

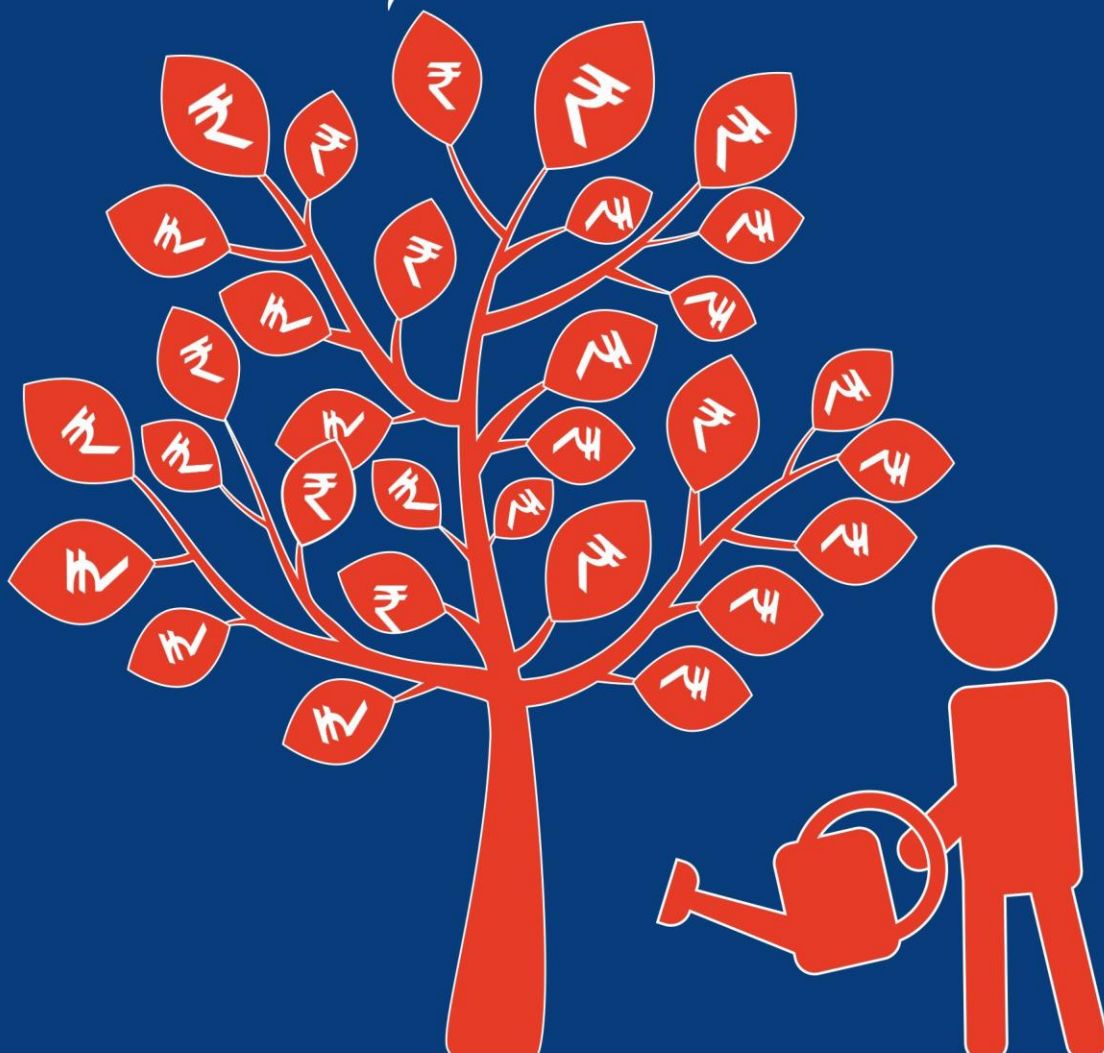
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ECONOMY ON THE EVE

of
budget 2017-18



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Skilling India for Global Competitiveness

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EXECUTIVE SUMMARY

Growth in developed economies is expected to gain momentum in 2017. Since the level of productivity, in turn, sets the level of prosperity that can be reached by an economy the emerging market of the developing economies need to focus on structural reforms in order to develop infrastructure, business friendly environment, and strengthen human capital.

Despite the slowdown in China, East and South Asia will remain the world's fastest-growing regions, with many of the region's commodity-importing economies benefiting from low prices for oil, metals and food. India has emerged as the fastest growing economy in the world. The improvement in India's economic fundamentals has accelerated in the current year with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices. The economy has done very well on the growth front when viewed in a long-term perspective since the average real GDP growth rate during 2010 – 16 stood at a consistent rate of 7.6%.

Today, India is better placed in the global ecosystem as compared with many advanced, emerging, and developing economies. India's position in the global ecosystem has enhanced and is now seen as a lucrative market for foreign investors.

In addition, India witnessed a resilient revival in foreign trade in the recent months. Also, India has remained the top spot for global destinations for both FDIs and FII's. India is increasingly becoming competitive at global charts. In Global Competitiveness Index, India jumped 16 ranks to 39th place from 55th among 140 countries. India has now been ranked 35th amongst 160 countries in Logistics Performance Index (LPI). India is ranked second among 30 developing countries in Global Retail Development Index (GRDI). According to World Bank's Doing Business report 2016, India is positioned at 130th rank among 189 economies. India's ranking in terms of leading exporters has improved from 30th to 19th. Also, India ranked at 2nd position on global biz optimism index in 2016.

Also, a significant improvement has been witnessed in overall trade balance, viz. taking merchandise and services trade together. Overall trade deficit for April – October 2016-17 is estimated at US\$ 20.81 billion, which is 52.91% lower than the level of US\$ 44.19 billion during April – October 2015-16. Further, on the investment front, India attracted around US\$21.624 billion in the form of FDI during April - September 2016-17. A healthy trend had been noticed in FDI particularly in sectors, such as construction development, computer software & hardware, telecom, automobile, and pharmaceuticals.

The policies like Make in India, Skill India and Digital India have the potential to boost not only economic growth but overall socio-economic development of the country to the next level. The inclusive development of the country would pave the way for peace, progress and prosperity.

In order to combat the key challenges faced by the industry, there is a need for reforms in the four factors of production including land, labour, capital and entrepreneurship wherein land acquisition reforms, unified common labour laws and improvement in various Ease of Doing Business parameters becomes highly essential, going forward.

With the improvement in various macroeconomic and trade indicators, India will achieve double-digit growth in the next few years.

1. GLOBAL ECONOMIC DEVELOPMENTS

Introduction

Growth momentum in 2016 is expected to remain constant in global trade. Among the advanced economies, whether the widely – expected moderate growth for the US economy would stand the impact of the Federal Reserve interest rate normalization has yet to be seen. The recovery in the euro zone and Japan would likely be lackluster. The biggest source of uncertainty will stem from the fed's pace of subsequent interest rate hikes, particularly against the backdrop of the more pronounced monetary policy divergence among major central banks and the fragile recovery of many other advanced economies. Further geo political tensions in various parts of the world remain a cause of concern.

In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse

but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016-17. The projected pickup in growth in the next two years-despite the ongoing slowdown in China-primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, notable Brazil, Russia and some countries in the Middle East.

Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: a generalized slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be derailed.

Global economic status so far...

In 2016, global economic activity remained subdued. The transitions that influenced the global outlook are the following.

The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services

Lower prices for energy and other commodities

A gradual tightening in monetary policy in the United States in the context of a resilient US recovery as several other major advanced economy central banks continue to ease monetary policy

China's Slowdown

Overall growth in China is evolving broadly as envisaged, but with a faster-than-expected slowdown in imports and exports, in part reflecting weaker investment and manufacturing activity. These developments, together with market concerns about the future performance of the Chinese economy, are having spillovers of other economies through trade channels and weaker commodity prices, as well as through diminishing confidence and increasing volatility in financial markets. Manufacturing activity and trade remain weak globally, reflecting not only developments in China, but also subdued global demand and investment more broadly-notably a decline in investment in extractive industries. In addition, the dramatic decline in imports number of emerging market and developing economies in economic distress is also weighing heavily on global trade.

Oil Prices Debate

Oil prices declined markedly since September 2015. Futures markets are estimated to see a slight increase in prices in 2016 and 2017. Prices of other commodities, especially metals have fallen as well. Lower oil prices strain the fiscal positions of fuel exporters and weigh on their growth prospects, while supporting household demand and lowering household demand lowering business energy costs in importers, especially in advanced economies, where prices decline are fully passed on to end users.

BREXIT

Britain's exit from the European Union took the world by surprise. This event as will affect the economies across the globe for years to come. The BREXIT referendum on June 23, 2016 was an unprecedented global development. The United Kingdom (UK) voting for the 'Leave' from the European Union (EU) is expected to have considerable socio economic and political ramifications in the years ahead. The decision assumes greater significance in context of the changing global order which is moving towards greater multilateralism and where countries are striving to lower their boundaries.

India: Investment Destination

India is one of the most lucrative markets for foreign investors and, hence, we attract attention globally. So, any major change across the globe is it political or economic, is bound to have an impact on India too. BREXIT might also have a positive effect, but these results may not show up immediately. The process might take time considering that the new government will take time to design and implement their policies.

Future Developments

Rebalancing of the economy means that consumption will become a bigger part of the domestic economy than investment, and services will become a more important driver of growth than manufacturing. As a result, a Chinese slowdown will affect not just commodities and capital goods, but also global consumer demands and thus the profits of multinational companies in Europe and the US.

Rebalancing of the Chinese economy shall include downsizing the capacity of its manufacturing and capital goods industry. India will be directly impacted by China's overcapacity workout and the challenge may remain for a few years till a new equilibrium is reached between supply and demand. India is already facing a massive influx of cheap steel from China. Some optimists comment that with the fall in commodity prices worldwide owing to the slowdown in China, India should be feeling

How the year 2016 went for India?

In the wake of current developments in the world economy such as BREXIT, India's economic resilience has strengthened during the recent times on account of factor such announcements of FDI reforms and a significant jump in FDI inflows, narrowing current account deficit, declining trade balance due to fall in commodity prices and several measures undertaken by the government to boost up investments in the economy. Therefore, India's strong macroeconomic fundamentals and conducive policy measures undertaken by the government in the recent times will help in mitigating the impact of adverse international developments.

With the enhancement of bilateral trade in services with various countries, there could be generation of the employment opportunities for skilled and unskilled workforce in the services sector in merchant trading, other trade related services between related enterprises, professional, management consulting and R&D services.

The fluctuations in currency markets will be for a shorter period on account of India's decent FOREX reserves position and strong policy measures taken by the central bank in the recent times. The impact of BREXIT on financial markets was short lived due to strong macroeconomic fundamentals of the Indian economy and markets have regained their stability in due course of time.

comfortable as the bulk of its imports are those of commodities.

China's GDP growth slowed, from nearly 10% annual growth rate observed in last three decades after it started its reforms in 1979, to a more sustainable 6.8% y-o-y in 2015 -lowest in 25 years. The decision to rebalance the economy was not only towards sustaining its strong growth of recent years, but also achieving more rapid job creation, improving income distribution and slowing down the pace of rising income inequality, and, reducing the energy consumption of recent years. On the other hand, India has emerged as the fastest growing economy among the major countries in the world with an expected growth rate of 7.6% in FY 2015-16. India reaped the indirect benefit of lower commodity prices, softening inflation—infrastructure sector can be the natural destination for Chinese investments. Lower interest rate, increased government fiscal bonanza, all of which contributed to greater macro-stability any financial stress due to currency depreciation would also negatively impact India's capital—in India.



Geopolitics traditionally focuses on military might, resources and demographics as measures of national influence, while economics focuses on growth, productivity and prosperity. However, geopolitics and economics have been intertwined through history – for example in the rise of British political power on the back of the “economic” Industrial Revolution, the era of British and French colonialism, or the Cold War, when a deep geopolitical divide separated economies. When the Cold War ended, an era of common norms

ushered in a global economy; now, more than 25 years after the fall of the Berlin Wall, strategic competition is returning. The world is grappling with a seemingly accelerating dynamic between geopolitics and economics. Today real politic is not ideologically driven, includes new players and takes place in the context of deep economic integration.

