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Bank recapitalisation plans, ARC push send right signals

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The Budget set out nine pillars that are the focus areas to transform India. Financial sector reform was mentioned as the sixth pillar of this vision.

In addressing the needs of the financial sector, the first area was signalling fiscal prudence. By sticking to the fiscal deficit target of 3.5 per cent for next year, the Centre has ensured borrowings don't go up and, as a result, bond markets have cheered the move. The second big area being watched was bank recapitalisation, as the PSU banks are laden with stressed assets. The amount provided for recapitalisation of banks seems low but a window has been kept open in case further needs arise. The push to ARCs is welcome. The listing of PSU general insurance companies and the possibility of reducing the stake in IDBI to less than 50 per cent are key decision.

The equity markets swung widely on Budget day but the fact is our markets are going to be more driven by global factors in the short run, while the foundation for a more equitable and broad-based economy is being set up.

A country which has good growth, inflation under control and good demographics should attract global funds.