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India's Private Sector To See Borrowing Costs Ease By 30-40Bps In 6 Months

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The Union Budget 2023-24 pegs the fiscal deficit for FY24 to be 5.9 per cent, which is lower than the 6.4 per cent estimated for the current financial year.

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India's private sector may witness reduced borrowing costs as the 10-year bond yield may ease by 30-40 basis points in the next six months following commitment to fiscal consolidation, experts said at a post-budget organised by MVIRDC WTC Mumbai.

Fiscal consolidation in turn will reduce the fiscal deficit that will enable more capital to be available for private companies to borrow and invest, said Sujan Hajra, Executive Director and Chief Economist, Anand Rathi Institutional Equity.

The Union Budget 2023-24 pegged the fiscal deficit for FY24 to be 5.9 per cent, which is lower than the 6.4 per cent estimated for the current financial year.

As a result of sharp expansion in public investment, the share of capital expenditure in total government spending will rise from 13 per cent in FY19 to 22 per cent in FY24.

This will boost the construction, infrastructure and building materials sectors. The budget will also have a favourable impact on the automobile sector given its thrust on green hydrogen and battery storage systems, Hajra said.

The Union Budget, presented on Wednesday, has offered MSMEs the Vivad Se Vishwas II scheme for voluntary settlement of contractual disputes with government and government agencies as also amended section 43B of the Income-tax Act which provides tax disincentive for companies delaying payment dues to micro and small enterprises.

Asking MSMEs to avail the above scheme, Rahul Renavikar, Managing Director, Acuris Advisors Private also suggested existing exporters and aspiring exporters to avail of incentive under the newly introduced studies, publicity and international cooperation (SPIC) scheme, where the government offers subsidy for marketing expenses incurred by MSMEs abroad.

Earlier in his welcome remarks, Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai and President – All India Association of Industries pointed out, "The budget has enough positive announcements to promote economic growth and employment. The government has rightly increased allocation for infrastructure, railways, green energy, electric vehicles and natural farming which will not only support GDP growth, but also sustainable development."

Kalantri pointed out that it has been more than five years since the implementation of GST and this is the time to simplify the system by reducing the number of tax slabs, bringing real estate and fuel under the GST net to boost housing sector and rein in inflation. India needs a simplified tax system that will reduce cost of compliance and curb incentives for tax evasion.