Global interconnectedness and the rising speed of information transmission have reinforced the interdependence between geopolitics and economics, with cyberspace representing an important new front in the geopolitical equation as cyber-attacks have the growing potential to inflict economic damage. This makes it difficult for decision-makers to predict the development of such situations as sanctions and other instruments of economic coercion, thus raising the risk of unintended consequences. The interplay between geopolitics and economics can create, reinforce and alter the nature of the interconnections between global risks, affecting many areas of public policy and international cooperation.

India's geopolitical location is such that the financial crisis presents it with many challenges as well as opportunities. The extent to which India will be able to tackle the challenges and make the most of the opportunities is impossible to predict at present. At this juncture, India needs to think unconventionally to deal with an unconventional crisis. It must take care of not just its domestic affairs but also those of its neighbourhood to be able to implement its growth and development policies. The expectations of a G-2 world order comprising the US and China has raised concerns in India, but the fact remains that a solution to the global financial crisis cannot be reached without taking India on board. India is the most successful example of a democracy in South Asia and is an Asian giant in its own right. Thus, what it now requires, at a time when power shifts are likely, is to employ its strengths in making the most of the crisis to be able to not just emerge from it unharmed, but also to acquire a geopolitical standing which will enhance its world position in the near future.

MAJOR GLOBAL THREATS

Understanding the nature of international terrorism that faces us today, it is clear that a long-term strategy is required to counter terrorism. It has to be comprehensively addressed on all fronts, political, economic, social and military. This strategy needs to be evolved from our national aims and objectives to protect 'core values'. These core values are: Consolidate as a secular, federal democratic state with freedom of speech, equality and justice. Protect sovereignty and territorial integrity. Promote socio-economic growth and development.

We must learn from the experience of other nations. However, at the same time, we need to realize clearly that our situation is particular to us and there are no direct lessons to learn except a re-evaluation of our own experience. Our strategy must be realistic and cannot be similar to the US model of worldwide capability or the Israeli strategy of reliance on massive and immediate retaliation, as the respective environment and capabilities are different.



POLITICAL STABILITY

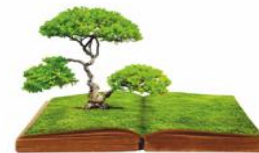
Terrorism is fundamentally an attack on the state. It may be described as an act of violence, committed against innocent people to create fear, with an underlying political motive.

This fear is an intended effect and not merely a by-product of terrorism. Terrorists are therefore criminals and not so-called freedom fighters. International Terrorism has international or trans-national consequences in which terrorists strike targets outside and beyond their country of origin. Terrorism today, therefore, has been transformed into a trans-national, high-tech, lethal and global phenomenon. The response to terrorism needs to be structured accordingly and the decision making process also needs to be modernized.



TERRORISM

It is necessary to examine the environment, both internal and external that exists, before we discuss the long-term strategy and concerns that confront India. The prevailing internal environment has a direct bearing on the growth of terrorism in the country, and should be examined first.



CLIMATE CHANGE

Overall, forecasts for global growth have been revised downward by 0.2 percentage points for both 2016 and 2017. These revisions reflect to a substantial degree, but not exclusively, a weaker pick up in emerging economies than was forecast in October. Prospects for global trade growth have also been marked down by more than ½ percentage point for 2016 and 2017, reflecting developments in China as well as distressed economies.

Higher growth is projected for the Middle East, but lower oil prices and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook. Emerging Europe is projected to continue growing at a broadly steady pace, albeit with some slowing in 2016. Policymakers in emerging market and developing economies need to press on with structural reforms to alleviate infrastructure, facilitate a dynamic and innovation-friendly business environment, and bolster human capital. Deepening local capital markets, improving fiscal revenue mobilization and diversifying exports away from commodities are also ongoing challenges in many of these economies.

2. INDIA AND THE GLOBAL ECONOMY

Introduction

The pace of the development process of a nation can be assessed by comparing the development indicators with its peer nations. India has exhibited remarkable traits across different macroeconomic and socio-economic indicators recently. Much of the growth in India can be attributed to the recent initiatives of the Indian Government, which has made significant strides on the reforms front to kick-start economic growth, such as Make in India, Skill India, Startup India, Smart cities, and Digital India among others.

The year 2016 turned out to be tremendously momentous for India. India became the fastest growing economy in the world. Also, it increased its share in world GDP from 1.7% in 2010 to around 3% in 2015. In addition, based on PPP (Purchasing Power Parity) terms, India ranked 3rd largest economy in the world with a growth rate of 7.6%.

GROSS DOMESTIC PRODUCT COMPARISON

World economy has grown at 3.09% in 2015. The marquee players pushing the growth ahead were India and China, registering growth rates at 7.6% and 6.9%, respectively. During 2015, USA stood the largest economy in the world with GDP figures at US\$ 17.9 trillion followed by China at US\$ 10.9 trillion and Japan at US\$ 4.12 trillion. The share of top 10 economies stood at around 67% of the overall GDP in 2015, wherein USA's share was 25%, followed by China at 15%.

Interestingly, India has performed exceedingly well in terms of growth rate compared to all the other countries and is expected to continue on the same trajectory during 2017 and 2018 as well. India's share stood at 3% of the world GDP during 2015. Ostensibly, India is expected to exhibit consistent performance at 7.6% till 2018. Conversely, China's economy is expected to further decelerate in the coming times.

In 2016, world economy will be heading towards a recovery phase and projected to grow at a modest 3.16%, before reviving at 3.54% in 2017. The recovery is comprehensively driven by rising growth in developing countries, leading by India.

India's ranking in World as per GDP

Rank	Top 10 Economies	GDP Volume 2015 (US\$bn)	Share in World GDP (%)	GDP Growth 2015 (Y-o-Y)	GDP Growth 2016 (Y-o-Y)	GDP Growth 2017 (Y-o-Y)	GDP Growth 2018 (Y-o-Y)
1	USA	17,947	25	2.6	1.6	2.2	2.4
2	China	10,983	15	6.9	6.6	6.2	6.0
3	Japan	4,123	6	0.5	0.5	0.6	0.4
4	Germany	3,358	5	1.5	1.7	1.4	1.4
5	UK	2,849	4	2.2	1.8	1.1	2.2
6	France	2,422	3	1.3	1.3	1.3	1.5
7	India	2,091	3	7.6	7.6	7.6	7.6
8	Italy	1,816	2	0.8	0.8	0.9	1.0
9	Brazil	1,773	2	-3.8	-3.3	-0.5	1.1
10	Canada	1,552	2	1.1	1.2	1.9	2.1

Source: PHD Research Bureau; Compiled from various sources

India's ranking in Exports

Rank	Exporters	Exports(2015, in US\$bn)	Share in world exports (%)	CAGR 2014-2015 (%)
1	China	2282	14	-3
2	USA	1504	9	-7
3	Germany	1331	8	-11
4	Japan	625	4	-9
5	France	573	4	1
6	South Korea	527	3	-8
7	Hong Kong	499	3	-5
8	Netherlands	472	3	-17
9	UK	466	3	-9
10	Italy	459	3	-13
19	India	264	2	-17

Source: PHD Research Bureau; Compiled from WITS

India has been ranked 19th largest exporter in the world in 2015. Its total exports stood at US\$ 264 billion, contracted by (-) 17% in 2015. Also, India accounted for around 2% of the world exports. Among other top countries, China remained the biggest exporter in the world with export figures of US\$ 2.28 trillion, and accounting for 14% of the world exports; followed by USA (9%); Germany (8%); Japan (4%) share in the world exports.

Based on the recent estimates of WTO, World trade is expected to expand by 1.7% in 2016 and in the band of 1.8 – 3.1% in 2017. The overall momentum in trade will gain momentum in the coming times.

EXPORTS COMPARISON

IMPORTS COMPARISON

India ranked at 13th position on the importers list in India. India imported around US\$ 390 billion in 2015 with a share of 2.4% in the world imports.

During 2015, global import scenario witnessed a downfall as various developed and developing countries registered a fall in imports. Amongst major importers in the world, USA ranked 1st with a share of 13.9%; followed by China (10.2%), and Germany (6.4%) in the world during 2015.

Furthermore, India's exports have become relatively more diversified in 2015, make it less susceptible to volatility in global demand.

India's ranking in Imports

Ranking	Importers	Imports(2015, in US\$bn)	Share in world imports (%)	CAGR 2014-2015 (%)
1	USA	2307	13.9	-4
2	China	1682	10.2	-14
3	Germany	1056	6.4	-13
4	France	651	3.9	-1
5	UK	629	3.8	-9
6	Japan	626	3.8	-23
7	Hong Kong	559	3.4	-7
8	South Korea	437	2.6	-17
9	Netherlands	419	2.5	-18
10	Canada	419	2.5	-10
13	India	390	2.4	-15

Source: PHD Research Bureau; Compiled from WITS

Debt-to-GDP ratio of various countries

Countries	GDP growth rate, 2015	Debt/GDP ratio
Japan	0.5	229.20%
Italy	0.8	132.70%
USA	2.6	104.17%
France	1.3	96.10%
Canada	1.1	91.50%
UK	2.2	89.20%
Germany	1.5	71.20%
India	7.6	67.20%
Brazil	-3.8	66.23%
China	6.9	43.90%

Source: PHD Research Bureau; Compiled from World Bank

At external debt front, Japan registered the highest debt-to-GDP ratio at 229.20% in 2015. Other top countries with significantly high debt-to-GDP ratio included Italy (132.7%), USA (104.17%), and France (96.1%).

India has been able to reduce its external debt to 67.2% of the GDP during 2015. As on March 2016, India's external debt stood at US\$ 485.6 billion. With rising GDP, India will witness a reduction in debt burden.

EXTERNAL DEBT COMPARISON

INVESTMENT

On the investment front, top 12 countries accumulated 73.5% of the global investments. The value of net Foreign Direct Investment inflows stood at around US\$ 1500 billion during 2015.

India has been one of the attractive investment destinations among top countries during 2015. India attracted around US\$ 44 billion in 2015, accounting for a share of 2.2% of the overall world FDI inflows. Also, during April-September 2016, India attracted around US\$ 21.62 billion in the form of FDI.

Destinations attracted majority of the FDI inflows included USA at US\$ 410 billion, followed by China at US\$ 250 billion, and Hong Kong at US\$ 181 billion.

Net FDI Inflows for the year 2015

Rank	Country	FDI Inflows (US\$ billion)	Share (%)
1	USA	410	20.1
2	China	250	12.2
3	Hong Kong	181	8.9
4	Ireland	126	6.2
5	Switzerland	120	5.9
6	Brazil	75	3.7
7	Netherlands	69	3.4
8	Singapore	65	3.2
9	Canada	63	3.1
10	British Virgin Islands	52	2.5
11	Germany	46	2.3
12	India	44	2.2
	Total	1500	73.5

Source: PHD Research Bureau; Compiled from UNCTAD

Ease of Doing Business Ranking in 2017

Rank	Country	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	New Zealand	1	1	34	1	1	1	11	55	13	34
2	Singapore	6	10	10	19	20	1	8	41	2	29
3	Denmark	24	6	14	12	32	19	7	1	24	8
4	Hong Kong	3	5	3	61	20	3	3	42	21	28
5	South Korea	11	31	1	39	44	13	23	32	1	4
6	Norway	21	43	12	14	75	9	26	22	4	6
7	UK	16	17	17	47	20	6	10	28	31	13
8	US	51	39	36	36	2	41	36	35	20	5
9	Sweden	15	25	6	10	75	19	28	18	22	19
10	Macedonia	4	11	29	48	16	13	9	27	36	32
17	Germany	114	12	5	79	32	53	48	38	17	3
26	UAE	53	4	4	11	101	9	1	85	25	104
130	India	155	185	26	138	44	13	172	143	172	136

Source: PHD Research Bureau; Compiled from World Bank

According to World Bank's annual report on the ease of doing business, 'Doing Business 2017: Equal Opportunity for All', India is ranked 130 out of 190 countries and has moved up only one rank on the World Bank's ease of doing business ranking this year. The one rank improvement is because India had been downgraded in the 2016 edition to 131 from 130 earlier. On the parameter of getting electricity, India has improved to 26th spot from 70th last year.

