Post budget quotes from Industry experts

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Mr. Abheek Barua, Chief Economist, HDFC Bank

A bold budget in many senses. The central intent has been to use expansionary fiscal policy to support growth sidestepping concerns over debt sustainability and sovereign rating. The fiscal deficit is pegged at 6.8% of GDP in FY22 compared to a revised estimate of 9.5% for FY21. The focus has been on increasing capital expenditure both by the centre (+35% y-o-y) as well as states. Moreover, the budget introduced new institutional structures (like the Development Finance Institution, asset reconstruction company) and provided greater detail on asset monetisation to finance infrastructure needs in the economy. In light of the COVID-19 health crisis, the budget's focus on health and sanitisation with increased allocations and introduction of a new health scheme are also welcome steps.

That said, the budget does not adequately address concerns over inequitable growth which has been a worry across the globe due to the pandemic. There has been no specific support for sectors stressed due to the pandemic like the hospitality sector. While the government did not increase any direct taxes, as some sections of the market feared, there has also not been any cushion provided for households – especially in the informal sector that has been hit the most by the pandemic. Therefore, while the budget focusses towards pushing the long term growth potential it does little to prevent a K-shaped growth recovery.

For the bond market, a higher than expected market borrowing estimate (INR 12 trn) in FY22 and additional borrowings of INR 80,000 crores in FY21 are likely to add pressure on borrowing costs. The 10-year yield is up by 16bps since the budget announcement crossing 6%. Over the coming year, higher market borrowings, concerns over inflation and a move towards normalising liquidity conditions by the RBI could maintain pressure on yields. We see the 10 year between 5.95-6.10% by the end of H1 FY22.

Shri CH S. S. Mallikarjuna Rao, MD & CEO, Punjab National Bank

We welcome the measures announced by Hon'ble Finance Minister in Union Budget 2021-22. The budget rightly strikes a reasonable balance between addressing the key pillars of Health & Well-being, Inclusive Development, Human Capital, Innovation and R&D, apart from laying the path for a robust economy by providing a major infrastructure boost. The array of measures announced are in line with people as well as market expectations and will go a long way to bring the nation back on track by boosting spending on infrastructure and rural development while fighting the pandemic through health focused measures.

As far as the financial sector is concerned, further recapitalization of Rs 20,000 crore for PSBs in the FY 2021-22 is a welcome step. The other measures which are expected to strengthen the sector are as under:

Various measures have been announced on the infrastructure front, which are expected to take the economy into a new trajectory of growth. In addition to over a 34% increase in capital expenditure, new highway projects have also been announced.

Setting up of a professionally managed Development Financial Institution will catalyze infrastructure funding.

Creation of an ARC and Asset Management Company that will take over the stressed assets and sell to Alternative Investment Funds (AIFs), is also welcome as it will help improve the health of the banking sector through impact on price discovery and improving competition in the market.

The NCLT system will be strengthened and e-Courts will be adopted and alternate mechanism of debt resolution will be set up.
The massive program for monetization of completed/ running projects will help in creating required resources through the instruments like INVITs.

Other important announcements of bringing in the IPO of LIC, hiking the FDI limit in insurance increase to 74% from 49%, strategically divest 2 Public Sector Banks and 1 general insurance company, are steps in the right direction.

The voluntary scrapping policy proposed for discarding old commercial vehicles will boost the automobile industry. The gross borrowing programme is also helpful to maintain the fiscal health of the economy, while providing necessary funding towards growth and development of the infrastructure.

Mr. Niraj Kumar, Chief Investment Officer, Future Generali India Life Insurance Company Limited

"The imperativeness of the Life Insurance sector in the economy has gained paramount importance in the aftermath of Covid and has reinforced the need for wider penetration of insurance in terms of protection and building a safety net. Budget 2022 has indeed taken cognizance of this and has taken the bold step of increasing the FDI limit to 74% from the incumbent 49% which will provide an immediate backstop in terms of capital for growth and improve the insurance penetration and financial inclusion in the economy. Also increasing insurance penetration would pave the way for generating employment opportunities, which in turn would augment the efforts of the government to revive the economy".

Mr. Waqar Naqvi , CEO , Taurus Mutual Fund

"While one needs to wait for the fine print yet one can say that broadly the markets will be happy with the budget given the overall direction of the budget indicated by the government's decision to:
1. Decision to privatize two PSU Banks and one Insurance Co.
2. Create an ARC and AMC to manage stressed assets - this can be built upon in the years to come into a bigger entity.
3. No increase in direct and indirect taxes.
4. Allowing FDI upto 74% in Insurance Companies.

Perhaps the high fiscal deficit of FY 21 due to COVID19 prevented the government from reducing the personal income tax for individual taxpayers."

Sucheta Mahapatra, MD India - Branch Personal Finance App

Union Budget of 2021 is showing big promises towards resuscitating the economy post the pandemic.

1. Salaried citizens can breathe a big sigh of relief, thanks to no changes from individual Income tax.

2. We also welcome the decision on allocating the 35,000 Crs for Covid-19 vaccination procedures. This shows commitment from the government for immunization that can further help the nation get back on track at the earliest.

3. Privatization and disinvestment would be important for the coming FY, While implementation of these remain key, the economy would see a boost with private players coming in and the government having funds to spend on infra and other projects.

4. We are in particular happy about the Tax Holiday for startups. This will help in putting less pressure on the Startups Ecosystem which hasn't seen a fruitful year.

5. Last but not the least, we are also expecting a lot more employment creation across all sectors, which will boost the lending and banking sector for both institutional and retail segments.

Mr. HP Singh, Chairman & Managing Director, Satin Creditcare Network Limited
"At a time when India is recovering from the Covid-19 crisis, the budget focuses on revival rather than survival, accelerating growth, amplifying the digital rush by bringing in stability in business operations. Measures such as the introduction of tax-efficient zero-coupon bonds for infra debt funds, setup of a professional managed 'Development Finance Institution' with have a strong lending portfolio, statutory backing, and Rs 27,000 crore capital as well as the development of a world-class fintech hub will act as a catalyst in the growth of the NBFC sector and likely unplug potential for last-mile lenders. The setup of an Asset Reconstruction and Management Company for stressed assets to take over bad loans will significant bring down NPAs, easing the woes of the NBFC sector. The strengthening of the NCLT framework will ensure the resolution of bad loans where the clients can avoid losing their business while continuing to pay the debt. The proposed to extend the Rs 1.5 lakh benefit on interest paid on affordable housing loans by one year to March 31, 2022 combined with tax exemption for affordable rental housing projects will give a boost to the housing sector and home-buyers as well. These provisions will act as a provider, enabler and catalyst for the overall financing sector."