Bat for investors, send positive signals

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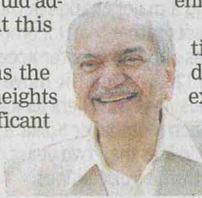
Available empirical evidence clearly shows that corporate investment in India is directly influenced by the behaviour of capital market. Since sustained high rates of investment directly translate into sustained high rates of GDP growth, the impact of the Union Budget on capital market assumes special significance. During 2014-15, the Indian stock market emerged as the best performing market globally. If the Indian market continues to outperform global equity markets during 2015-16 also, we could succeed in attracting huge inflows of both foreign direct investment and FII flows into India. Moreover, an upbeat equity market would stimulate corporate investment, which in turn would accelerate non-agricultural GDP growth, and enable the FM to maximize resources raised from an ambitious divestment programme.

Higher GDP growth would lead to higher tax revenue, and higher revenues from aggressive divestment will directly contribute to reducing overall fiscal deficit. In this context, let us hope that the FM avoids proposals that could adversely affect market sentiments at this crucial juncture.

An investor-friendly Budget has the potential to take the market to new heights during 2015-16. Despite lack of significant growth in exports, our current account deficit is likely to decline substantially to around 1.3% of GDP in 2014-15 due to the sharp fall in international crude oil prices and marked improvement in invisibles.



This should help the Indian economy to effectively reduce rupee volatility and impart much needed strength to our external account. It would also create conducive environment to attract steady inflows of foreign investment and enhance our ability to control inflation.

Finally, the FM should provide positive signals in the Budget with a well-directed action plan to curb inflationary expectations as well as unwarranted speculation in forex and commodity markets, which would ensure overall macroeconomic stability.