Among the other countries, New Zealand topped the World Bank ranking for ease of doing business, followed by Singapore, Denmark, Hong Kong, South Korea, Norway, UK, US, Sweden, and former Yugoslav Republic of Macedonia. The list is topped by Brunei Darussalam, followed by Kazakhstan, Kenya, Belarus, Indonesia, Serbia, Georgia, Pakistan, United Arab Emirates, and Bahrain.

EASE OF DOING BUSINESS COMPARISON

PROSPERITY COMPARISON

India has ranked 104th in Prosperity Index and contributed around 20% in global prosperity. India has been titled as 'one of the biggest driver' of global prosperity growth over the past ten years, where millions moved from poverty to prosperity.

According to Legatum Prosperity Index 2016 report, India ranked 104th out of 149 nations. Previously, India ranked 115th in 2012. India performed tremendous at various parameters such as Economic quality and Governance.

Among most prosperous countries, New Zealand ranked first, followed by Norway, Finland, Switzerland, Canada, Australia, Netherlands, Sweden, Denmark, and UK.

Legatum Prosperity Index of various countries in 2016

Rank	Country	Economic Quality	Business Environment	Governance	Education	Health	Safety and Security	Personal Freedom	Social Capital	Natural Environment
1	New Zealand	1	2	2	15	12	19	3	1	13
2	Norway	7	10	3	5	13	6	11	6	5
3	Finland	12	8	1	9	21	18	8	11	2
4	Switzerland	4	9	6	1	3	8	18	16	8
5	Canada	13	3	9	14	16	22	2	3	19
6	Australia	15	7	13	4	8	20	12	2	14
7	Netherlands	2	14	4	2	5	12	7	13	36
8	Sweden	3	13	5	13	6	10	14	18	9
9	Denmark	6	11	7	12	23	5	13	7	18
10	UK	10	5	11	6	20	13	15	12	10
17	USA	14	1	22	8	32	52	26	4	35
90	China	28	63	123	34	40	64	138	140	134
104	India	67	86	47	102	113	135	102	84	140
148	Afghanistan	125	127	147	141	138	146	149	145	147
149	Yemen	149	149	149	142	125	140	147	148	145

Source: PHD Research Bureau; Compiled from Legatum Prosperity Report 2016

Logistics Performance Index 2016

LPI Rank	Country	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
1	Germany	4.23	4.12	4.44	3.86	4.28	4.27	4.45
2	Luxembourg	4.22	3.9	4.24	4.24	4.01	4.12	4.8
3	Sweden	4.2	3.92	4.27	4	4.25	4.38	4.45
4	Netherlands	4.19	4.12	4.29	3.94	4.22	4.17	4.41
5	Singapore	4.14	4.18	4.2	3.96	4.09	4.05	4.4
6	Belgium	4.11	3.83	4.05	4.05	4.07	4.22	4.43
7	Austria	4.1	3.79	4.08	3.85	4.18	4.36	4.37
8	UK	4.07	3.98	4.21	3.77	4.05	4.13	4.33
9	Hong Kong	4.07	3.94	4.1	4.05	4	4.03	4.29
10	USA	3.99	3.75	4.15	3.65	4.01	4.2	4.25
27	China	3.66	3.32	3.75	3.7	3.62	3.68	3.9
35	India	3.42	3.17	3.34	3.36	3.39	3.52	3.74

Source: PHD Research Bureau; Compiled from World Bank

As per the World Bank's biennial measure of international supply chain efficiency, viz. Logistics Performance Index, India has jumped from 54 in 2014 to 35 in 2016.

While Germany tops the 2016 rankings, India is ahead of comparatively advanced economies like Portugal and New Zealand. In 2016, India's international supply chain efficiency was at 75% of top-ranked Germany.

Other top countries exhibiting resilient logistics performance include Luxembourg, Sweden, Netherlands, Singapore, Belgium and Austria.

LOGISTICS COMPARISON

Global Competitiveness Index in 2016

Rank	Country	Institutions	Infrastructure	Macroeconomic environment	Health and primary education	Higher education And training	Goods market efficiency	Labour market efficiency	Financial market development	Technological readiness	Market size	Business sophistication	Innovation
1	Switzerland	6	6	4	8	4	6	1	8	1	39	1	1
2	Singapore	2	2	11	2	1	1	2	2	9	37	19	9
3	USA	27	11	71	39	8	14	4	3	14	2	4	4
4	Netherlands	11	3	22	4	3	8	14	37	6	23	5	7
5	Germany	22	8	15	14	16	23	22	20	10	5	3	5
6	Sweden	4	20	5	24	15	11	18	10	4	40	6	6
7	UK	14	9	85	17	20	9	5	16	3	9	7	13
8	Japan	16	5	104	5	23	16	19	17	19	4	2	8
9	Hong Kong	9	1	9	26	14	2	3	4	5	33	17	27
10	Finland	1	26	46	1	2	19	23	5	16	59	12	3
28	China	45	42	8	41	54	56	39	56	74	1	34	30
39	India	42	68	75	85	81	60	84	38	110	3	35	29

Source: PHD Research Bureau; Compiled from Global Competitiveness Report 2016

GLOBAL COMPETITIVENESS

India has emerged as one of the highest rising economy on the back of improvement in goods market efficiency, business sophistication and innovation, as per the Global competitiveness Index 2016.

Switzerland, Singapore and the US remain as the world's most competitive economies. China ranks 28 in the index. Among the other BRICS countries, Russia is ranked 43rd, South Africa at 47, while Brazil declined six notches to end up at 81.

India was ranked 39 out of 138 countries. This is the second year in a row that India has climbed 16 places in the ranking. India still needs to cover a lot of ground citing labour market deficiencies, large, public enterprises that reduce economic efficiency, especially in the utilities sector and the financial market. Lack of infrastructure remains a critical bottleneck. India ranked exceedingly well on market size parameter, followed by innovation, business sophistication and financial market development.

3. EMERGING ECONOMIC DYNAMICS: THE ROAD AHEAD

Introduction

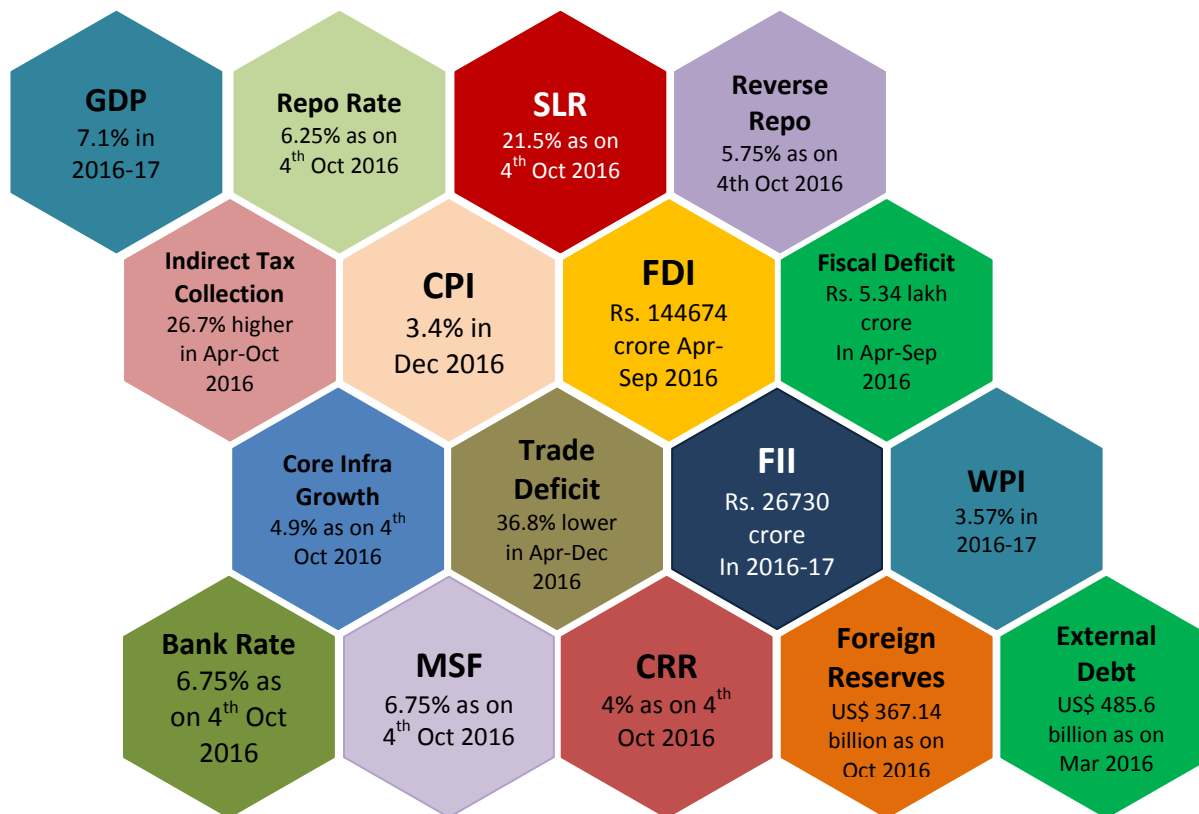
India has emerged as the fastest growing economy in the world. The improvement in India's economic fundamentals has accelerated in the current year with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices.

The Government of India has taken significant initiatives to strengthen the economic credentials of the country and make it one of the strongest economies in the world. India is becoming home to start-ups focused on high growth areas such as mobility, e-commerce and other vertical specific

solutions - creating new markets and driving innovation.

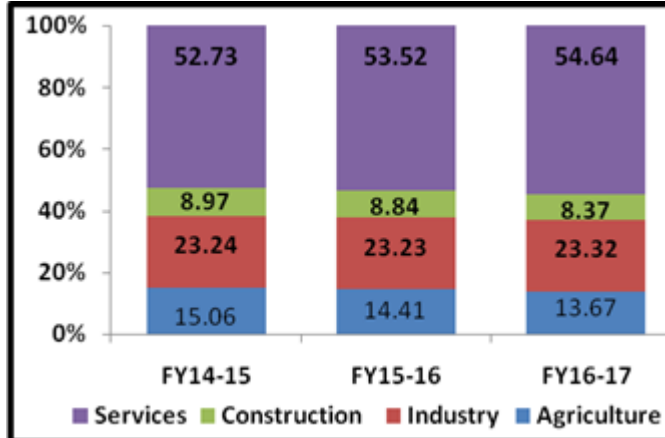
Owing to higher infrastructure spending, increased fiscal devolution to states, and continued reforms in fiscal and monetary policy, the Indian economic outlook has strengthened. The Government of India is striving to move steadily to minimize structural and political bottlenecks, attract higher investment and improve economic performance. According to the World Bank, the Indian economy will likely grow at 7.6 % in 2016-17, followed by further acceleration to 7.7 % in 2017-18 and 7.8 % in 2018-19.

India's Macro-Matrix at a Glance

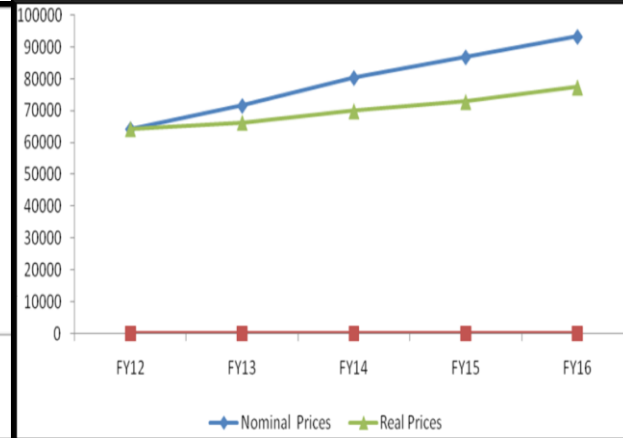


Source: PHD Research Bureau; Compiled from various sources

Contribution of agriculture, industry and services to growth in GDP



Per capita net National Income (in Rs.)



