

## THE FINE PRINT

# Budget reflects a maturing economy



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The Budget reflects a clear focus on strengthening India's long-term prospects by leaning on nation-building sectors such as infrastructure, manufacturing, and technology while maintaining fiscal responsibility. The interventions attempt to convert Bharat's demographic weight and entrepreneurial energy into durable, broad-based prosperity.

The Economic Survey's assessment was clear—India's growth engine is firing on multiple engines—consumption is resilient, investment is firming, and manufacturing traction is improving. This Budget also comes against the backdrop of multiple trade deals signed by India, including those with the EU, the EFTA, New Zealand, and the UK—even as we are on the verge of a potential deal with the USA.

The typical expectation is a short-term boost with a medium-term view. However, this Budget has clearly prioritised a Viksit Bharat—fiscal prudence and structural strengthening over short term incentivisation. Three thematic emerge from the Budget: enabling exports through alignment and rationalisation, focusing on industries of the future and those that drive job creation, and aligning training needs and upskilling with industry requirements.

The Budget's focus on developing strategic sectors such as biopharma, electronics, semiconductors, rare earths, and chemicals while supporting legacy sectors with modernisation reflects strategic alignment with global shifts towards supply-chain diversification. This is a clear push towards Atmanirbharta and increasing the country's manufacturing prowess. The increased thrust to components and inputs through clusters, upskilling, and select support for imports also reflects a focus on ecosystem creation. From continued capex and support for strengthening logistics through multimodal development in dedicated freight corridors and development of waterways to the development of

industrial clusters and improving access to credit—there is definitive support for MSMEs. Further, customs simplification with a single integrated window and provision for sale by SEZ units to the domestic tariff areas on a rationalised duty basis will provide the necessary boost to manufacturing exports. However, support for R&D, testing and certification infrastructure, green compliance, and helping MSMEs identify opportunities is lacking.

The 20-year tax holiday on data centres will help capture global interest and increased investments in data centres, while building the necessary critical infrastructure in India. It can also help expand the growth of technology services from India. Widening the safe harbour scheme for the IT industry and the simplification of taxes for talent movement across borders will also help existing global capability centres to increase their scale and enable the establishment of new ones. Recognising the power of urban city centres as avenues of growth, the Budget calls out the need to modernise infrastructure that supports the development of Tier-2 and Tier-3 cities. Connecting urban centres through high-speed rail as 'growth-connectors' will enable mobility of talent and, consequently, create a stronger and more diverse workforce.

The Budget also lays down a plan for improving the tourism industry, which has been under-penetrated and under-publicised given India's diversity. Upskilling (including for hospitality development), creation of the digital knowledge grid, and the development of new tourist spots are all steps in the right direction. However, a lot more still needs to be done, including support for states to build and improve infrastructure to showcase India's diverse landscape.

The Budget provides support to farmers in terms of improving farm productivity, focusing on specific cash crops, the development of integrated fisheries and water reservoirs, as well as modernisation and fiscal support for animal husbandry. The Budget underscores continuity and conscious financial choices, highlighting a shift from a populist, hand-out-oriented Budget to targeted strategic bets—reflecting a maturing economy. These measures augur well for a Viksit Bharat by 2047. A few things would need to be addressed to catapult the growth rate to the next level, including a more targeted and time-bound push towards deregulation and digitisation, targeted initiatives for attracting capital and FDI, and boosting health and education facilities.

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