There is a clear investment push in the budget

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Finance minister Nirmala Sitharaman tried to give investment a push with a series of small measures in her maiden budget. Whether these steps are successful in pushing India's corporate sector to invest more will depend on whether the budget inspires enough confidence that the government is indeed as friendly towards business and profits as Sitharaman said in her speech.

In the context of the macro-economy, pushing up investment when the savings rate is falling required larger capital inflows. This was seen clearly in the budget.

One key feature of the budget speech was a big emphasis on foreign investment, both equity and debt. Sitharaman removed the Foreign Portfolio Investment (FPI) limits of 24% to Foreign Direct Investment (FDI) sectoral caps, made the somewhat unfavourable NRI equity investment framework the same as the more Favourable Foreign Institutional investor (FII) framework, announced foreign currency denominated sovereign debt and a number of other changes that will follow.

Even though, as she pointed out, India had continued to receive foreign investment last year despite a global slowdown, there are innumerable stories about foreign investors not finding India an attractive investment destination. High corporate tax rates, an uncertain tax regime, and an uncertain policy environment such as the e-commerce policy have all made India one of the top litigation countries for foreign companies. At a time when the United States-China trade war is presenting interesting possibilities for India, creating a foreign investment-friendly environment can bring India jobs and investment.

At the same time, by increasing protectionism through proposing higher tariffs on a number of items, Sitharaman took a step back. Maybe this was the tightrope walk she had to do to keep the Bharatiya Janata Party's *swadeshi* elements happy.

The increase in the cap for small companies to ₹400 crore to qualify for a 25% corporate tax was a step in the right direction as it will allow the ₹250 crore companies to grow large. Perhaps in the next budget the government will take the next step and reduce the corporate rate to 25% for all, as it had promised in March 2015.

Financial sector reforms have seen small steps which might help in the short run. For example, ₹70,000 crore is to be given to Public Sector Unit (PSU) banks for recapitalisation. This will ease the credit crunch in the economy a bit. If not followed by liberalisation of the banking sector and more private bank licences, India's credit needs cannot be met. Public sector banks will keep needing taxpayer money year after year, as they have for decades. The small window to help (Non Banking Financial Companies) NBFCs to address the liquidity crisis and increasing RBI regulatory powers over NBFCs will also help but without reforms in the bond market, in credit rating, bankruptcy, better regulation and supervision etc, the credit needs of India's MSMEs, industry, infrastructure and housing will not be adequately addressed. For this, many more reforms will have to be carried out during the year. Hopefully, as the new finance minister settles into her job, she will be able to address these in greater depth.

Financial sector reforms have seen small steps. A large disinvestment target has been set. But more reforms will have to be carried out AFP/GETTY IMAGES

A large disinvestment target of ₹1.05 lakh crore with an announcement of both selling Public Sector Unit shares and strategic disinvestment is a positive signal. While a lack of political will might have kept disinvestment low in the first term of the Narendra Modi government, the fact that it has been brought back to the table and is being spoken about and emphasised by the finance minister in her first speech suggests that with its bigger mandate and greater confidence the government's disinvestment agenda is likely to be pushed through this time.

The budget continued the anti-super rich message from Modi's first term with a tax on the super rich. It has been reported that very few individuals in the country show more than ₹3 crore taxable income. These are not really salaried employees who will pay taxes. Tax evasion in India is easy as exemptions for agricultural income allow the rich to escape taxes. It would be interesting if the data about the number of individuals in this bracket and the tax collected from them is revealed for last year, and, again, after a year under the new regime.

Overall, Sitharaman kept to the fiscal deficit of 3.3% of the Gross Domestic Product. She announced ₹80,000 crore for all-weather roads under the next phase of the Pradhan Mantri Gram Sadak Yojana, a programme for piped water, electricity and gas to every household in rural India. This, along with the already announced PM Kisan Samman Yojana, the newly- announced scheme for fishermen and housing for all by 2022, were the key schemes that would undoubtedly increase the outreach of the Prime Minister's schemes to anyone who might possibly have been left out so far under the existing PM schemes. The vision on *antyodaya*, or reaching the last person/ last mile, is a political objective the BJP has repeatedly emphasised. This will undoubtedly reach the poorest in rural India, in remote villages and in coastal areas.

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