Source: PHD Research Bureau, compiled from CSO, MoSPI

GDP BASED ON SECTORS

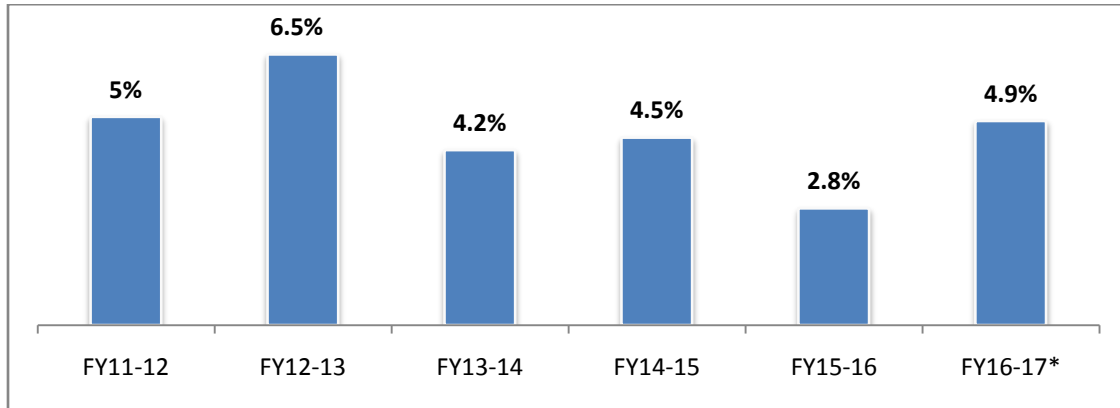
Real GDP or Gross Domestic Product (GDP) at constant (2011-12) prices in the year 2016-17 is likely to attain a level of `121.55 lakh crore, as against the Provisional Estimate of GDP for the year 2015-16 of `113.50 lakh crore, released on 31st May 2016. The growth in GDP during 2016-17 is estimated at 7.1 % as compared to the growth rate of 7.6 per cent in 2015-16.

The sectors which registered growth rate of over 7.0 percent are, 'public administration, defence and other services', 'financial, real estate and professional services' and 'manufacturing'. The growth in the 'agriculture, forestry and fishing', 'mining and quarrying', 'electricity, gas, water supply and other utility services', 'construction' and 'Trade, hotels, transport, communication and services related to broadcasting' is estimated to be 4.1 per cent, (-)1.8 percent, 6.5 percent, 2.9 per cent and 6.0 percent respectively.

INFRA SECTOR

Core infrastructure industries registered a growth of 4.9% during April-Nov 2016-17 as against 2.5% during the corresponding period of the previous year 2015-16. Crude Oil and Natural gas growth stands at (-) 3.5% and (-) 3.7% respectively during the year April-Nov 2016-17 as against (-) 0.4% and (-) 2.3% during the corresponding period of the previous year 2015-16.

Trend in growth of Core Infrastructure Industries (%)



Source: PHD Research Bureau, compiled from the Office of the Economic Advisor to the Govt. of India

Note - *Pertains to data from the period April-November FY 16-17

WHOLESALE PRICE INDEX

A significant decline has been witnessed in overall wholesale price index, from FY12 till FY15 ranging from 8.9%- 2.1% respectively and in the FY16 a negative (-0.85%) WPI has been witnessed. The cumulative wholesale price index between April-December 2016 is 2.77%.

CONSUMER PRICE INDEX

Fluctuations has been witnessed in the overall consumer price index in the past few years. FY12 witnessed 6.0% CPI, where it increased to 10.2% in the FY13 and further started to decline. The cumulative Consumer price index between April-December 2016 is 4.9%.

RBI POLICY RATES

On the basis of an assessment of the current and evolving macroeconomic situation the Monetary Policy Committee (MPC) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25%. Consequently, the reverse repo rate under the LAF remains unchanged at 5.75% and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 %.

The decision of the MPC is consistent with an accommodative stance of monetary policy in consonance with the objective of achieving consumer price index (CPI) inflation at 5 per cent by Q4 of 2016-17 and the medium-term target of 4 per cent within a band of +/- 2 per cent, while supporting growth.

RBI Policy Rates

Components	29 th Sep 2015	1 st Dec 2015	2 nd Feb 2016	5 th April 2016	7 th June 2016	9 th Aug 2016	4 th Oct 2016
CRR	4%	4%	4%	4%	4%	4%	4%
Repo Rate	6.75%	6.75%	6.75%	6.5%	6.5%	6.5%	6.25%
Reverse Repo Rate	5.75%	5.75%	5.75%	6%	6%	6%	5.75%
MSF	7.75%	7.75%	7.75%	7%	7%	7%	6.75%
SLR	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
Bank Rate	7.75%	7.75%	7.75%	7%	7%	7%	6.75%

Source: PHD Research Bureau, compiled from RBI

Private Final Consumption Expenditure

Private Final Consumption Expenditure (PFCE) at current prices is estimated at `89.72 lakh crore in 2016-17 as against `80.78 lakh crore in 2015-16. At constant (2011-12) prices, the PFCE is estimated at `67.13 lakh crore in 2016-17 as against `63.01 lakh crore in 2015-16. In terms of GDP, the rates of PFCE at current and constant (2011-12) prices during 2016-17 are estimated at 59.1 per cent and 55.2 per cent, respectively, as against the corresponding rates of 59.5 per cent and 55.5 per cent, respectively in 2015-16.

Government Final Consumption Expenditure

Government Final Consumption Expenditure (GFCE) at current prices is estimated at `18.61 lakh crore in 2016-17 as against `14.39 lakh crore in 2015-16. At constant (2011-12) prices, the GFCE is estimated at `13.95 lakh crore in 2016-17 as against `11.27 lakh crore in 2015-16. In terms of GDP, the rates of GFCE at current and constant (2011-12) prices during 2016-17 are estimated at 12.3 per cent and 11.5 per cent, respectively, as against the corresponding rates of 10.6 per cent and 9.9 per cent respectively in 2015-16.

Gross Fixed Capital Formation

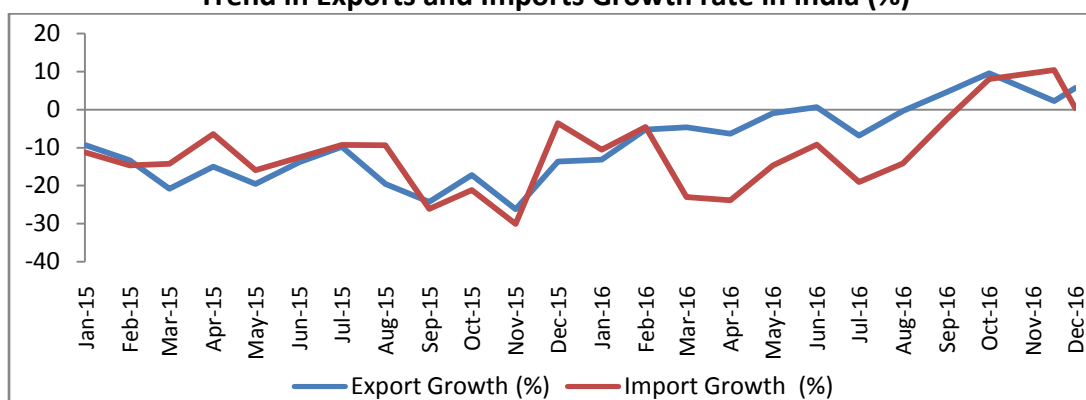
Gross Fixed Capital Formation (GFCF) at current prices is estimated at `40.39 lakh crore in 2016-17 as against `39.72 lakh crore in 2015-16. At constant (2011-12) prices, the GFCF is estimated at `35.35 lakh crore in 2016-17 as against `35.41 lakh crore in 2015-16. In terms of GDP, the rates of GFCF at current and constant (2011-12) prices during 2016-17 are estimated at 26.6 per cent and 29.1 per cent, respectively, as against the corresponding rates of 29.3 per cent and 31.2 per cent, respectively in 2015-16. The GFCF is expected to register growth rate of 1.7 percent at current prices and (-)0.2 percent at constant prices.

Growth story of Imports and Exports of India

The **cumulative value of exports** for the period April-December 2016-17 stood at USD 198.807 billion as against USD 197.333 billion registering a positive growth of 0.75% over the same period last year. The **Cumulative value of imports** for the period April-December 2016-17 was USD 275.355 billion as against USD 297.410 billion registering a growth of (-) 7.42% over the same period last year.

A significant improvement has been witnessed in overall trade balance, viz. taking merchandise and services trade together. Overall trade deficit for April – Dec 2016-17 is estimated at USD 33.74 billion, which is 36.8% lower than the level of USD 53.37 billion during April – December 2015-16.

Trend in Exports and Imports Growth rate in India (%)



Source: PHD Research Bureau; Compiled from Ministry of Commerce

Indirect Tax collection

On the revenue front, during April – December 2016, Indirect tax collection registered a raise of 25% whereas direct tax collection registered a raise of 12.1% compared to same period previous year.

Foreign Direct Investment

On the Investment front, India attracted around Rs. 1,44,674 crore FDI during April and September 2016, growth of 36% over last year. Conversely, India attracted around Rs. 26,730.07 crore investments from FIIs across the globe during financial year 2016-17

Foreign Exchange Reserves

Provided this, India's foreign exchange reserves position stands at about USD 359,154.9 million as on January 6, 2017 of which foreign currency assets' accounted for 93.78%, gold reserves accounted for 5.17%, SDRs shared 0.4%, and reserve position in IMF accounted for 0.64%.

India: Statistical snapshot

Indicators	FY12	FY13	FY14	FY15	FY16	FY17
GDP at FC - Constant prices (Rs crore)	8736039	9226879	9839434	10552151	11350249	12154797
GDP at FC-Constant prices growth YOY (%)	6.7	5.6	6.6	7.2*	7.6*	7.1
Agriculture growth (%)	5.0	1.5	4.2	(-)0.2*	1.2*	4.1
Industry growth (%)	7.8	3.6	5	5.9*	7.4*	6.0
Services growth (%)	6.6	8.1	7.8	10.3*	8.9*	9.6
Consumption (% YOY)	8.9	5.2	4.7	-	-	-
Private consumption (% YOY)	9.3	5.5	6.8	6.2	7.4	6.5
Gross domestic savings as % of GDP	31.4	30.1	30.5	30.6'''	-	-
Gross Fixed Capital Formation as % of GDP	34.3	34.1	33	32.3	31.2	-
Gross fiscal deficit of the Centre as a % GDP	5.7	4.9	4.5	4.1''	3.9	3.5* [@]
Gross fiscal deficit of the states as a % GDP	1.9	1.9	2.5	2.3''	-	-
Gross fiscal deficit of Centre & states as a % GDP	8.1	7.2	6.7	6.6''	-	-
Merchandise exports (US\$Bn)	305.7	300.2	312.35	310.5	261.14	23.9 ^{^^^^}
Growth in exports	21.9	-1.8	3.98	(-)1.2	(-)15.9	5.72 ^{^^^^}
Imports (US\$Bn)	489.1	490.3	450.94	447.5	379.59	34.3 ^{^^^^}
Growth in imports (YOY)	32.4	0.2	-8.1	-0.59	(-)15.3	0.46 ^{^^^^}
Trade deficit (US\$Bn)	183.4	190.1	138.6	137	118.46	10.37 ^{^^^^}
Net invisibles US\$Bn	111.6	107.5	115.0	-	107.9 ^{^^}	-
Current account deficit US\$Bn	78.2	88.2	32.4	26.8 ^{^^}	22.1 ^{^^}	-
Current account deficit as % of GDP	4.2	4.8	1.7	1.3	1.1 ^{^^}	-
Net capital account US\$Bn	67.8	94.2	33.3 ^{^^}	11.8	-	-
Overall balance of payments US\$Bn	12.8	3.8	15.5 ^{^^}	6.9	-	-
Foreign exchange reserves US\$Bn	294.9	292.04	304.22	316.2	355.56 ^{^^}	359.14 ^{^^}
External debt - Short term US\$Bn	78.2	96.7	89.2 ^{``}	86.4 ^{```}	83.5 ^{```}	-
External debt - Long term US\$Bn	267.5	293.4	351.4 ^{``}	376.4 ^{```}	402.1 ^{```}	-
External debt - US\$Bn	345.8	392.1	441 ^{``}	462 ^{```}	485.6 ^{```}	-
Money supply growth	13.5	13.6	13.2	11.1 ^{&&}	10.7 ^{&&&}	6.4 ^{&&&&}
Bank credit growth	16.8	13.5	14	8.6	9 ^{~~~~}	4 ^{~~~~~}
WPI inflation	8.9	7.4	5.7 [#]	2.1	(-)0.85 ^{^^^}	3.39 ^{^^^}
CPI inflation	6.0	10.2	9.8	6.4	4.83 ^{^^^}	3.4 ^{^^^}
Exchange rate Rs/US\$ annual average	47.9	54.4	60.68	61.14	66.43 ^{@@}	68.17 ^{@@@}

