

Narnolia[®]

**UNION
BUDGET
2023**

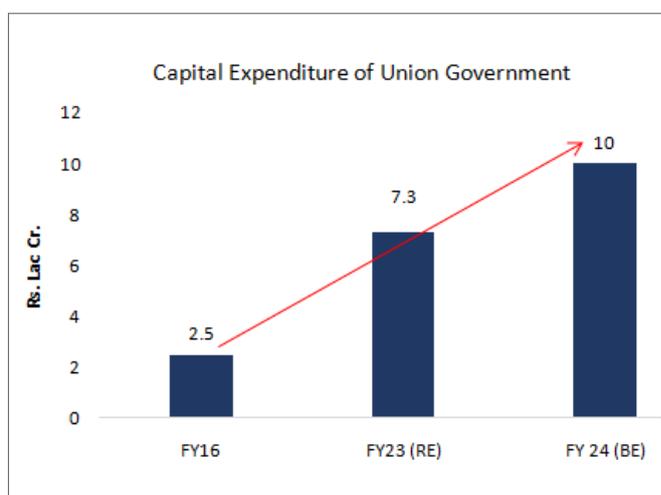
**ANOTHER RIGHT STEP
IN RIGHT DIRECTION**



1st Feb 2023

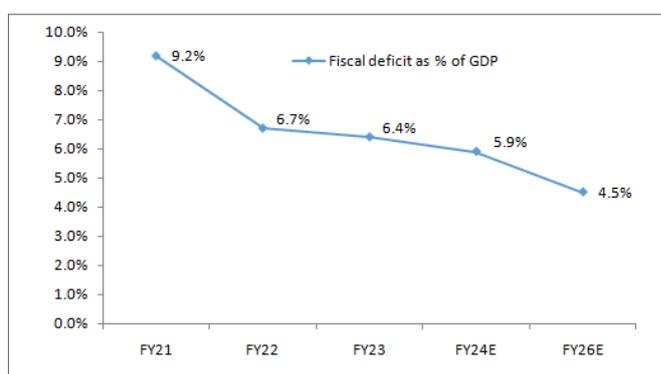
The Union Budget 23 is another stepping stone towards the vision that the Government has seen over last 7-8 years regarding India's journey from the 10th largest economy of the world towards the 3rd largest one. For the last 5 years particularly, the government had a vision for India, and over the consecutive budgets, it has tried to put a foundation towards achievement of the long term vision through apt strategies. The government tests a strategy, expands it over next budgets and then makes it happen in a conclusive manner. Indian government is going in a process oriented disciplined approach towards slowly compounding its fiscal, economic and social growth.

The Union budget emphasizes on Infrastructure investment. The government has continuously increased the capital investment outlay from Rs 5.54 lac cr to Rs7.5 lac cr in last budget and now to Rs10 lac crore which is 3.5% of GDP. Remember, this figure was mere Rs 2.5lac Cr in FY16. There has been highest ever capital outlay for railways of Rs 2.4 lac Crore. Moreover, 100 transport infrastructure projects have been identified for end to end connectivity



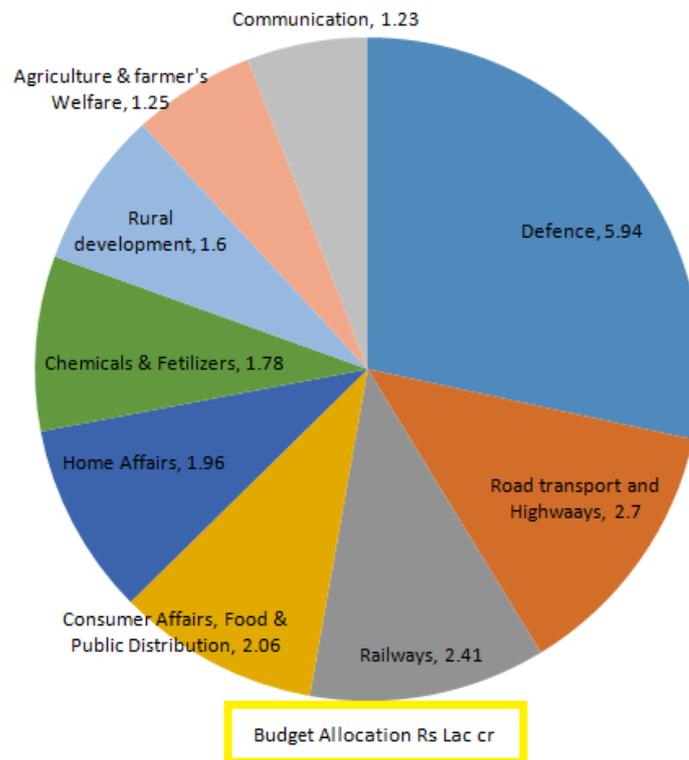
for the ports, coal, steel and fertilizer sectors. With these strong capital investments, the government directly/ indirectly urges corporate to participate in the investment cycle. With dooming global economies and VUCA, government has tried to keep the economic growth steady by infra spending.

