

# BUDGET 2025 MAKES A REALISTIC AND BOLD MOVE TO LIFT SAGGING DEMAND



EXPERT  
VIEW

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**F**inance minister Nirmala Sitharaman has delivered a realistic and positive punch to keep the economy progressing, especially with a strong push to boost urban consumption, at a very crucial time of challenges globally and domestically. The biggest positive of Budget 2025 is the reduction of taxes for the middle class, which leaves more money in their hands to spend. Interestingly, this has been done: (1) without compromising on fiscal prudence with FY25 and FY26 fiscal deficit of 4.4% (4.5% earlier) and 4.8% (4.9% earlier) respectively and (2) with continuity on capex growth at 7% in FY25E and 10% in FY26E. The only question one can possibly ask is, would a slightly higher capex and a slightly higher fiscal deficit have been better? But one wor-

ries if the government is nudging Reserve Bank of India (RBI) to cut rates by keeping the fiscal deficit in check.

The fiscal deficit target was brought down by 40 basis points to 4.4% of gross domestic product (GDP) when geopolitical headwinds, global uncertainties, depreciating rupee, slowdown in domestic growth, weak urban consumption, and sluggish private sector investment are posing some tough challenges.

At the same time, the government has made a realistic and bold move to boost the sagging demand. The finance minister views the middle class as the vital engine for growth, leaving more disposable income at their hands by revising personal income tax slabs. It was long overdue and has come at the right time to push the economy towards Viksit Bharat. In addition, a few other proposals on self-occupied houses, house rents and rationalized TDS (tax deducted at source) and TCS (tax collected at source) norms should contribute to accelerating consumption on a short-to-medium-term basis.

Maintaining the policy continuity, the Modi 3.0 government has promised to further simplify and reform the policies and improve the ease of doing business. The new income tax bill, Bharat Trade Net for exports, high-power committee to drive reforms, Jan Vishwas Bill 2.0 to introduced to decriminalize over 100 provisions, speedy approval of mergers, amendment to KYC

(know your customer) norms, removing BCD (basic customs duty) on life saving drugs, hike in FDI (foreign direct investment) limit to 100% in insurance, support to start-up ecosystem, focus on agriculture and MSMEs (micro, small and medium enterprises), urbanization, education and health are positive steps in line with the ongoing reforms.

As far as growth is concerned, the budget announcements offer a clear indication that the government is focusing on an inclusive development model. A host of announcements around developing tourist spots and encouraging regional air travel, etc. reflects the government's intention to strive for comprehensive growth with a human touch. The budget announcements are strategic in nature when it comes to providing a level playing field to the MSME sector in the export market, with an intent to enhance its export potential from current levels of 45% of India's total exports. In addition, development programmes in rural areas in the form of Dhan Dhanya Krishi Yojana, the government aims to bring in efficiency in the Agri sector which would eventually enhance rural income and economy.

There are a number of creative and constructive proposals in

the budget. The centres of excellence for artificial intelligence (AI), National Manufacturing Mission to support clean tech manufacturing, five national centres of excellence for skilling, medical tourism and heal in India programme, deep-tech and clean tech fund, national geo spatial mission, nuclear energy mission, healthcare for GIG workers and gene bank for crops are a few of the creative proposals for value creation in the longer run.

**The biggest positive of Budget 2025 is the reduction of taxes for the middle class**

Similarly, apart from capex allocation and liberalized personal income tax, there are a few other proposals that can play a constructive role to push economic growth. SWAMIH fund of ₹15,000 crore for housing, expansion of UDAN, infrastructure development, Udan programme extension, enhanced credit for MSMEs and start-ups, ₹1.5 crore outlay to support states in building infrastructure, asset monetisation plan, urban challenge fund are some of the growth-focused initiatives.

Overall, the budget looks positive and promising, accepting the current challenges and looking to tap the emerging potential.

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