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of National Income 2015-16 from MOSPI, " Handbook of Statistics of Indian Economy 2014-15 from RBI, ''' Data pertains to Annual Report of RBI 2013-14, *[@] Data pertains to Budget Estimates of 2016-17, " Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, '''Data pertains to the new Series Estimates from economic survey 2014-15 ^^Data pertains to India's Balance of payment for 2015-16 from RBI, ^^^Data pertains to March 2016, ``India's external debt end Dec 2013 from RBI, ``` Data pertains to end Dec 2014 from RBI, # Data pertains to Mar 2013, ~~~Data as on week ending 25th March 2016 from RBI, ~~~~ Data as on week ending 6th January, 2017 from RBI, ~~~~~Data pertains to March 2016 ~~~~~Data pertains Y-O-Y growth from RBI for FY2016 from November 2016 RBI Bulletin, && Data pertains to March 2015, &&& External debt at end March 2016 (Quick Estimates), @[@] Data pertains to 13th April 2016 from RBI, # Data pertains to November 2014, ^^^Data pertains to December 2016, @^{@@} Data as on 20th Jan from RBI, &&&& Y-o-Y Growth of Money Supply, 2016-17 as on January 6, 2017 from RBI.

4. REFORMS TO ENHANCE GROWTH TRAJECTORY

YESTERDAY



- Socialist policies – minimal private sector
- Bureaucratic
- Protected Market
- Small Consumer Markets
- Underdeveloped Infrastructure

TODAY



- Dominating private sector
- Manufacturing Exports
- Robust banking sector - Capital Markets
- World class infrastructure
- Economic efficiency and quality of government.
- Global Interest

TOMORROW



- One of the fastest growing economies
- Resilient Economy
- Opening up sectors for investment
- Promising and expanding consumer markets
- Developing Infrastructure
- Stable government: Strong Economy

India's
Development
Story

Goods and Services Tax (GST): The Game Changer

GST: The game changing biggest indirect tax reform is being implemented expectedly from April 1, 2017. **The GST Bill (122nd Constitutional Amendment)** has been passed by Rajya Sabha and Lok Sabha with the objective of reducing the cascading effect of tax on the cost of goods and services. The implementation of GST in the country is the historic move by the Government which is commendable as India will move towards high growth trajectory in the next few years.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

GST includes taxes which are at Central level including Central Excise Duty, Additional Excise Duty, Service Tax, Additional Customs Duty commonly known as

Countervailing Duty and Special Additional Duty of Customs. While at State level GST will subsume State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax, Taxes on lottery, betting and gambling.

Thus, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

GST & Make in India: Complimentary Policy Combination

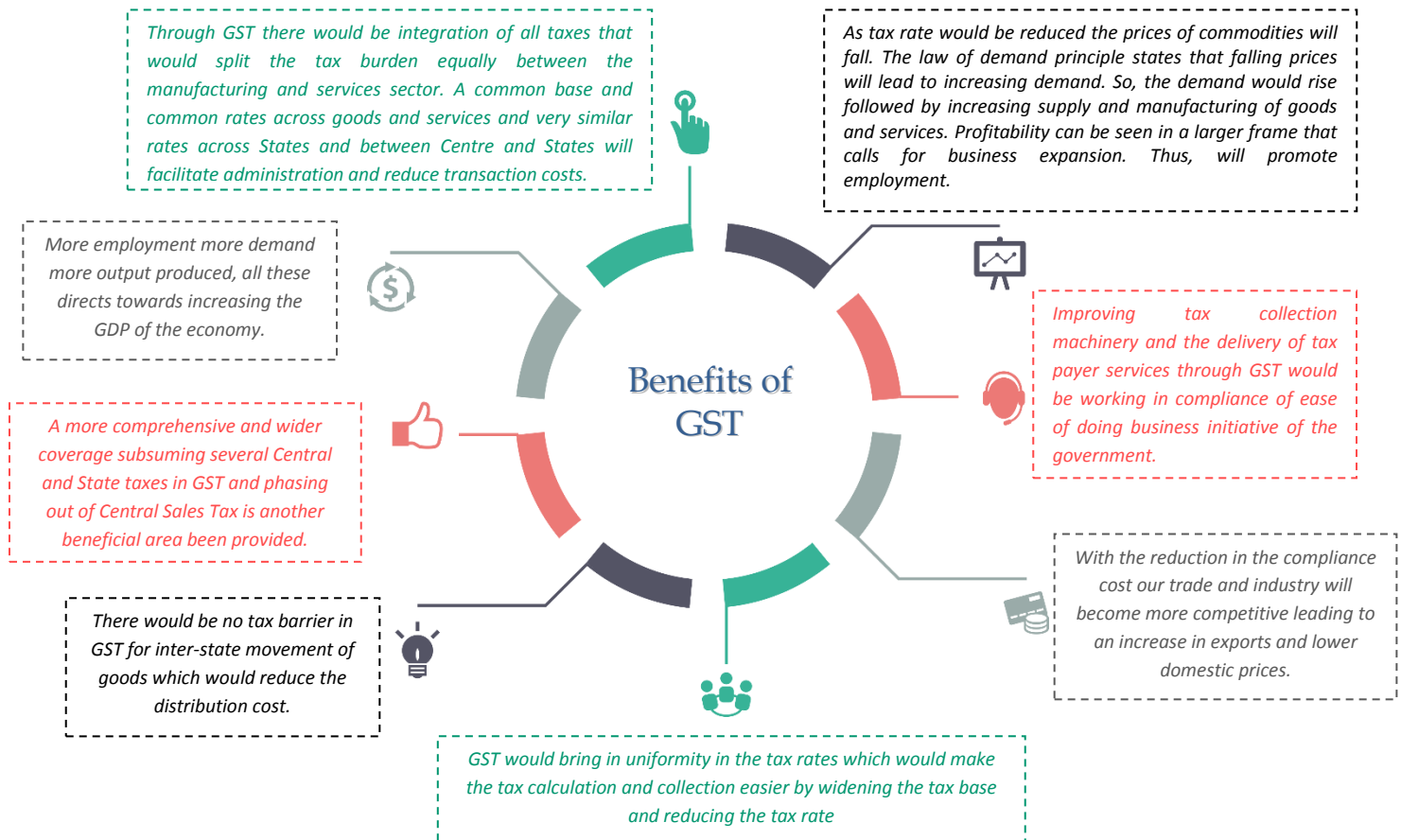
The Make in India program would also get a boost with improvement in ease of doing business by doing away with multiplicity of taxes and their cascading impact. GST will enhance production possibility frontiers; creating millions of employment opportunities for young population and pushing India's growth trajectory by two percentage points. Simplification of taxation and increased growth trajectory would attract more and more FDIs and increase further the employment opportunities in the economy. The post implementation of GST will be immense, from increase in Government revenue vis-a-vis better tax compliance and reduced tax evasion, enabling greater control and facilitating efficient monitoring than the traditional taxation system. The increased tax revenues of Government would create scope for enhanced public investments in various social and physical infrastructural activities creating further scope for employment generation.

Implementation of GST

GST provides the economy a justifiable and fair taxation system as each and every individual who consumes products or services (apart from those which are exempted) will contribute in generating revenue for the Government. It helps in reducing practices of tax evasion by individuals and companies.

Therefore, GST is imposed throughout the production-distribution chain unlike the present sales tax and services tax which is collected at a single point. The burden of the tax is circulated from manufacturer to wholesaler to retailer then finally to the end consumers. This enables greater control and facilitating efficient monitoring than the traditional taxation system.

Making the administration easier by making tax audits effective and efficient, GST will improve making tax payments and producing and submitting information to the tax authorities on time and in the required formats.



Challenges embedded within the existing structure of Indirect Taxation in India

Nature of Challenges	Leads to	Effect
Different tax rates on same product under existing VAT / Sales Tax under different States	<ul style="list-style-type: none"> ➤ Different prices due to different rates of tax levied and collected on the same commodity in different states. 	<ul style="list-style-type: none"> ➤ No common economic market i.e. absence of integrated market.
Not leveraging economies of scale	<ul style="list-style-type: none"> ➤ Potential decrease in productivity and lower production. ➤ Industries unable to gain the low-cost advantage. 	<ul style="list-style-type: none"> ➤ Fixed overhead costs getting absorbed on lower scale of production. ➤ Leverage for cost reduction through effective use of technology is not available to industries due to low economics of scale. ➤ Higher cost of production for goods and services.
Uncertainty in tax laws	<ul style="list-style-type: none"> ➤ Constitutional pluralism. ➤ Contradictory Provisions. ➤ Subordinate legislations -Rules or Notifications or Circular in some cases tends to override the provisions of the mother Act. 	<ul style="list-style-type: none"> ➤ Mystic aura of interpretation. ➤ Increase in litigation. ➤ Uncertainty for business / industries and Assesses under different tax laws. ➤ Multiplicity of Compliance.

	➤ Multiplicity of taxes.	➤ High compliance cost.
High litigation - arising out of issues majority relating to classification and valuation.	➤ Higher compliance cost.	➤ Anti-business tax environment.

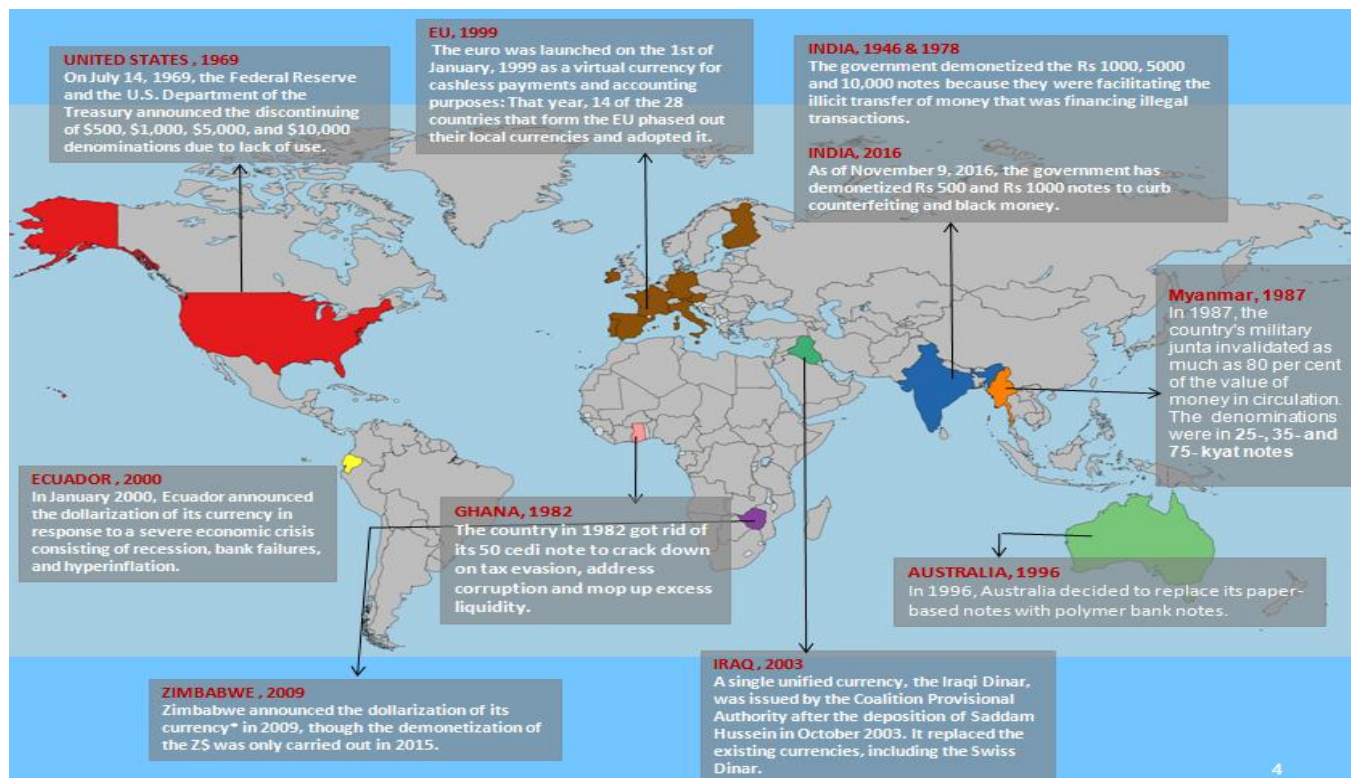
Source: "An insight of GST in India-Vol I", 2015, Tax Research Department, The Institute of Cost Accountants of India (Statutory Body under an Act of Parliament)

