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On fiscal consolidation path

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The Budget is characterised by a workman-like bottom-up approach, with a number of small details and steps, rather than bang announcements and reforms. With FY15 fiscal deficit target at 4.1 per cent, the Finance Minister has assuaged the concerns of both domestic and foreign investors and signalled the commitment to fiscal prudence. More importantly, the Budget numbers look credible.

While gross tax revenue growth of 17.7 per cent for FY15 sounds optimistic compared to last year's realised tax revenue growth of 11.8 per cent, the Finance Minister has been conservative in terms of the disinvestment target of ₹63,400 crore.

Moreover, potential upside in tax revenue can be generated out of the ₹4 lakh crore of tax receivables under dispute or arbitration. Overall, the probability that Government will have to cut Plan expenditure, a strategy used in the last two years, to meet fiscal deficit targets this year, appears quite low. Overall, the Budget is certainly on the path of fiscal consolidation.

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