



CFOs Expectations of Union Budget 2023

As Union Budget 2023-24, the last full-year budget for the current government, will be closely watched by India Inc. as it sets the tone for the economic policies of the government.

India Inc. will look forward to this budget as a balance between growth and being financially cautious. The government is expected to focus on promoting growth rather than recovery following three years of dealing with the pandemic.

Chief Financial Officers (CFOs), who are responsible for the financial health of companies, have a keen interest in the budget as it lays out the government's plans for the economy and its impact on their businesses. In the current global economic scenario, CFOs have high expectations for the budget to address the major challenges faced by India Inc. and to provide reforms and reliefs that can boost growth. Finance Minister Nirmala Sitharaman is expected to keep the economy growing while also controlling the fiscal deficit and inflation.

Major Challenges faced by India Inc

CFOs expect the budget to address the key challenges faced by India Inc. such as low consumer demand, increasing costs, and currency depreciation. The budget should provide measures to boost consumer demand and reduce costs for businesses, such as reducing the cost of goods and services and providing tax relief for individuals.

CFOs also expect the government to take steps to improve the stability of the rupee and reduce currency volatility, which can help companies manage their foreign exchange risks.

Economic Reforms and Reliefs

In terms of business, CFOs expect the budget to provide tax reliefs and incentives, particularly for Micro, Small, and Medium Enterprises (MSMEs) as well as start-ups, and to ease compliance requirements. They also expect the government to provide more funding for Research & Development and infrastructure development, which can help companies become more competitive and improve their operational efficiency.

In general, Union Budget 2023-24 should include the following measures:

- While India has committed to net zero carbon emissions by 2070 as part of its increased focus on ESG practices, various industries such as Logistics, Automobiles, Manufacturing, etc. will expect this budget to provide subsidies, incentives, tax benefits, and the use of more renewable

resources for achieving its climate goals. The government could make further announcements in this regard, in addition to previously announced Green Bonds, Green Hydrogen Mission, etc.

- Providing tax incentives for capital or operational expenditure related to expansion, increasing capacity utilization, and utilizing new technologies such as the Internet of Things, Artificial Intelligence and Machine Learning.
- As a potential global slowdown could impact various sectors including the IT sector, the industry will be seeking certain soaps from this budget.
- Increased focus on programs to grow employment opportunities, especially for the IT sector, which is currently facing severe issues in terms of hiring and retention.
- Higher capital allocation towards government spending on capital goods such as laying of railway lines, subsidies/benefits for those installing solar power manufacturing plants, etc. which will have a multiplier effect across various industries and sectors. CFOs expect more funding for infrastructure development which can help reduce logistics costs and improve connectivity.
- The insurance sector is expecting a long-awaited proposal to increase the FDI limit to 100% in the current budget, which will help insurance companies penetrate a larger market.
- The government is expected to announce more favorable provisions under the new tax regime for individuals to make it more lucrative. There are still a large number of taxpayers who opt for the old regime as it is more beneficial to them.
- Additionally, CFOs expect the new budget to simplify the tax regime and remove redundant provisions, which can help companies reduce compliance costs and improve their operational efficiency.
- They also expect the government to provide more incentives for companies to invest in manufacturing, such as tax reliefs and subsidies, which can help create jobs and boost the growth of the manufacturing sector.
- The government may also focus on providing relief to individuals, which in turn will help in boosting demand within the economy.
- The government is expected to continue to prioritize fiscal consolidation, as it has been a consistent strategy for them.
- Furthermore, the government should focus on taking measures to increase rural consumption as well as employment opportunities in order to downsize the impact of the potential global recession, which may impact India to some extent.

Healthcare Sector

The upcoming budget will be closely watched for its budgetary commitments and initiatives for the development of the healthcare sector. The government has been strengthening the healthcare infrastructure and services at the primary care level through investments in health and wellness centers and commitments under the 15th Finance Commission. There are expectations that the government may announce a healthcare infrastructure fund specifically for these purposes, like it had done earlier for the set up of MSMEs, start-ups, etc.

The Budget is expected to announce initiatives that encourage R&D in the healthcare sector which is lagging peer countries today. These could be tax incentives for R&D expenditure or incentives similar to the PLI program for R&D investments or government funded R&D programs.

On the healthcare delivery side, the government may offer incentives for strengthening our infrastructure capacity and quality. These could be directed for the upgradation of small clinics and nursing homes into 50-bed hospitals and smaller hospitals into larger hospitals. The budget may also consider incentivizing the development of medico-cities in larger cities through capital incentives and the creation of common infrastructure supporting individual units that set up institutions within the designated medico-city. Attention is needed on the Viability Gap Funding (VGF) scheme for building adequate infrastructure in smaller tier urban towns and rural areas that are today underdeveloped. Additionally, the budget may focus on leveraging technology for improving healthcare and its access. Development, roll-out, and adoption of digital public goods, telemedicine, and other digital health and information initiatives may be incentivized.

CFOs expect the budget to address the healthcare professional shortage, which can help improve the quality of healthcare services and reduce costs. The budget should also provide incentives for companies to invest in the healthcare sector, such as lower financing costs and providing tax holidays.

Food Processing Sector

The food processing sector is considered critical for the Indian economy from a growth and employment generation perspective. CFOs expect the budget to focus on increasing consumption by providing further tax relief to individuals and easing compliance requirements for businesses. The budget should also provide incentives for companies to invest in the food processing sector, such as tax reliefs along with subsidies for farmers and food processors. This can facilitate the growth of the food processing sector while creating jobs in rural areas.

Rationalization of GST across the board on all processed food would significantly aid in easing compliances and improving the overall ability to conduct business. In addition, for the Food Service segment, the grant of input GST credit will be critical for ensuring rapid expansion. This segment provides valuable employment opportunities and is also an outlet for processed food products.

The government may also look to increase the exposure under the PLI scheme. CFOs would want to ramp up the exports of processed food items and would expect some incentives for the same.

Currently, there are several bottlenecks in this industry and the government is expected to improve the ease of doing business for the food processing sector and its allied fields. The government could establish a one-window mechanism for streamlining the approval and clearance processes. Additionally, the government should focus on improving the supply chain by incentivizing the creation of large storage facilities, cold storage facilities, processing and distribution units as well as an efficient logistic ecosystem to add value to agricultural products, reduce losses, and boost revenue for stakeholders.

Conclusion

The budget is expected to be aligned to the government's vision of achieving a USD 5 trillion economy by 2025, with a specific focus on health, agriculture, employment generation, education, and inclusive development, among others. India Inc. will be looking forward to pushing the economy to grow further by banking on aspects such as expected reforms, funding from the government through subsidies/grants, and a strong focus on infrastructure development. The budget will be closely watched by CFOs as it has the potential to shape the future of the Indian economy as well as their businesses.

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Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/ISE 27001 certified for information security and ISO 9001 certified for quality management.

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