Demonetization: Historic move on curbing corruption and black money

In a historic move that will add record strength in the fight against corruption, black money, money laundering, terrorism and financing of terrorists as well as counterfeit notes, the Government of India has decided that the five hundred and one thousand rupee notes will no longer be legal tender from the midnight of 8th Nov 2016.

Modi Government's Efforts to end black money

In the last two years, the Government has taken a number of steps to curb the menace of black money in the economy including setting up of a Special Investigation Team (SIT); enacting a law regarding undisclosed foreign income and assets; amending the Double Taxation Avoidance Agreement between India and Mauritius and India and Cyprus; reaching an understanding with Switzerland for getting information on Bank accounts held by Indians with HSBC; encouraging the use of non-cash and digital payments; amending the Benami Transactions Act; and implementing the Income Declaration Scheme 2016.



Fake Indian Currency Notes (FICN) in circulation in these denominations is comparatively larger as compared to those in other denominations. For a common person, the fake notes look similar to genuine notes. Use of FICN facilitates financing of terrorism and drug trafficking. Use of high denomination notes for storage of unaccounted wealth has been evident from cash recoveries made by law enforcement agencies from time to time. High denomination notes are known to facilitate generation of black money.

In this connection, it may be noted that while the total number of bank notes in circulation rose by 40% between 2011 and 2016, the increase in number of notes of Rs.500/- denomination was 76% and for Rs.1,000/- denomination was 109% during this period. New Series bank notes of Rs.500/- and Rs.2,000/- denominations will be introduced for circulation from 10th November, 2016. Infusion of Rs.2,000/- bank notes will be monitored and regulated by RBI. Introduction of new series of banknotes which will be distinctly different from the current ones in terms of look, design, size and colour has been planned.

History of demonetization in India

In the history of India demonetization has been done at least twice to crack down black money. In January 1946, Rs. 1000 , Rs 10,000 banknotes were withdrawn. In 1954 Rs. 1000, Rs 5000 and Rs. 10,000 notes were reintroduced and were again demonetized in January 1978.

Thus, banning of higher currency notes is a major move and such stricter measures against black money have for long been required to help bring about greater transparency within the economy.

History of Demonetization in India

NOW

OLD



NEW



Government of India announced demonetization of the high value currencies of **Rs. 500 and 1000** with an objective to **unearth the black money and to curb the corruption, counterfeit currency as well as terror funding.**

THEN : Demonetization drive has been done in India in the years 1946 and 1978

High denomination notes, that is Rs 500 and above, started circulation in India in 1934. The highest denomination note - Rs 10000 - ever printed by the Reserve Bank of India was in 1938.

1946

Rs 1000 and Rs 10000 banknotes were demonetized in January 1946 inorder to curb black money. They made a comeback in 1949.

1978

The second demonetisation, as mentioned above, was in 1978 by Morarji Desai-led Janata government - **Rs 1000, Rs 5000 and Rs 10000 notes were abolished.** Again, high denomination notes returned within three decades.

Make in India: Turning ambition into reality

Make in India Campaign, launched on 25th September 2014 globally is a major national initiative covering 25 sectors which focuses on making India a global manufacturing Hub. The campaign aims take the manufacturing growth to 10% on a sustainable basis by introducing a business friendly regulatory environment, enhancing the ease of doing business and improving manufacturing infrastructure, among others.

In a short space of time, the obsolete and obstructive frameworks of the past have been dismantled and replaced with a transparent and user-friendly system that is helping drive investment, foster innovation, develop skills, protect IP and build best-in-class manufacturing infrastructure. The most striking indicator of progress is the unprecedented opening up

of key sectors – including Railways, Defense, Insurance and Medical Devices – to dramatically higher levels of Foreign Direct Investment. Among the slew of reforms and measures announced under the programme, the noteworthy mentions include new de-licensing and deregulation measures to reduce complexity, increase speed and transparency. Also, there is now a 24X7 online process of applying Industrial License & Industrial Entrepreneur Memorandum through e-Biz portal and Udyog Adhaar.

In terms of infrastructure, new smart cities and industrial clusters are being developed to integrate and increase connectivity between rail, road, port and air networks to support the manufacturing sectors. In order to boost jobs in the manufacturing sector, new youth focused programmes have been introduced under the Skill India programme. Further, the National Intellectual Property Rights Policy 2016 was recently announced to nurture innovation and R&D activities in the country. These and many more initiatives have already started showing results in India's ranking on World Bank's Ease of Doing Business' Index, which was 142 among 189 countries in 2015 and has now improved to 130th in 2017 from 131st in 2016.

OBJECTIVES



To facilitate investments, faster innovation and build world class manufacturing infrastructure.



To generate employment and skill formation among the youth.



To make India a renowned manufacturing hub for key sectors across the globe.



To create world class zero defect products using India's highly talented and skilled manpower.

Key Initiatives taken under Make in India Programme

Initiatives		
New Processes	Actions Completed	Measures underway
	<ol style="list-style-type: none"> For single-window clearance, 14 central government services are integrated with e-Biz portal. Through the e-Biz website, entrepreneurs can apply for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) on a 24x7 basis. Online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO) for real-time registration, payments through 56 accredited banks and online application process for environmental and forest clearances Department of Commerce, Government of India has launched Indian Trade Portal for being a single point for relevant information on measures other than tariff called the non-tariff measures. The Companies (Amendment) Act, 2015 has been passed to remove 	<ol style="list-style-type: none"> Single-window clearance for import and export: Central Board of Excise and Customs (CBEC) has implemented Single Window Interface for Facilitating Trade (SWIFT) (online single window for clearance of goods) on the ICEGATE portal by integrating FSSAI, Animal Quarantine, Plant Quarantine, Drug Controller and Wildlife Control Bureau for imports. (CBEC Website) Integration processes for obtaining PAN, TAN, ESIC and EPFO registration with incorporation of company

	<p>requirements of minimum paid-up capital and common seal for companies.</p> <p>5) An Investor Facilitation Cell has been created in 'Invest India' to guide, assist and handhold investors during the entire life-cycle of the business.</p> <p>6) Protecting Minority Investors: Greater disclosure of conflicts of interest is now required by board members, increasing the remedies available in case of prejudicial related-party transactions. Additional safeguards have been put for shareholders of privately held companies</p>	
New infrastructure	<p>1) The Smart Cities Mission is progressing, with Special Purpose Vehicles for 19 cities already set up.</p> <p>2) Delhi-Mumbai Industrial Corridor is a mega infra-structure project of US\$ 90 billion with financial and technical aids from Japan, covering an overall length of 1,483 Kms.</p> <p>3) The eight investment regions proposed to be developed in Phase I of Delhi Mumbai Industrial Corridor</p> <p>4) Fourteen National Investment and Manufacturing Zones outside the DMIC region have also been given in-principle approval in the states of Maharashtra, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Uttar Pradesh and Odisha</p> <p>5) Industrial projects like Bengaluru Mumbai Economic Corridor (BMEC) project, Chennai Bengaluru Industrial Corridor (CBIC), Amritsar Kolkata Industrial Corridor (AKIC) and Visakhapatnam-Chennai Industrial Corridor (VCIC) is under initial stages of planning.</p> <p>7) Draft shareholders agreement and state support agreement have been shared with state governments for CBIC.</p>	
New sectors	<p>1) Defense</p> <ul style="list-style-type: none"> Up to 49%, automatic route; FDI above 49%, through Government route where it is likely to result in access to modern technology or for other reasons to be recorded <p>2) Civil Aviation</p> <ul style="list-style-type: none"> 100 % FDI under automatic route in Greenfield Projects 74 % FDI in Brownfield Projects under automatic route. FDI beyond 74 percent for Brownfield Projects is under government route. 	

Source: PHD Research Bureau, compiled from Make in India Programme website.

Digital India: Linking millions

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.

How Digital India will be realized: Pillars of Digital India?

Digital India is an umbrella programme that covers multiple Government Ministries and Departments. It weaves together a large number of ideas and thoughts into a single, comprehensive vision so that each of them can be implemented as part of a larger goal. Each individual element stands on its own, but is also part of the larger picture. Digital India is to be implemented by the entire Government with overall coordination being done by the Department of Electronics and Information Technology (DeitY). Digital India aims to provide the much needed thrust to the nine pillars of growth areas, namely Broadband Highways, Universal Access to Mobile Connectivity, Public Internet Access Programme, e-Governance: Reforming Government through Technology, e-Kranti - Electronic Delivery of Services, Information for All, Electronics Manufacturing, IT for Jobs and Early Harvest Programmes. Each of these areas is a complex programme in itself and cuts across multiple Ministries and Departments.



Pradhan Mantri Jan Dhan Yojana: Large scale banking outreach

Pradhan Mantri Jan-Dhan Yojana (**PMJDY**) is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as Cash Out Points are also planned to be used for Financial Inclusion under the Scheme. Also an effort is being made to reach out to the youth of this country to participate in this Mission Mode Programme.

Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria. In order to

Brief Objectives of Jan Dhan Yojana:

The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of ₹ 1 lakh. The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the beneficiaries' accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government.

ensure financial inclusion various initiatives were taken up by RBI/ GoI like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc.

Access to finance by the poor and vulnerable groups is a prerequisite for inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups. Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services included credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty.

