Roadmap for New Government

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Roadmap for New Government

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Roadmap for New Government

From President’s Desk

The growth of real GDP during FY2013-14 has been estimated at 4.9% by CSO which is significantly low as compared with the growth rates achieved during the last decade.

The slowing down of domestic demand due to rising costs of living such as food and energy prices on the one hand and rising costs of money/borrowing costs on the other hand have impacted the job creation and industrial expansion in the economy.

Going ahead, India should achieve a sustainable GDP growth rate of 8% in the next five years and double digit growth thereafter. To achieve higher growth, it would be imperative for the new government to focus on critical areas.

Manufacturing sector reforms should be at the top of the agenda to enhance growth and productivity to generate millions of employment opportunities in the economy. The implementation of GST would be critical to remove the cascading impact of indirect taxes and to create a common market across the country. It has the potential to increase India’s GDP by 2 percentage points. Reforms in the energy sector are needed for improving the quality of life since some 600 million people in India do not have access to electricity.

To boost the services sector, there is a need to diversify the services exports basket towards emerging and developing economies.

Increase in agricultural productivity by providing good quality agriculture-infrastructure would be critical to sustain growth trajectory in the coming times. Youth should be empowered through higher education and skill development programs.

We look forward to the effective policy interventions and strong reform initiatives that would pave the way to rejuvenate growth trajectory in the coming times.

PHD Chamber welcomes NDA’s victory and look forward to the new government to revive economic growth and development of the country.
Roadmap for New Government

From Senior Vice President’s Desk

Expediting structural reforms is the only option to boost economic growth, create jobs for growing work force and to reduce poverty.

For any nation to achieve rapid growth and development, industrialization should occur at a rapid pace. However, our manufacturing sector continues to face structural constraints. The sector contributes only around 16% in GDP, which is much lower as compared with many emerging and developing economies. Although the new National Manufacturing Policy 2011 aims to increase the share of manufacturing in GDP from 16% to 25%, concomitant policy interventions are needed in this regard going forward.

Millions of people are locked in low productivity jobs in the unorganized industry and service sectors. Most of the population is still dependent on agriculture. India’s high end IT service sector employs less than 3 million people.

In light of the above facts, it is imperative to stimulate the manufacturing sector for refueling growth in the economy which would require drastic reforms in labor laws, land acquisition, infrastructure development, environment clearances, simplification of taxation, strong governance and so on. There should be reduction of multiple laws which leads to high transaction cost and increases cost of doing business.

Further, with our burgeoning youth, we must take steps necessary to create jobs immediately. In order to reverse the trend of people moving from rural to urban areas, creation of rural infrastructure is necessary.

Hence, we look forward to effective implementation of reforms in the country to not only resume the confidence of the investors but also promote growth and development of the nation.

I congratulate NDA for a sweeping victory at the general elections and look forward to effective reforms in the coming times.
Roadmap for New Government

From Vice President’s Desk

Five years ago, India was headed for a superpower status, with India being spoken as a force to reckon with. India registered average annual growth of 9% in the five year period 2003-08.

However, growth has descended from around 9% to less than 5% in FY2013-14. The socio-economic indicators are dismal with declining manufacturing sector and inflexibilities in labor markets and other institutional rigidities.

In light of the structural constraints and below level growth performance, it is imperative to address these issues by taking steps such as encouraging sustainable development of MSMEs, addressing inflexibilities in labor markets and other institutional rigidities which would help in rejuvenating the Indian economy.

Further, rationalization and simplification of the tax structure is critical to resume rapid growth momentum as it would propel the growth of the Indian economy and help government to achieve fiscal consolidation.

India enjoys favorable demographic divided and require efficient steps in empowering youth through education and skill development.

On the socio-economic front, there is a need for a comprehensive healthcare policy to address changing demographics and healthcare challenges. For ensuring safe drinking water, the Municipal Corporation should be made responsible for providing clean drinking water. Rivers pollution should be reduced and water cleaning facilities should be enhanced to make available safe drinking water to the population.

The quality of governance plays a vital role in the economic development of nations. Without good governance, there can be no sustainable development in a country. Hence proper implementation of reforms with good governance should be encouraged by the coming government.

I wish NDA all the very best in this new term of office.

Mahesh Gupta

PHD Research Bureau
Preface

PHD Chamber is a proactive, premier and dynamic multi-State apex organization. Since its foundation, PHD Chamber expanded from 3 states of Punjab, Haryana and Delhi to spread to the Northern, Central and Eastern parts of the country covering 12 states and 1 Union Territory, making it the largest regional Chamber in the country. The PHD Chamber has always aimed to be an important stakeholder to the development of the nation.

‘Roadmap for New Government’ is a comprehensive suggestions report about what the new government can do that is beneficial to whole ecosystem. It captures problems of various sectors of the Indian economy, the aspirations of various stakeholders and list solutions to the bottlenecks prevalent in each of the sector.

We believe a responsible agenda with a focus on agricultural reforms, industrial growth, employment opportunities with shift of work force from low productivity jobs in agriculture to manufacturing and services and empowering youth through higher education and skill development programs should be taken up to achieve a high and sustainable economic growth.

As we stand at the threshold of new opportunities which promise not only brighter outlook but output and outcomes also, we know that the road ahead will not be easy and we will have to manage several uncertainties. However, we are a young nation which is dynamic, vibrant and energetic. I believe, the sheer momentum of this enthusiasm coupled with our toiling hands and integrity, will help us overcome all odds and remove all obstacles to achieve the double digit growth!

I commend and appreciate the tireless efforts of team PHD Research Bureau led by Dr. S P Sharma, Chief Economist, PHD Chamber and Ms. Megha Kaul, Senior Research Officer for producing this study of analytical value.

I congratulate NDA for their victory and extend my support in whichever way possible to the new government.
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Executive Summary

The Indian economy, and Indian industry, today faces the most serious crisis. The industrial recession is particularly worrying in the context of India’s international standing. India achieved such a high growth in the last decade that it was on way to becoming the world’s fast moving emerging economy. However, domestic factors such as persistent inflation, inadequate policy action and problems on implementation fronts magnified the slowdown in growth scenario. Today, the growth rate is falling rapidly, and India’s position in world league tables is going down.

