvention scheme will be available for lending against warehouse receipts, this mode of post-harvest agricultural credit can be popularised among the users as well as dispensers of rural credit.

In respect of other infrastructure, a slew of promotional measures to boost their creation have been announced: Access to external commercial borrowings for power and roadways, expansion of projects for inclusion under PPP and viability gap funding. Such a policy push as envisaged under the budget would create an increase in demand for industrial commodities such as steel, copper and cement and their ancillary industries. This increased demand may create conditions for a series of downstream investments, given the nature of such core industries. These actions together could create conditions for India to go the China way, with infrastructure leading the economy not only towards sustainable growth in the long run, but also investment-led growth in the short run. On the bullion segment, the budget has been a mixed blessing. The excise duty exemption on branded silver jewellery is a welcome step as this could spurt savings in silver. On the other hand, the budget has not been as kind on gold. The doubling of excise (on refined gold) and customs duty (on gold bars) is a retrograde step. Gold traditionally has been an important instrument for long-term savings for Indians. A steep hike would hurt households and small traders and jewellery makers. Besides, a doubling of taxation on a widely-popular asset class is itself an inflationary move, defeating the counter-inflationary actions of the government.