Financial Inclusion - Summary progress of all Banks including Regional Rural Banks (RRBs), during five years period are as under:

Particulars	Year Ended 2010	Year Ended 2011	Year Ended 2012	Year Ended 2013	Year Ended 2014
Banking Outlets in Villages					
a) Branches	33,378	34,811	37,471	40,837	46,126
b) Villages covered by BCs ²	34,174	80,802	1,41,136	2,21,341	3,37,678
c) Other modes	142	595	3,146	6,276	--
d) Total	67,674	1,16,208	1,81,753	2,68,454	3,83,804
Urban Locations through BCs	447	3,771	5,891	27,143	60,730
Basic Saving Bank Deposit A/c- branches					
a) No. in millions	60.19	73.13	81.20	100.80	126.00
b) Amt. in billions	44.33	57.89	109.87	164.69	273.30
Basic Saving Bank Deposit A/c- BCs					
a) No. in millions	13.27	31.63	57.30	81.27	116.90
b) Amt. in billions	10.69	18.23	10.54	18.22	39.00
OD facility availed in BSBDA's account					
a) No. in millions	0.18	0.61	2.71	3.92	5.90
b) Amt. in billions	0.10	0.26	1.08	1.55	16.00
KCCs (No. in millions)	24.31	27.11	30.24	33.79	39.90

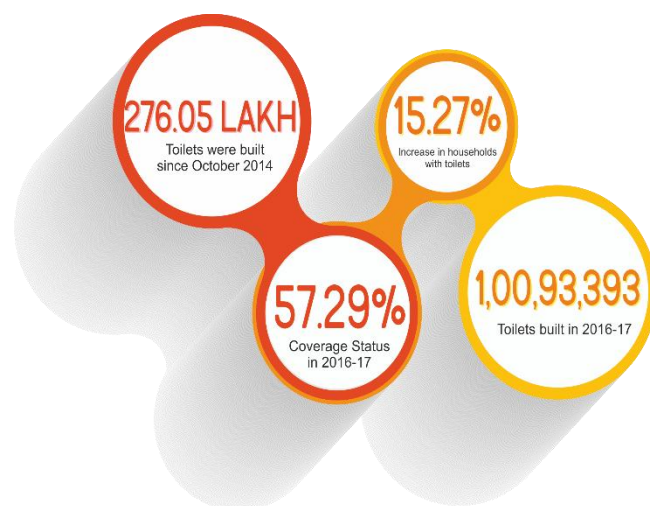
Source: Table IV7, RBI Annual Report, 2013-14

¹Source RBI. "Rural" areas are defined as those centres which have population of less than 10,000.
²USSD - Unstructured Supplementary Service Data proposed to be launched by NPCI
³One BC can cover more than one village

Swachh Bharat Mission: Fostering Clean India

To accelerate the efforts to achieve universal sanitation coverage and to put focus on sanitation, the Prime Minister of India launched the Swachh Bharat Mission on 2nd October, 2014. The Mission Coordinator shall be Secretary, Ministry of Drinking Water and Sanitation (MDWS) with two Sub-Missions, the Swachh Bharat Mission (Gramin) and the Swachh Bharat Mission (Urban), which aims to achieve Swachh Bharat by 2019, as a fitting tribute to the 150th Birth Anniversary of Mahatma Gandhi, which in rural areas shall mean improving the levels of cleanliness in rural areas.

SBM aims to ensure that no household engages in the practice of open defecation by targeting 80 percent of



urban households practicing open defecation for the construction of individual household latrines (IHHL), and for the remaining 20 percent of the households, community toilets are constructed to meet their needs due to constraints of space.

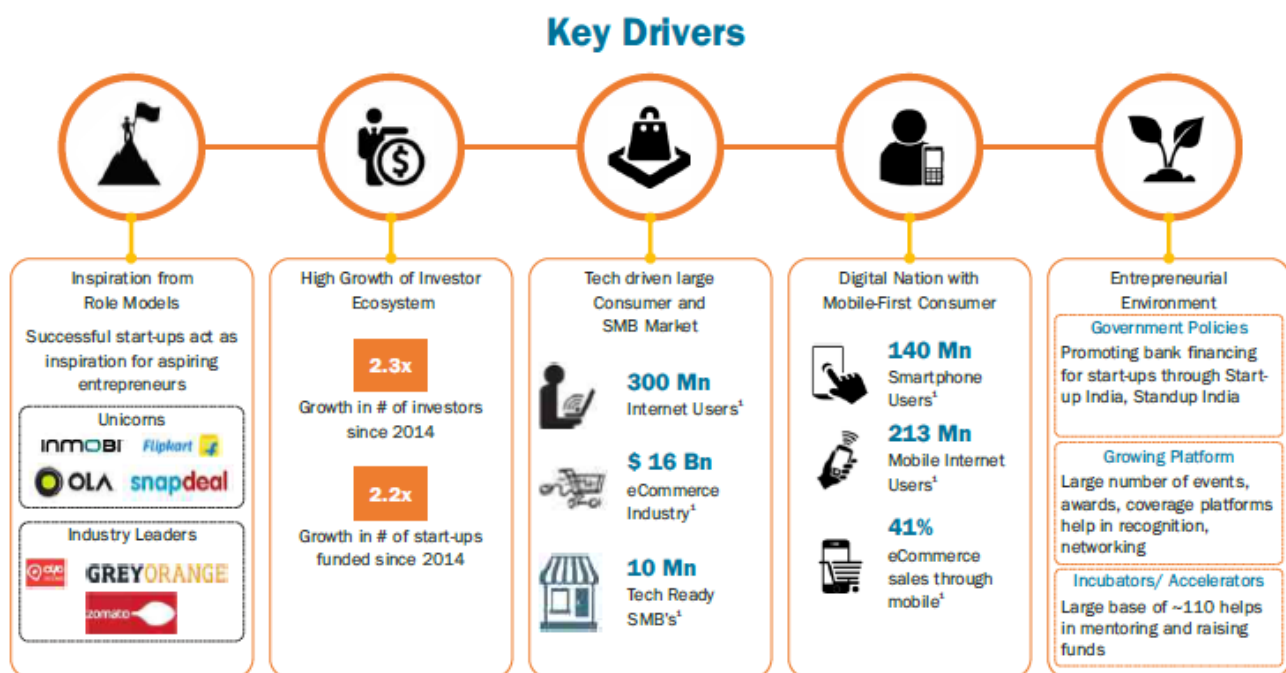
Another key focus of the mission is to convert all insanitary latrines into sanitary latrines. The beneficiaries for both components – construction of household and community toilets—are identified by the Urban Local Bodies (ULBs) based on an application or a survey. The central government provides support of Rs. 4,000 for the construction of individual household toilets in the urban areas. The payment for this construction is to be released in two installments.

The Swachh Bharat Mission is only one of the instruments being used to improve sanitation. The articulation that sanitation should be connected to public health is an important and powerful one, as it also connects directly to all citizens and brings the health outcome to the fore. This emphasis is also important as it articulates the fact that if toilets and sanitation infrastructure alone are provided, it will not be enough to reach the desired outcome. The outcome of improved public health through sanitation will require that all build, use and maintain these facilities consistently. The Prime Minister's emphasis on SBM as a people's movement, and the fact that its outcome cannot be achieved by government functionaries alone, also point to the role of stakeholders beyond government alone, especially the residents at large to meet this vision.

Start-Up India: Empowering fledgling businesses

On 16th Jan 2016, Prime Minister Mr. Narendra Modi announced bunch of benefits and schemes to promote start-up ecosystem in India. The event was called 'Startup India, Stand up India'. It has immense importance because, for starters, it was the first of its kind dialogue between India's startup community and the government.

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country. This will drive sustainable economic growth and generate large scale employment opportunities. The Government, through this initiative aims to empower Startups to grow through innovation and design.



In order to meet the objectives of the initiative, Government of India announced an Action Plan that addresses all aspects of the Startup ecosystem. With this Action Plan, the Government hopes to accelerate spreading of the Startup movement from digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc. and from existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas.

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

Skill India: Developing Human Capital

Skill India campaign was launched to train people, to create opportunities, and scope for the development of the talents of the Indian youth and to develop sectors which comes under skill development and also to identify new sectors for skill development. The new programme aims at providing training and skill development covering each and every village.

Emphasis need to be laid on skilling the youth in such a way that they get employment and also improve entrepreneurship. This scheme will provide training, support and guidance for all occupations that were of traditional type like carpenter, cobblers, tailors and weavers etc. More emphasis will be given on areas like rural estate, construction, transportation, tourism and other sectors where skill development is inadequate or nil. Skill development will create workforce for Make in India.

Skill India at a Glance



Startups & Incubators

The flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

Startup incubators are companies that assist new startups in their initial phase of development by providing various services. Incubators share both tangible and intangible resources such as equipment, office space, services such as accounting, computing and legal services. They also assist startups in raising startup capital and perform various networking activities to reduce the financial burdens and resource issue. Incubators help entrepreneurs in building sustainable business environment while benefitting the broader corporate communities.

Skill India is a good initiative – providing skills to people, especially because India is one of the few countries all across the world whose working age population will be very high, few years down the line, and going by its ever-increasing growth of population. The economy should concentrate on job creation and social security schemes. With this new approach towards skill development, India can definitely move forward towards its targeted results.

5. NEED FOR FURTHER REFORMS

25 years of reforms...

The reforms have played a pivotal role in unlocking India's enormous growth potential and unleashed powerful entrepreneurial forces.

Reforms in Industrial Policy

Industrial policy was restructured to a great extent and most of the central government industrial controls were dismantled. Massive deregulation of the industrial sector was done in order to bring in the element of competition and increase efficiency. Industrial licensing by the central government was almost abolished except for a few hazardous and environmentally sensitive industries. The list of industries reserved solely for the public sector -- which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution was drastically reduced to three: defense aircrafts and warships, atomic energy generation, and railway transport. Further, restrictions that existed on the import of foreign technology were withdrawn.

Reforms in Trade Policy

It was realized that the import substituting inward looking development policy was no longer suitable in the modern globalizing world.

Before the reforms, trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were completely banned. For capital goods, raw materials and intermediates, certain lists of goods were freely importable, but for most items where domestic substitutes were being produced, imports were only possible with import licenses. The criteria for issue of licenses were non-transparent; delays were endemic and corruption unavoidable. The economic reforms sought to phase out import licensing and also to reduce import duties.

Import licensing was abolished relatively early for capital goods and intermediates which became freely importable in 1993, simultaneously with the switch to a flexible exchange rate regime. Quantitative restrictions on imports of manufactured consumer goods and agricultural products were finally removed on April 1, 2001, almost exactly ten years after the reforms began, and that in part because of a ruling by a World Trade Organization dispute panel on a complaint brought by the United States.

Financial sector reforms

Financial sector reforms have long been regarded as an integral part of the overall policy reforms in India. India has recognized that these reforms are imperative for increasing the efficiency of resource mobilization and allocation in the real economy and for the overall macroeconomic stability. The reforms have been driven by a

Tracking India's journey

The reform process in India was initiated with the aim of accelerating the pace of economic growth and eradication of poverty. The process of economic liberalization in India can be traced back to the late 1970s. However, the reform process began in earnest only in July 1991. It was only in 1991 that the Government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment and a restructuring of the role of Government.

The reforms of the last decade and a half have gone a long way in freeing the domestic economy from the control regime. An important feature of India's reform programme is that it has emphasized gradualism and evolutionary transition rather than rapid restructuring or "shock therapy". This approach was adopted since the reforms were introduced in June 1991 in the wake a balance of payments crisis that was certainly severe. However, it was not a prolonged crisis with a long period of non-performance.

The economic reforms initiated in 1991 introduced far-reaching measures, which changed the working and machinery of the economy. These changes were pertinent to the following:

- Dominance of the public sector in the industrial activity
- Discretionary controls on industrial investment and capacity expansion
- Trade and exchange controls
- Limited access to foreign investment
- Public ownership and regulation of the financial sector

thrust towards liberalization and several initiatives such as liberalization in the interest rate and reserve requirements have been taken on this front. At the same time, the government has emphasized on stronger regulation aimed at strengthening prudential norms, transparency and supervision to mitigate the prospects of systemic risks. Today the Indian financial structure is inherently strong, functionally diverse, efficient and globally competitive. During the last fifteen years, the Indian financial system has been incrementally deregulated and exposed to international financial markets along with the introduction of new instruments and products.