Millions of people are locked in low productivity jobs in the unorganized industry and service sectors. Most of the population is still dependent on agriculture. The slowing down of domestic demand due to rising costs of living such as food and energy prices on the one hand and rising costs of money/borrowing costs on the other hand indicate further risks to our economic growth.

The growth of real GDP during FY2013-14 has been estimated at 4.9% by CSO which is significantly low as compared with the growth rates we achieved during the last decade. We believe, India should achieve 8% GDP growth at least in the next five years and double digit growth thereafter. So to achieve this, it would be imperative for the new government to focus on critical areas, which would boost and facilitate the growth scenario.

Manufacturing sector reforms should be at the top of the agenda of the new government to enhance its growth and productivity to generate millions of employment opportunities in the economy. State of the art infrastructure, hassle-free environment clearances, reforms in the labor laws, special attention to the MSMEs sector would be critical to increase the manufacturing share in GDP to 25% from the current level of 16%.

The implementation of GST would be critical to remove the cascading impact of indirect taxes on economy and to create a common market across the country. GST has the potential to increase India’s GDP by 2 percentage points. Reforms in the energy sector are needed not only that the sector is critical for achieving double digits GDP growth rate but also for improving the quality of life since some 600 million people in India do not have access to electricity.

Increase in agricultural productivity by providing good quality agriculture-infrastructure to improve supply-chain scenario, augment storage facilities and minimizing wastages would be critical to sustain growth trajectory in the coming times.

Quality of higher education and skill sets would be critical to bring more and more of our human resources in the production chain. Against this backdrop, we look forward to the effective policy interventions and strong reform initiatives that would pave the way to achieve a high and sustainable economic growth in the coming times.
Roadmap for New Government

Highlights

1. **Economy**
   - Achieve a sustainable 8% GDP growth in the next five years and thereafter strive for 10% GDP growth.
   - Reduce Current Account Deficit below 2% of GDP and Fiscal deficit below 3% of GDP.
   - Provide clear policy on inflation and economic growth.

2. **Agriculture**
   - Ensure a 4% agriculture growth (YoY) on sustainable basis by improved yields, productivity and irrigation facilities.
   - Minimise wastages from the current 25-30% to less than 10% by investing in food supply chain.
   - Encourage food processing by private sector participation.

3. **Industry/Manufacturing**
   - Improve competitiveness and ease of doing business.
   - Increase manufacturing share in GDP from 16% to 25%.

3.1 **MSMEs**
   - Revise of MSMEs definition with enhanced capital investments limit.

3.2 **Labor Laws**
   - Schedule I of the Industrial Employment (Standing Orders) Act, 1946 be amended to reintroduce ‘fixed term employment’.
   - The Shops and Establishments Act prescribes should be amended to encourage employment generation in different sectors.

4. **Infrastructure (Road, Rail, Port & Airport)**
   - Speedy implementation of the projects cleared by the Cabinet Committee on Investment (CCI). Also set up project monitoring groups in States for fast clearances.
   - Revisit Land Acquisition Act.
   - Increase the network of road and railways by developing atleast 20 kms roads in a day.

4.1 **Urban Development & Housing**
   - Real Estate Regulation Bill should be brought about to bring in transparency in the sector.
   - Focus on creating affordable housing for masses.

4.2. **Civil Aviation**
   - Evolving innovative funding solutions for Airport development.
   - Enhanced Regional connectivity in tier 2 and tier 3 cities.
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4.3 Energy
• Harness potential of renewable sources of energy including solar, wind, hydel and biomass.
• Rejuvenate idle Power Generation capacity.
• Restructure discoms with capital infusion.
• Develop energy infrastructure with upgradation of technology and strengthen high capacity national transmission grid.
• Rationalize energy pricing mechanism and balance the interest of producers and consumers.

4.4 Coal
• Privatize coal sector.
• Introduce competition in the coal sector

4.5 Mining
• Clear cut laws should be framed.
• Mines and steel ministries should be allocated to one minister to have better synergy in work.

5. Banking and Insurance
• Recapitalise the banking industry.
• Give licenses to private sector for opening banks.
• Raise foreign investment limits for the insurance sector.

6. Taxation
• Simplification, rationalization and long term stable Income Tax Act.
• Global best practices to be adopted in tax administration for transparency, accountability, smooth grievance redressal and compliance with Citizen’s Charter in letter and spirit.
• No retrospective amendments.
• MAT to be revoked.

7. Foreign Trade & Investment
• Revisit FTAs for allowing level playing field for Indian manufacturers.
• Create information hub for providing comprehensive information on market access to exporters.
• Our missions overseas to be more trade friendly.
• Foreign Investment Promotion Board (FIPBs) functioning to be made more efficient and investor-friendly.

8. Retail
• Suitable amendments must be urgently made in town planning to provide for adequate quantum of retail space.
• Zoning land for Big Box Retailing should be promoted.

9. Services
• Diversify the services export basket which is currently dominated by IT and ITES exports.
Roadmap for New Government

• Tourism hubs to be identified state-wise and developed.

10. Education

• Make India knowledge capital of the World and spend at least 6% of GDP on education.
• Give emphasis on quality by way of accreditation across all institutions.
• Curriculum and pedagogy to be made value based and employment friendly.
• Higher participation by private sector.
• Higher autonomy in higher education and regulators role to be a facilitator.

10.1 Skill development

• National campaign on skill development by increasing the centers from 9500 to minimum 100000 in 3 years.
• Encourage private sector to have approved training programs.

11. Employment

• Move people out of low productivity jobs in agriculture to manufacturing and service sector.

12. Rural Development

• Improve quality of life in rural areas by providing electricity, tapped water, cleaner fuel and toilets in every home.
• Create a network of rural haats (markets) to promote rural entrepreneurship.

