

# A REASSURING BUDGET FOCUSED ON GROWTH, INVESTMENT AND JOBS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

The govt needs to partner with the private sector to spur a rapid economic recovery

Budget 2021 has given a massive push to healthcare and infrastructure with a focus on growth, investment and jobs. The massive investments envisaged by the finance minister to quickly generate large-scale employment to bring back millions of jobs lost due to the pandemic necessitate mega funding. A substantial ~16% share of this year's budget has been set aside for the creation of long-term assets or capital expenditure versus ~13.6% last year.

To fund this massive infrastructure push, the budget has announced ambitious plans to privatize central public sector enterprises, monetize public sector assets, including government land banks, ease [foreign direct investment](#) (FDI) limits in sectors like insurance and float zero-coupon bonds for infrastructure debt funds.

While the steps taken in the budget are in the right direction, the government needs to partner with the private sector to spur a rapid economic recovery. It should enable India's large private industry to grow at scale and be globally dominant by relaxing regulations and providing fiscal incentives to attract long-term investors.

The [healthcare sector](#) is one area where the private sector can create the kind of scale that is needed to address India's challenges.

The private sector can provide a mix of goods and services, including direct provision of health services, vaccines, medicines and medical products, financial products, training for the health workforce, information technology, infrastructure and support services. It can thus complement the government's welcome move to develop India's primary, secondary and tertiary healthcare infrastructure through a new scheme with an outlay of more than 64,000 crore to be spent over six years.

The allocation of over 35,000 crore towards covid-19 vaccination is promising, given the government's strong focus on immunization. We do not have a shortage of vaccines in India, unlike many other countries globally, and the need of the hour is to deploy these vaccines at scale and speed. We have seen how the private sector helped scale up covid-19 testing in the country.

Covid-19 vaccination can be similarly ramped up if the government involves the private sector in the immunization drive, to ensure the vaccines reach at least half the country's 1.3-billion population in the shortest period of time.

I think 35,000 crore is a serious budgetary allocation that needs to be spent wisely beyond vaccine procurement. We need to utilize these funds well, including creating cold chain infrastructure and digital platforms for surveillance and pandemic preparedness. Post-2021, we need to allocate such funding to immunize our population for various viral diseases as well as non-communicable diseases like cancer, diabetes, cardiac disease and respiratory illness. Increasing healthcare spend in procuring covid-19 vaccines this fiscal is directionally vital, and I welcome this massive support for a preventive healthcare strategy.

Further, this budget has gone beyond direct healthcare and addressed well-being through a focus on sanitation, nutrition and pollution control. The government has done very well in terms of increasing the investment in health and well-being by 137% over last fiscal to 2.24 trillion. I hope this is not a one-time spike but part of a trend that will take public spending on healthcare to the targeted 2.5% of GDP by 2024.

We need to remember that India has one of the highest levels of out-of-pocket expenditure on healthcare in the world, which contributes directly to the high incidence of catastrophic expenditures and poverty. As pointed out in the Economic Survey, an increase in public health expenditure from the current levels of 1% to 2.5-3% of GDP can reduce out-of-pocket expenditure from the current level of 65% to 35%.

The finance minister had announced the National Research Foundation (NRF) in July 2019 and in her budget speech said its outlay will be 50,000 crore over five years. While this is a very welcome development and will strengthen the research and innovation ecosystem in the country, I am a bit disappointed that the private sector did not receive any kind of research and development (R&D)-related incentives. I believe the private sector has a very important role to play in research and innovation in India.

A much stronger focus on industry-academia partnerships is an absolute must for a robust research and innovation ecosystem in India.

The government's decision to raise the allocation for education in this year's budget is also commendable.

The moot question now is how quickly can we raise finance and fund these ambitious projects. Timing is extremely critical to bring back the jobs lost to the pandemic. The government must speed up the process of monetization of assets so that it can invest in all the sectors as planned. Taken together, these measures will be able to spur a V-shaped growth recovery of the Indian economy after the covid-19 hit. Overall, this was a reassuring budget with no negative surprises that has buoyed all-round sentiment.

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