The fiscal deficit that had shot up during covid from 3-3.5% range to 6-9% level has been targeted to 4.5% of GDP by 2025-26, expecting the next year target of 5.9% lower from 6.4% in the current year. To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at Rs11.8 lakh crore. The



balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at Rs15.4 lakh crore.

The current Budget highlights 7 priorities which is named as Saptrishi- Inclusive development, Reaching the last mile, Infra & investment, Unleashing the potential, Green growth, Youth power and Financial sector.



The government clearly understands the need of a conducive environment for businesses for intended growth. For enhancing ease of doing business, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. The Jan Vishwas Bill is to amend 42 Central Acts. Moreover, A national financial information registry will be set up to serve as the central repository of financial and ancillary information. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability. A new legislative framework will govern this credit public infrastructure, and it will be designed in consultation with the RBI. To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations. It can be hence concluded that the long drawn rules and regulations are being made relevant to the current environment and this is another foundational step towards India growth story.

It was indeed high time we realize the potential of Agri India which has been the main source of our Income for decades. India is the largest producer and second largest exporter of 'Shree Anna' in the world. Making India a global Hub for Shree Anna – Millet will empower our small and marginal farmers and make them financially stronger. Moreover, to enhance the productivity of extra-long staple cotton, the government intends to adopt a cluster-based and value chain

approach through Public Private Partnerships (PPP) which means collaboration between farmers, state and industry for input supplies, extension services, and market linkages. These steps of the government outline the fundamental improvement the government is designing to bring for India.

The Union Budget touches upon the lives of Women, Youth, artisans in one way or the other. It has the right incentives for Corporate India as well as huge support for the MSME. Government promises infusion of Rs 9,000 crore in the Corporate Guarantee scheme which will enable additional collateral-free guaranteed credit of Rs 2 lakh crore and will further reduce the credit cost by nearly 1%. Moreover, Vivad se Vishwas comes as a relief for MSMEs for settling contractual disputes. We expect measures taken by government towards SME- MSMEs are giving them the right plinth for growth, so much so that slowly the differential between a formal and an informal economy reduces. Its time when we start differentiating companies by their size- as small or large rather than by their level of compliance- as formal or informal.

Some tax aspects that cannot be ignored in the Budget from Stock market point of view are- taxation of gains out of market linked Debentures; limiting income tax exemption from proceeds of Insurance policies with very high redemption value and proposal to cap deduction from capital gains on investment in residential house under sections 54 and 54F to Rs10 crore. We opine that none of these will have a negative impact for longer time frame w.r.t Stock markets. Sources suggest the market linked debentures are only to the tune of around Rs 75000Cr. High value Insurance money may be routed towards mutual funds. Sec 54 F may impact some selling in the stock market by HNIs in the near term as the money may shift to buying real estate properties of higher values for saving taxes. The government has intended to make the tax arbitrage redundant. Also, the new tax regime for individuals is made as default regime. With all these small changes in the tax structure, the government hints at making taxes and policies nimble, simple and uniform.

Budget 2023 has further strengthened India's ability to grow faster both in quantitative as well as qualitative sense and will ensure that Indian equity investors keep reaping higher growth for their equity investments.

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