13. Health

• Affordable access to universal health care with latest technologies and state of the art infrastructure.
• Women and child healthcare to be made priority.
• Push low cost construction of toilets in schools and villages.

13.1 Water

• Multi-pronged ‘water strategy’ to be launched for reducing farmers’ dependence on rain water.
• Remove rivers pollution and enhance water cleaning facilities to make available safe drinking water to the population.
• Make Municipal Corporation responsible to provide clean and safe drinking water.

14. Women Empowerment

• Women's welfare and development to be accorded a high priority at all levels within the government.
• Special business facilitation centre for women to be set up.

15. Administration, Law & Justice

• Remove leakages in social sector spending including MNREGA and define deliverables with time bound specifications.
• Speed up the justice delivery system, vacancies of judges at all levels should be filled up.
1 Economy

Today, the Indian economy faces the most serious crisis. India achieved such a high growth in the last decade that it was on way to becoming the world’s fastest moving emerging economy. India experienced an increasing real GDP growth trajectory from 5.7% in 1990s to 7.3% in 2000s. However, growth rate decelerated to below 5% during the recent years (FY2013 and FY2014). Persistent inflation and inadequate policy action impacted the growth scenario significantly. Today, the growth rate is falling and India’s position in world league tables is going down.

Around 60-70% of population is still dependent on agriculture. Millions of people are locked in low productivity jobs in the unorganized industry and service sectors. The slowing down of domestic demand due to rising costs of living such as fuel and energy prices on the one hand and rising costs of money/borrowing costs on the other hand indicate risks to our economic growth. So, going forward, one of the key challenges for the new government lies in charting out measures to revive the Indian economy.

India should achieve a sustainable 8% GDP growth in the next five years and thereafter strive for 10% GDP growth.

To achieve the desired growth trajectory, it would be imperative for the new government to focus on the following critical areas:

Suggestions

1. Implement GST at the earliest as it is expected to enhance India’s GDP by 2 percentage points.
2. Reduce Current Account Deficit below 2% of GDP on sustainable basis by diversifying goods and services exports towards the high growth developing and emerging economies.
3. Formulate appropriate strategy for fiscal discipline to narrow it to 3% of GDP in the next three years.
4. Improve the quality of infrastructure, clean up the public distribution system and eliminate leakages.
5. Provide clearer policy on inflation and economic growth to industry for their longer term investment and business plans.
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2 Agriculture & Food Processing

The agriculture sector in India is at a crossroads with rising demand for food items and relatively slower supply response in many commodities resulting in frequent spikes in food inflation. Crops yields are significantly below the global average, for instance, the average yields of rice 2.3 tonne/ha in India are significantly below the 4.4 tonne/ha globally. Going ahead, the growth of agriculture and allied sectors would be critical for the Indian economy as it still accounts for about 53% of employment.

Poverty declines have been sharper in states with higher growth, particularly in states where agriculture has been done well.

Raising agricultural growth and productivity would be critical for containing price pressures, raising rural incomes and making growth more inclusive, going forward.

Suggestions

1. Ensure a 4% agriculture growth (YoY) on sustainable basis factoring monsoon behaviour with improved yield/productivity along with expanded irrigation facilities and fertilizer availability.
2. Ensure credit availability to small & marginal farmers to adopt modern farm techniques and implement a farm insurance scheme to take care of crop loss due to unforeseen natural calamities.
3. Minimise the wastages from the current 25-30% less than 10% by end FY2017 with augmenting storage capacities, modernizing/upgrading the godowns.
4. Increase public investments in agriculture sector to improve agriculture infrastructure from farm gate to agricultural markets.
5. The policy focus should shift from food grains to superior foods, whose demand has surged due to rise in incomes at the bottom rungs of the society.
6. Reform the APMC Act for liberating the farmers from the shackles of state mandated middlemen.
7. Set up 'agro food processing clusters', with high value, export-quality and vacuum packed food processing facilities, etc which will provide better income to farmers.
8. Diversify the rice and wheat cultivations beyond the grain production to agro-food processing.
9. Private sector participation in food processing to enhance capacity building in the value chain and to promote technological innovations.
3 Industry/Manufacturing

The industrial growth fell from 9.2% (average) in 10th five year plan period to 7.2% in the 11th five year plan period and 0.5% in the first two years of 12th five year plan (FY13 & FY14). Manufacturing sector grew only 2.8% (average) YoY during the last three years (FY2012-14) while it represents 75% of industry and contributes 15-16% in India’s GDP.

Though policy has been formulated (New Manufacturing Policy 2011) to enhance its share in GDP from 16% to 25% by 2022, the sector is impacted by multiple factors. It is imperative for the manufacturing sector to grow by an average of at least 12-14% per annum till FY2022 so as to achieve the 25% share in GDP.

Suggestions

1. India has been placed at 134th position in Doing Business Index 2014 by World Bank and IFC while it stands at 179 in the ranking of 189 economies on the ease of starting a business. These rankings indicate that India could do more to improve the corporate sector performance by reducing the costs of doing business and improving institutions. We believe these rankings should improve and be within the ambit of 50 in the three years period by FY2017.
2. Flexible and uniform labour laws across the country to facilitate manufacturing firms especially the electronics, textiles and garments to enhance their competitiveness in the international markets and domestic market as well. As far as labour market efficiency is concerned, the World Economic Forum gives India a rank of 99 which is significantly below China’s 34 out of total 148 economies. We believe this ranking should improve and be within the ambit of 50 in the three years period by FY2017.
3. Implement GST to remove distortions in domestic trade of goods and to reduce the costs of raw materials vis-à-vis cascading impact of indirect taxes.
4. Look into the inverted duty structure and remove anomalies in the import tariff structure where duties on imports of raw materials are higher than the duties on finished products.
5. Delayed projects should be cleared on priority with strong policy coordination between central and state governments while giving clearances and implementing projects. Time bound single window system of clearances at centre and state level through an Apex Steering Committee.
6. New Companies Act is discouraging as the companies cannot invest their own funds. Hence, the Act needs to be re-visited and the earlier system of investments by companies be restored.
3.1 Micro Small and Medium Enterprises

Micro Small and Medium Enterprise (MSME) sector has emerged as a dynamic sector of the Indian economy over the last five decades. The sector is considered to be the strategic asset for the Indian economy as it contributes significantly to the growth of economy with a vast network of around 45 million units, providing employment to about 101 million persons and manufacturing more than 6000 products. The sector accounts for about 45% in manufacturing output and 40% in total exports of the economy. Overall, it contributes 8% in the country’s Gross Domestic Product (GDP), which is expected to reach at 10% by the end of 12th Five Year Plan.

