

# To Our Readers



strategies.

Perhaps in no other country does the national budget day figure as the most important day in the economic calendar, as in India. The reason is not very far to seek. Although more than a decade has passed since economic reforms were first initiated, in more than one way we remain a country obsessed by tax rates and this, rather than economic realities, dictates our personnel, corporate and economic

This year's budget, although it has provided relief in many ways, does contain gaps that do need to be fulfilled. During the last few years, agriculture growth rate has gone down steadily and investment in agriculture has been practically non-existent. Overall productivity in agriculture appears to have plateaued and this obviously is a cause for concern. Subsidies in the farm sector continue to be high. The Finance Minister's proposal for reduction in fertilizer subsidies is certainly courageous, but also overdue given the fact that in a country where the farm sector is one of the most subsidised, the cost of production continues to be one of the highest in the world. The Finance Minister's call for a second agricultural revolution is timely and much needed. However, this needs to be backed up by specific policy initiated so that the agriculture sector can start looking after itself.

Another economic initiative of reduction of interest rates by 100 BPS when all experts were anticipating only 50 BPS cut, may again reduce the pressure of debt servicing. However, the worrying feature is that despite the trend of declining rates, the credit off take does not seem to show encouraging signs. It is here that the push that the economy needs by way of reliefs to the industrial infrastructure areas such as automobiles, infrastructure, coupled with the larger disposal incomes with the consumer may jolt the economy to a higher growth cycle.

The importance of business process outsourcing has been recognised the world-over and it is a welcome trend that the Finance Ministry has indicated an intention to move in this direction. If implemented in the true sense, one foresees a growing area for the professional involvement which could contribute significantly to improved revenue collection in the long run. These are, however, mere intentions which have to withstand the turmoil of political pulls and pressures and come through as the economic reality of the day. If implemented, the aggregation of tax payer data bases and outsourcing of professional expertise could improve areas of administration, assessment and revenue collection, while simultaneously reducing the burden of fixed costs of revenue collection significantly.

At the end of the day, although the budget has a multi-pronged approach, if one were to identify three concrete reasons why the budget will help the developmental process, one would be hard put to do so. For this, again, certain hangovers of the command economy are perhaps to be blamed. This government, and especially the Ministry of Finance, has shown in many ways that it means business. One therefore hopes that the political will gets translated into common man's real benefits, this time around.

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