Going ahead, the development of the MSME sector has become crucial to achieve desirable economic growth.

It is the MSME sector which can propel India’s growth rate from the current level of around 5% to a sustainable growth rate of more than 9% in the medium-to-long-term. In this light it is necessary to have a vibrant and competitive MSME sector in the economy.

The following suggestions would be critical to enhance role of MSMEs in India’s growth trajectory.

Suggestions

1. Evolve new guidelines for definition of MSMEs with enhanced capital investments limit.
2. Awareness programmes pertaining to incentives available for MSME sector should be organized and procedures to avail these schemes should be made simple and easy.
3. Extensive marketing support through setting up of exhibition cum trade centers should be provided to promote MSMEs products within India and abroad.
4. Souring of a minimum of 20% of supplies of MSMEs in the manufacturing sector should be made mandatory.
5. Finance should be made available at 5%-6% to MSMEs and procedures to take loans should be made simplified.
6. Flexible and tailor made working capital solutions to MSME entrepreneurs such as receivable financing & advances to suppliers.
7. Skill development and capacity building should be encouraged and supported in the MSMEs sector so as to boost up employment opportunities and entrepreneurial spirits.
8. Single window clearance mechanism should be devised in all States so as to expedite the approval process for several aspects.
9. Flexible and tailor made working capital solutions to MSME entrepreneurs such as receivable financing and advances to suppliers.
3.2 Labor Laws

The current market scenario demands flexible form of employment and flexibility in handling workforce to address sudden upsurge and downturn in the cyclic demands of the market, as well as, hiring manpower to execute time bound projects/export commitments. Rigidity in labour laws in India does not allow flexibility as a result, industry is inclined to take capital intensive routes to production and services, which is not in the socio-economic interest of the country as we have a backlog of 40 million unemployment which is further added by 13 million youth joining the labour force every year.

Repeal the existing labour laws which put unnecessary regulatory burden on businesses. Single comprehensive law related to labour's safety, welfare and rights would be critical to industrial expansion and job creation.

Suggestions

1. Schedule I of the Industrial Employment (Standing Orders) Act, 1946 be amended to reintroduce ‘fixed term employment’ as a category of employment, which was earlier inserted in 2003, but omitted in 2007.

2. The Contract Labour (Regulation & Abolition) Act, 1970 puts a number of conditions on industry’s demand for hiring contract labour. To enable industry to engage contract labour freely, Section 10 of the act needs to be deleted.

3. For better utilization of available resources, Section 9-A of the Industrial Disputes Act should be deleted as it requires an employer to give 21 days notice to the workman before effecting any change in the service conditions.

4. Chapter V-B of the Industrial Disputes Act, 1947, which provides for obtaining a prior permission from the Government by an establishment employing 100 or more employees, for effecting rationalizing measures like lay-off, retrenchment or closure to be amended.

5. The Shops and Establishments Act prescribes should be amended to encourage employment generation in different sectors.
4 Infrastructure (Road, Rail, Port & Airport)

Extensive and efficient infrastructure network is important for sustainable and all-inclusive economic growth. Building a high class infrastructure is crucial for the effective functioning of the industrial sector especially for the manufacturing competitiveness. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints to accelerating growth. Even so, our efforts to bridge the deficit have fallen way short of the task.

The Twelfth Five Years Plan over the five year period 2012-17 projects infrastructure investments to touch US$1 trillion and anticipates for 50% of the projected investments to come from the private sector and much of the project implementation to happen in the PPP mode.

Infrastructure sector has a huge untapped potential and this sector could be the main driving force for achieving double digit economic growth in the coming times.

Suggestions

1. Speedy implementation of the projects cleared by the Cabinet Committee on Investment (CCI). Also set up project monitoring groups in States for fast clearances.
2. The national highways comprises just 1.7% of the total road network but carries 40% of the total traffic with only 24% of them being four lane. The current situation of the NHDP shows that various roads are yet to be completed. Currently, under NHDP, 10-12 km of roads are being constructed per day. Achieve the target of at least 20km roads development in a day with facilitation to land acquisition, environment clearances, efficient contractors and engineers, adequate skilled and unskilled labour force and availability of finances to the contractors.
3. Increase the railway sector share in GDP from the existing level of 1% to about 3% with modernization through state of the art technology. Construct dedicated freight corridors, segregate freight and passenger lines provide improved connectivity to industry and ports, etc.
4. About 95% of India’s merchandise trade accounting for 70% of its total revenue is carried out through maritime transport. So to meet the expansion of merchandise trade in the coming times, increase cargo handling at major ports. Also, increase investments in the air cargo infrastructure.
5. Formulate integrated public transport projects which will include roadways, railways and waterways.
6. An investment of about Rs.2 trillion is estimated during the twelfth plan to build the rural roads under PMGSY. The central government is likely to finance 50% of the cost while remaining will be financed by the state governments. So, there is a need for speedy implementation of rural infrastructure projects to make infrastructure available in all the villages across the country.
7. To meet the financing requirements, empower specialized infrastructure finance companies like IIFCL to appraise and lead the lending process.
4.1 Urban Development & Housing

There has been a strong correlation between urbanization and growth historically. However, we are behind urbanization as the proportion of urban population increased from 26% in 1991 to just about 31% in 2011.

For growth to pick up pace in the coming times, it is imperative to ensure rapid urban development which will fuel growth in the coming times. This would require huge resources so as to expand urban infrastructure. Mobilizing resources for accelerating urbanization, thus, calls for effective and innovative urban governance and efficient project planning and implementation.

Long-term attention must be paid to ensure development in the rural areas so that the rural residents are not forced to seek shelter in urban centres for survival or advancement.

Suggestions

1. Approach to urban development should be based on concepts such as Twin cities and Satellite Towns. Focus on creating affordable housing for masses.
2. For ensuring clean and healthy life, existing urban centres should be upgraded with focus on waste and water management.
3. Use technology for scientific, strategic and long term town planning - including Geographic Information System (GIS) based mapping. Planning/ building norms should be rationalized allowing for higher Floor Area Ratio/Floor Space Index.
4. Initiate building new cities enabled with the latest in technology and infrastructure - adhering to concepts like sustainability, walk to work etc
5. Real Estate Regulation Bill should be brought about to bring in transparency in the sector.
6. Scrap the time schedule of a minimum of 50 months or 5 years for land acquisition which cause delays.
7. Banks to reconsider allowing Real Estate developers for Subvention schemes (with requisite safeguards) to enable first time buyers to invest in under construction properties.
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4.2 Civil Aviation

India is the 9th largest Civil Aviation market in the world and is expected to reach third position by 2020. Indian Airports are expected to attract investments worth $12.1 billion during the 12th Plan period, which include $9.3 billion from the private sector for construction of new airports, expansion and modernization of existing airports and development of low cost airports. However, the propensity for air travel is currently very low in India. Compared internationally, our figure for domestic air trips per person is only about 0.05 per year, as against 1.8 in the USA, 0.25 in Brazil and 0.15 in China.

Predictable regulatory regime to create an enabling environment for increased investments in airport infrastructure.

Suggestions

1. Encouraging global airport acquisition by established Indian Airport Operators
2. Evolving innovative funding solutions for Airport development.
3. Setting up of a National Facilitation Committee for timely resolution of inter-Ministerial issues including privatization of more airports currently owned and operated by AAI.
4. Enhanced Regional connectivity in tier 2 and tier 3 cities.
5. Dispensing the existing land use restrictions in Brownfield airports in line with Greenfield airports.
6. Tax incentives and re-structuring of aviation taxes.
7. To encourage passenger/air cargo traffic, liberal bilateral should be encouraged with no restrictions similar to USA policy.
8. Restructuring of Air India to ensure the payment obligation towards the airport and aviation business.
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4.3 Energy

Reforms in the energy sector are needed not only that the sector is critical for achieving double digits GDP growth rate but also for improving the quality of life since some 600 million people in India do not have access to electricity.

Unless there are concerted efforts to stem the increasing energy import dependence and making the policy and business environment conducive to facilitate the Indian energy systems transformation and adaptation, the much needed macro-economic stability would remain a distant dream.

With the dominance of road transport in the country's passenger and freight traffic, growing number of registered motor vehicles and low per capita vehicle ownership compared to many developed and developing economies point to the continued dependence on petroleum products as a source of final energy.

Plan towards alternative choices in the coming times and be ready for a phase where alternatives can play a much larger role.

Suggestions

1. Rejuvenate idle Power Generation capacity
2. Restructure discoms with capital infusion.
3. Harness potential of renewable sources of energy including solar, wind, hydel and biomass.
4. Classify renewable energy as part of the Priority Sector lending on account of the social service element involved in development of ‘Green Energy’.
5. Develop energy infrastructure with upgradation of technology and strengthening of high capacity national transmission grid.
6. Rationalize energy pricing mechanism and balance the interest of producers and consumers.
7. Avoid over-dependence on any one fuel, ensure affordable energy for consumer segments and develop indigenous capacities to meet the emerging needs.
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4.4 Coal

India currently faces a massive shortage of coal which is jeopardizing the functioning of the power sector and other end-use sectors. Coal plays significant role in India’s industrial output as our industries are largely dependent on indigenous coal production and around 66% of India's power generation is coal based. The demand for coal has continuously grown which is impacting the rising current account deficit (CAD), amounting around 18% of the CAD recently. It has been estimated that coal imports may expand significantly in coming years and this would impact India’s CAD once again.

Suggestions

1. Privatize Coal sector and take steps to increase the domestic coal exploration and production to bridge the demand-supply gap.
2. Introduce competition in the coal sector, along with the involvement of mine development operators which will infuse both capital and technology in the mining sector and help in boosting our domestic production.

4.5 Mining

Mining is an important area of the Indian economy which contributes 15% in Index for Industrial Production (IIP) and around 2% to India’s Gross Domestic Production. The mining industry needs to develop infrastructure and capacity building to ensure the economic sustainability. Rich resource base of several metallic, non-metallic and fuel minerals offer huge opportunities to both domestic and global players for investments. Concerted efforts from the stakeholders - government, policy makers, mining, industry, technology and service providers and the host communities are required with good governance and strong leadership.

Consistent and predictable policy regime for this sector would be critical for the industrial development of the economy and fuller utilization of our natural resources.

Suggestions

1. Clear cut laws should be framed. Once the areas of ‘Go’ and ‘No Go’ are defined, let everyone respect the same. No amount of lobbying should then be allowed and no discretion should be made available with anyone to change the same.
2. The new government needs to give mining a fresh start. In some cases of mining blocks that are already on lease there is a lack of clarity on extension of these leases.
3. Mines and steel ministries should be allocated to one minister to have better synergy in work. Both these sectors need policy coordination and cohesion. For the growth of steel sector in particular, mining is indispensable.
5 Banking and Insurance

The banking sector is on the cusp of revolutionary change. In the next few years, there will be much more varied set of banking institutions using technology to their fullest, healthy public sector banking and a deep and liquid financial market. Today, the investment needs of the economy, especially long term investment in areas like infrastructure, have increased.

Bank credit which grew at 21% CAGR during 2007-11, moderated to 17% during FY12 and further to 15% during FY13. Deterioration in asset quality has been increasing and 40% of standard restructured advances as end March 2013 were from infrastructure sector.

The banking and financial services sector has an important role to play in meeting the financial needs of the trade and industry and contribute a lot to India’s growth story.

Suggestions

1. Need to Improve Flow of Credit to MSME through ‘Innovative Solutions’ including:
   - Promoting a collateral free lending for MSMEs, where appropriate qualitative grading of Promoters and Projects is available.
   - Flexible and tailor made working capital solutions to MSME entrepreneurs such as receivable financing & advances to suppliers.
   - Promoting Factoring services by Banks/ NBFCs would help in addressing the issue of delayed realization of receivables which has all along been a growth constraint of MSME sector by impinging on their liquidity.
   - Promoting flow of Funds to MSME focused Private Equity/Venture Capital Funds by allowing such appropriation to qualify as Corporate Social Responsibility expenditure.
   - Restructuring in MSME sector should be allowed without impacting bank rating and standard assets status.
   - Revival (under SICA- 1985) coverage should be extended to MSMEs also.
   - If revival is not possible easy EXIT in Pre defined timelines should be allowed by banks.

2. Need to Improve Flow of Credit to Infrastructure Sector through:
   - Empowering specialized Infrastructure Finance Company like IIFCL to Appraise & Lead the lending process.
   - Promoting the setting up of Infrastructure Finance Companies in Pvt. & Public sector specially with a view to provide much required long term financing for the sector.
   - Promoting ‘Asset Life’ based financing in Infrastructure Sector
   - Further Liberalizing the Banks Prudential Exposure Norms to various infrastructure sectors.
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- Banks should be allowed access to foreign funds at cheaper rates for exclusively funding infrastructure-sector projects.
- 2% Interest Subvention for infrastructure financing; from Government of India Budgetary Allocation.
- Promoting IDF for Long term requirements of Infrastructure projects on the line of “India Infra Debt Limited”.
- Development of the bond market in the country.

3. Need to improve flow of credit to Renewable Energy Sector through:
   - Treating Renewable Energy as a separate classification from other energy sources in the Power Sector.
   - To classify renewable energy as a part of the Priority Sector Lending on account of the social service element involved in development of “Green Energy”.
   - Promoting Rapid appraisal of the Projects under Renewable Energy Sector.
   - Reducing transaction cost & time in appraisal & release of funds for such specialised power sector companies.

4. Need to address problems faced by Non Banking Finance Companies through:
   - Recovery mechanisms like coverage under SARFAESI Act and Debt Recovery Tribunals need to be provided to NBFCs also.
   - A Regulator to play the Dual Role of growth enabler as well as industry regulator.
   - Provisioning requirements for standard assets and revision in non-performing assets (NPA) norms should be lowered.
   - NBFCs should be considered on a par with banks and financial institutions for availing of refinance and take-out finance from IIFCL to ensure level-playing field.

   - Long-term capital requirement could be met by innovative measures such as public sector holding companies.
   - Controlling relentless, upward revision of Interest Rates by Banks & Institutions (which appears to be counter-productive to industry & inflation).
   - Longer Tenures of Chairman and Managing Directors of Public Sector Banks – at least 2 to 4 years (to improve accountability)

6. Raise foreign investment limits for the insurance sector to cater to growing capital needs of both life insurers as well as non-life firms.

7. Recapitalize the banking industry and give licenses to private sector for opening banks.
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6 Taxation

Taxation in India needs structural, operational and administrative reforms as the Indian tax regime is not conducive to fostering growth. According to World Bank, India ranks 158 in terms of overall ease in tax payment out of 189 countries. Hence, there is a need to simplify complex tax processes and reduce the time taken for availing incentives.

**Implement GST at the earliest to boost GDP. Simplify and rationalize Income Tax Act**

**Suggestions**

1. Simplification, rationalization and long term stable Income Tax Act required, Direct Taxes Code to be only introduced after proper public debate and after due consideration of suggestions of all stakeholders.
2. Increase Income tax relief for salaried employees, pensioners, senior citizens and women.
4. Public disclosure of information where time bound redressal action not taken as per time limits in Citizen’s Charter. Tax Officers to be directly accountable for such delays.
5. Retrospective amendments to be avoided. Tax administration to be non adversarial and to follow just and fair dispute redressal mechanism.
6. Mechanism of alternative dispute resolution and redressal of grievances to be formulated and strengthened.
7. Ombudsman powers to be increased.
8. Inter Ministerial Committee to be formed to work with Ministry of Finance and CBDT, so as to ensure that the objectives of various stakeholders are attained.
9. Investment allowance deduction to be allowed at investments of over Rs. 5 crores.
10. Incentives, deductions should be allowed as per objectives and not be taken away by uncalled for fine print conditions.
11. MAT to be revoked
12. Abolish DDT as companies are already paying income tax.
7 Foreign Trade & Investment

India’s export potential remains considerably unfulfilled because of infrastructure bottlenecks. While India is moving fast to align its tariff structure with that of ASEAN countries, it has lacked in even initiating let alone completing domestic reforms. As a result, while Indian industry has been opened up to foreign competition, free trade agreements do not provide level playing field for our manufacturers vis-à-vis manufacturers of the countries with which India has bilateral trade relations.

Revisit Foreign Trade Agreements (FTAs) for allowing level playing field for Indian manufacturers.

Suggestions

1. Despite of several promotional measures in terms of Market Access Initiates and Market Development Assistance, exporters in India are still facing difficulty in promoting their products overseas. Thus, build an information hub for providing comprehensive information relating to foreign markets to exporters.
2. Small exporters are not taking many advantages of government incentive schemes. They are either do not aware about these export benefits or eligibility criterion for availing these benefits is too demanding. Therefore, there is a need for awareness programmes regarding the incentive available for MSMEs exports.
3. The cost of doing business is much lower in most of the countries with which India has signed bilateral trade agreements and Comprehensive Economic Co-operation Agreements (CECAs). In this light, FTA should be revisited in the changing global economic situations and discussed with the industry at large.
4. Complex tax structure is another bottleneck for the efficiency and promotion of exports. In order to overcome this problem GST should be implemented at the earliest so as to overcome the problem of several taxes on exporters in India.
5. Simplify the customs procedures through reducing the human interface to minimal by the use of automation and information technology. There should be a single, one-time presentation to one agency for clearance of goods.
6. Our missions overseas to be more trade friendly.
7. Regaining the confidence of foreign investors, particularly the long-term investors who are willing to put money into solid revenue- and employment-generating businesses on the ground, is thus the need of the hour.
8. Need for a single minded approach to create investor friendliness for both foreign and domestic investors.
9. Foreign Investment Promotion Board (FIPBs) functioning to be made more efficient and investor-friendly.
8 Retail

Prior to the year 2000, the pace of retail change was relatively slow. Retailers were thriving in a product-centric world and could gradually tweak their models to achieve what can today be labeled as mediocre growth. The change to a consumer-centric world has turned around the retail sector. There are both challenges as well as opportunities in the field of retail at the moment.

With a population surpassing 1.22 billion, and 81 million households falling into the upper middle class and high-income bracket, India is a serious market for big consumption.

Suggestions

1. Suitable amendments must be made in town planning to provide for adequate quantum of retail space.
2. Existing ground coverage rules, Floor Area Ratio and Floor Space Index rules does not support big box retailing. Zoning land for this type of retailers should be promoted.
3. Implementation of GST would be critical to remove the cascading impact of indirect taxes on economy and to create a common market across the country.
4. Maximum Retail Price (MRP) also needed for single brand retailer which will minimize risk of overcharging.
5. Co-loading cargos between different companies should be allowed to reduce excessive costs.
6. Emerging direct selling industry is impacted by multiplicity of supervisory bodies. There should be central body to regulate the operations of direct selling business.
Services account for around 60% of India’s GDP; the growth of India’s economy is presently driven by services sector and within services sector- by IT and ITES sector. Strong demand over the past few years has placed India amongst the fastest growing IT markets in Asia –Pacific region.

However, slowdown in some countries of euro zone and stuttering growth in the United States recently has dampened demand for Indian services exports. The services sector should resume its high growth trajectory and achieve a sustainable 9%-10% growth rate.

The sector needs to expand in rural markets in the country and diversify its export structure internationally.

Suggestions

1. Need to diversify the services export basket which is currently dominated by IT and ITES exports.
2. The information on items traded by India should be made available across the world for diversification of services exports of India.
3. The potential of domestic market need to be tapped in the rural markets.
4. A large chunk of investments is required to outshine the services sector supported with high quality infrastructure.
5. Telecom is one sector where improvement in quality of voice and data would help in fully leveraging the potential.
6. Protect the interest of retailers, small traders and small vendors. Also, equip them with the latest techniques and methods to make them competitive.
7. Tourism hubs to be identified state-wise and developed to explore tourist flows both from domestic as well as foreign countries.
8. Ensure easy availability of institutional credit and reduction in seeking multiple licenses to start the business.
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10 Education

In order to revisit growth in the economy, it has become crucial to bring more and more of our labour resources in the production chain by improving the quality of higher education and skill sets in the economy.

According to a recent report by the United Nations Educational, Scientific and Cultural Organization (UNESCO), India has the highest population of illiterate adults at 287 million which is 37% of the global total. India reduced its spending on education from 4.4% of GNP in 1999 to 3.3% in 2010. India must spend at least 6% of GDP on education which is comparable to the global standards.

The enhanced outlay should be directed not only towards developing infrastructure in schools but also incentivizing teaching as a profession to attract quality faculty going ahead.

*Give emphasis on quality by way of accreditation across all institutions.*
*Curriculum and pedagogy to be made value based and employment friendly.*

Suggestions

1. Universalization of secondary school education and skills development through functional school.
2. Mechanism should be set up for performance audit of Sarva Shiksha Abhiyan.
3. To meet the dearth of faculty, devising innovative models of attracting professionals and corporates to start a 'second innings' in their careers by coming to teaching profession by offering them accelerated PhD's acknowledging their work experience. Further, starting a National Mission for Faculty Development by rightly glorifying the profession to attract youngsters to take up teaching careers much like what defense forces do.
4. Mid-day meal scheme should be revitalized in terms of management and delivery.
5. Mechanism for close interaction between industry (including SME), academia and community would be instituted.
6. Devising a model for setting up 'City Universities' by private sector in national and state metros with spread out infrastructure across the city, much in line with the practices in major international cities such as London, New York etc, instead of the restriction of setting up a unified campus over a large land parcel that is now unavailable.
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10.1 Skill Development

Improving factor productivity depends significantly on raising the skill endowment of the labour force. The skills gap is no longer just a handicap; it is turning out to be a crisis. Our industry is facing an acute shortage of skilled manpower in various sectors including ITES, biotechnology, healthcare, food processing and construction, among others. According to NSSO, around 13 million workers enter the market every year and only 3 million are skilled.

Encourage private sector to have approved training programs. National campaign on skill development by increasing the centers from 9500 to minimum 1,00,000 in 3 years.

Suggestions

1. Adequate resources for skill development and up-gradation so that the existing projects are completed on time without hindrances and new programmes are planned to bridge the skill gap.

2. There is need to create at least ten accredited vocational training institutes at different geographical locations for skills which are in short supply. A substantial part of this will have to come from the Government.

3. Skill Mapping should be done to scientifically plan human resource needs in the different sectors of the economy.

4. Allocation for National Skill Development Corporation should be enhanced to help training and skill development among the youth.

5. A more liberal attitude is required to entry of private and foreign players in education which would impart quality education.
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11 Employment

Employment generation must be a priority area for inclusive growth essential to harmonious and sustainable development. There is an enormous amount of unemployment and underemployment in the rural sector. Millions of people are locked in low productivity jobs in the unorganized industry and service sectors. India’s high end IT service sector may impress the world but, it employs less than 3 million people.

About 50% of India’s population is less than 25 years old. The challenge before the country is therefore, to find productive jobs for such huge numbers which would require participation from the private sector as well. For encouraging private companies to hire more, various global practices to encourage job creation in the private sector can be adopted such as tax exemptions, grants for job creation and training costs and credits against tax payable.

There is a need to move people out of low productivity jobs in agriculture to manufacturing and service sector.

Suggestions

1. A portion of the surplus labour in agriculture could be absorbed in non-farm allied activities. There will be opportunities also in the construction sector which is growing, as well as other sectors of the service industry

2. Raising productivity of workers by raising the skill endowment of the labor force.

3. Flexible labor market with comprehensive social security programme which will give employers confidence to add staff.
12 Rural Development

About two-third of people of India live in the villages. It is imminently possible that the next phase of high economic growth in the country will be sustainable only on the strength of continued growth in rural areas. However, the rural areas are deprived of basic amenities and opportunities to work.

Major thrust area for rural development would be to improve village level infrastructure in terms of roads, potable water, education, health, supply chain, electricity, broadband, job creation, security in rural areas and linkage to markets.

**Focus on job creation and entrepreneurship while addressing the issue of employability by initiating multi-skills development programme.**

**Suggestions**

1. Create a network of rural haats (markets) to promote rural entrepreneurship.

2. Program for women healthcare in a mission mode, especially focusing on domains of Nutrition and Pregnancy

3. Improve quality of life in rural areas by providing electricity, tapped water, cleaner fuel and toilets in every home.

4. To ensure water security in rural areas, speed up the development of water security plans in coordination with Panchayati Raj institutions.

5. Universalization of secondary school education and skills development through functional school.

6. High priority should be given to poverty alleviation, enhancing livelihood security, removal of hunger and malnutrition.
13 Health

There is a strong correlation between economic development and social development. However, India’s human development indicators are discomforting as India ranks 136th out of 186 countries in the UNDP’s Human Development Index. India’s public healthcare spending accounts for only 1% of GDP which is among the lowest in the world. Consequently, 70% of all health expenditure is paid for by people from their own pockets. Though the healthcare system has improved over time, we are still far away from the point of providing easily accessible and affordable quality healthcare to all.

There is an urgent need to step up investments in the sector to provide for more hospital beds, train more manpower and build extensive allied healthcare bodies.

Suggestions

1. There is a need for a comprehensive healthcare policy to address changing demographics and healthcare challenges.

2. Affordable and accessible access to universal health care with modernized government hospitals upgraded with latest technologies and state of the art infrastructure.

3. An overarching body for healthcare to be set up to review the role of various professional bodies with education and training to healthcare professionals.

4. Programme for women and child healthcare with emphasis on rural, SC, ST and OBC

5. Leverage mobile phones and telephones for healthcare delivery that would give vast coverage and define the standards and legal framework for technology driven care.

13.1 Water

Recent reports indicate that India could move into the category of 'water stressed' state by 2050 with a gap between demand and availability of water will be as much as 50%. In rural areas, about 85% of rural water supply is dependent on ground water which has led to significant depletion of water table in several parts of the country. In urban areas, on the other hand, water supply systems suffer from distribution losses due to old and defunct infrastructure which results in physical losses ranging from around 25%-50%. Growing pollution of water resources is another major concern that affects availability of safe drinking water.

Remove rivers pollution and enhance water cleaning facilities to make available safe drinking water to the population.

Suggestions

1. Ground water to be recharged by harnessing rain water so as to reduce dependence on ground water.

2. A multi-pronged ‘water strategy’ to be launched for reducing farmers’ dependence on rain water.

3. Inter-linking of rivers to be done with establishment of sewage treatment plants to prevent pollution in rivers.

4. Make Municipal Corporation responsible to provide clean and safe drinking water.

5. Promotion of demand-driven, decentralized, community-managed water resource management, water supply and environmental sanitation.

6. Encourage efficient use, water conservation, recycling and rain water harvesting.
14 Women Empowerment

Women have significantly contributed in the economic empowerment of nation through employment and income generation. They have made equal involvement in the growth and development of the country over the years. This achievement of Indian women has been possible due to the progress made by them in bridging the equality gap in many socio economic sectors.

Though India’s Global Gender Gap Index score has improved over the years, the incidents of crimes against women have been on the rise and the number of cases reported under crimes against women has increased remarkably from 143795 in 2001 to 244270 cases in 2012. Hence, high priority should be accorded to women’s safety, empowerment and welfare.

Encourage states to ensure women and child safety.

Suggestions

1. Women’s welfare and development to be accorded a high priority at all levels within the government
2. A comprehensive scheme for encouraging positive attitude amongst families towards girl child and nation-wide campaign for saving the girl child and educating her.
3. To enable skill development of women workforce, dedicated Women ITIs, Women wings in other it is to be set up. Special business facilitation centre for women to be set up.
4. Strict implementation of laws related to crime against women.
5. Review the working conditions and enhance the remuneration of Anganwadi worker's.
6. Effective reporting and speedy implementation of complaints should be ensured.
7. Awareness programs among public along with self defense programmes for women should be encouraged.
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15 Administration, Law and Justice

An independent and impartial judiciary is a pre-requisite for any nation. The jurisprudence in India has been inherited from British, is promulgated with colonial implications and should commensurate with the country's needs and aspirations, which is humane and responsive to the common man. In order to provide speedy and quality justice accessible to the ordinary citizens, there is urgent need to reform our judicial system.

Strong administration and governance would be critical to achieve economic outcomes.

Suggestion

1. Remove leakages in social sector spending including Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and define deliverables with time bound specifications.
2. In order to speed up the justice delivery system, vacancies of judges at all levels should be filled up.
3. There is a need to increase the judge strength from 10.5 per 10 lakh people to 50 per 10 lakh people. For such a significant increase in the infrastructure and human resource, judiciary must have a greater say in the allocation of funds for its needs.
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We are thankful to our esteemed members for providing significant inputs. Tireless efforts put in by Mr. Hariom Kuthwaria to design this report are appreciated.

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- Housing
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- Education and Skill Development
- Agriculture and Agribusiness

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