STORY OF REFORMS IN INDIA

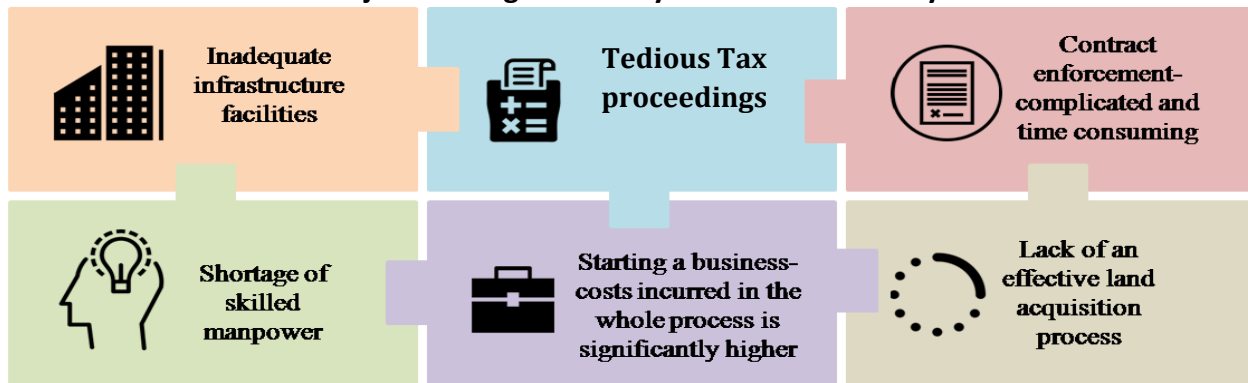
Important economic and structural reforms have been initiated, but further reforms are needed to boost India's growth potential. The Government has gradually introduced numerous economic reforms, including subsidy reforms, steps to create more flexible labor and product markets, agricultural reforms (including the new crop insurance scheme), enhancing financial inclusion, relaxing FDI limits in several key sectors and improving the ease of doing business, raising Foreign Portfolio Investment limits in public debt securities and increasing public infrastructure spending. Various reforms have been initiated by the Government in the recent past such as Make in India, Digital India, Jan Dhan Yojna, Skill India Campaign, Start-up India, Smart Cities Mission and Swachh Bharat Abhiyan. Further, the recently proposed goods and services tax (GST) is one of the most significant reforms since India opened its economy 25 years ago and the revamping of the tax system since the country's independence in 1947.

Need for reforms in four factors of production

In order to combat the key challenges faced by the industry, there is a need for reforms in the four factors of production including land, labour, capital and entrepreneurship wherein land acquisition reforms, unified common labour laws and improvement in various Ease of Doing Business parameters becomes highly essential.

- **Land reforms** – Land is a major ingredient in the four factors of production, so the availability of land becomes crucial for industrialization. At this juncture, the Government should initiate land reforms and a land bank can be created for the use of the industry.
- **Labour reforms** – Labour is a major ingredient of the four factors of production. Labour reforms are needed in the country to help the industry to fasten and deepen the process of industrialization.
- **Capital reforms** - such as reduction in rates of interest and strengthening of micro finance institution along with high cost of borrowings especially for the MSMEs significantly impact the businesses, thus making it a major problem faced by the industry.
- **Entrepreneurship reforms** – such as removal of administrative bottlenecks, improvement in infrastructure related utilities and simplification of taxes would go a long way in promoting entrepreneurship within the country. Ease of doing business is still not satisfactory since India ranks 130th, which is significantly high. This ranking should be brought down to below 50th position. In order to enhance entrepreneurship skills into the economy.

Major challenges faced by the industries today



States story of reforms

Implemented Reforms	States included
<u>1. Single Window Systems</u> Various States have created a dedicated body/bureau as a one-stop system for State level regulatory and fiscal incentive approvals. The online single window system has a provision for filing applications, payment, status tracking, online scrutiny and approval of applications. The officials of the Body/Bureau have also been given powers to grant approvals.	Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Telangana, Uttarakhand
<u>2. Tax reforms</u> States have made good progress in tax reforms. These include mandating e-registration for Value Added Tax (VAT), Central Sales Tax (CST), Professional Tax, Entry tax, etc, allowing online payment and return filing; providing e-filing support through service centers and helpline and risk-based tax compliance inspections.	Bihar, Chhattisgarh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand, West Bengal
<u>3. Construction permits</u> Many States have allowed applicants to apply online and upload building plans for automated construction permit approval. In addition, several states have developed AutoCAD-based systems that automatically scan building plans and monitor compliance with the building bye-laws and building codes in force.	Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Telangana, Uttarakhand
<u>4. Environment and labour reforms</u> States have also implemented advanced automated solutions to deal with environmental and pollution related applications and approvals. These solutions provides hassle free, 24 X 7 e-access to businesses to apply online, track applications, file returns and statements and get online permissions under various Acts and regulations.	Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal
<u>5. Inspection Reforms</u> A number of inspection reforms with regard to labour, tax and environment related compliances have been introduced across the States to help businesses comply with inspection requirements in a user-friendly manner. To bring in transparency, the states have also published comprehensive procedures and checklist for various inspections and have implemented online systems for allocation of inspectors to increase efficiency and effectiveness of the procedure.	Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Odisha, Punjab, Rajasthan, Punjab, Telangana, Uttar Pradesh, Uttarakhand

6. Commercial disputes and paper-less courts

There has been significant progress this year in the area of judicial reforms compared to last year, particularly due to the passage of the Commercial Courts, Commercial Divisions and Commercial Appellate Divisions Act. To address the concern of time and costs associated with various legal processes, District Courts in various states have also made the provision of making online payments, e-filing and e-summons. Few States have also filled up vacancies in District Courts/commercial courts to ensure availability of adequate capacity for dealing with various cases.

Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan, Telangana.

Source: PHD Research Bureau

SUGGESTED REFORMS FOR FOUR FACTORS OF PRODUCTION

Ingredients	Problems	Industry Expectations	Present Status	Suggestions
Land	Problems in Land Acquisition	Easy process for land acquisition	The Act has been deferred	Re-allocate un-used land to industries Allot PSUs' un-utilised land to private sector
Labour	Stringent labour laws	Repeal existing labour laws to reduce regulatory burden on businesses	Proposal to merge 44 Central labour laws into 4 codes Launch of Shram Suvidha Portal where employers can submit a single compliance report for 16 labour laws	Labour reforms ³ should take practical shape Expand labour intensive industries in rural segments
Capital	High costs of borrowings	Reduction in costs of borrowing Revision of MSMEs definition	India's real rate of interest (9.6%) at 10 year high	Reduce the rate of interest Direct banks for credit expansion to MSMEs
Entrepreneur	Un-ease of doing business	Single window clearances Speedy environmental clearances Uninterrupted power supply Simplification of taxes Revisit the New Companies Act Reduce transactional costs in terms of transportation and other infrastructure bottlenecks	Single window clearances present in few states Power deficit and power rates have been increased GST has not been implemented Reforms in New Companies Act still pending Infrastructure bottlenecks remain	24*7 power supply with rationalization of tariffs across the states Revisit the New Companies Act Imprisonment to be decided by criminal court and not Companies Act

Source: PHD research bureau; compiled from survey report on make in India April – July 2015, PHD Chamber

SUGGESTIVE REFORMS IN THE FOUR FACTORS OF PRODUCTION

LAND

Problem

Delays in land acquisition and regulatory hurdles.

Industry expectations

Easing out the process so as to attract better flow of investments and reduce cost of borrowing.

Present Status

Easing out the process so as to attract better flow of investments and reduce cost of borrowing.

Suggestions

Making land available for setting up of new industries and providing availability of long term leasing options.

LABOUR

Problem

Inflexible and stringent labour laws.

Industry expectations

Revision of labour laws and labour welfare measures.

Present Status

Shram Suvidha, a unified labour portal scheme, has been launched to address the grievances in 72 hours, announcement of 40 Central and 150 State labour laws.

Suggestions

Simplification of labour policy; reforms should be linked to worker benefits while simultaneously easing the compliance burden on small and medium enterprises.

CAPITAL

Problem

High costs of borrowing.

Industry expectations

Reduction in cost of borrowing.

Present Status

The cost of borrowed capital is 12% – 14% in India as compared with 5 % – 7% global average.

Suggestions

Reduce the rate of interest; strengthening micro finance institutions and corporate bond market.

ENTREPRENEURSHIP

Problem

Un-ease of doing business

Industry expectations

Removal of administrative bottlenecks; improvement in infrastructure, simplification of taxes, environmental control license; single window clearance; regular power supply; highly skilled workforce.

Present Status

GST bill has been passed, high cost of power, excessive time required for getting approvals,

Suggestions

Operational reforms to get the tax base right; reduce approval turn round by making eBiz-portal more effective; continuous skill development.

6. GROWTH PROSPECTS

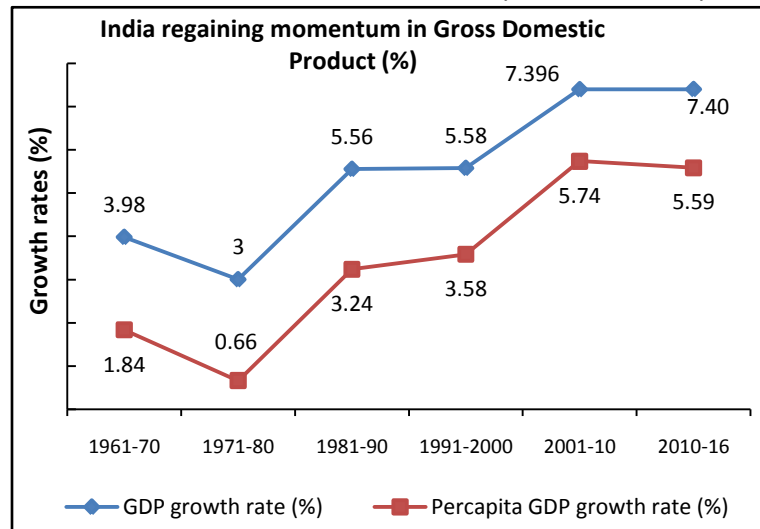
Indian economy has undergone a comprehensive makeover to position itself as the fastest growing and stabilized economy in the world. The makeover has been the policy reforms undertaken by the government to create prospective roadmap for Indian economy and thereby, bolstering the growth and development process. In the aftermath of these policies implementation, India witnessed itself standing in the front row of fastest growing economies. With the implementation of slew of policy measures in the recent past and advent of vigorous policy measures in the coming years compounded with unconventional policy measures such as Voluntary Income Declaration scheme and Demonetization scheme, India is all ready to make double digit growth figures a new normal.

The economy has done very well on the growth front when viewed in a long-term perspective. India's GDP decadal averaged growth rate was only around 3% in the 1960s and 1970s, at a time when other developing countries were growing much faster. The 1980s saw the beginning of a reorientation of policies to achieve higher growth and indeed growth accelerated to 5.6% in that decade. Further, the era of reforms in the 1990s opened up avenues of de-license, de-control, trade and financial liberalization, tax reforms and facilitation to foreign investments. It marked a major breakthrough in India's rapid progress. The 2000s achieved an average real GDP growth rate of 7.3%. Going ahead, the average real GDP growth rate during 2010 – 16 stood at a consistent rate of 7.4%.

Today, India is better placed in the global ecosystem as compared with many advanced, emerging, and developing economies. India's position in the global ecosystem, in terms of GDP at current prices (size of economy) stands at US\$2074 billion which is higher

than Australia (US\$1340 bn), South Korea (US\$ 1378 bn), Indonesia (US\$862bn), South Africa (US\$313 bn) and Thailand (US\$395 bn). However, the countries witnessing a higher GDP than India are United States (US\$17947 bn), Euro Area (US\$11540 bn), China (US\$10866 bn), Japan (US\$4123 bn), Germany (US\$3356 bn), UK (US\$2849 bn) and France (US\$2422bn). In terms of real GDP, India registered a growth rate of 7.1% which is higher than China at 6.7%, UAE at 3.4%, Australia at 3.3%, Germany at 1.5%, the US at 1.5%, and Japan at 0.9%.

In retrospect, economic policies have played a major



role in scripting India's growth story and have helped to explore a greater range of growth prospects which earlier remained elusive. An abiding objective in respect of industrial policy measures since 1991 has been to create a competitive environment to improve productivity

and efficiency of the industry. New industrial policy fostered competition by abolishing monopoly restrictions, terminating the phased manufacturing programmes, liberalizing foreign direct investment and import of foreign technology, and de-reservation of sectors hitherto reserved for the public sector. These measures created a favorable environment for industry to upgrade its technology and build-up its capacity through imports of intermediate and capital goods in order to cater to growing domestic and external demand.

Today, India is a bright spot in the global economic system as its participation in the world economic system is increasing significantly year after year. India's share in the world GDP increased from 1.7% in 2010 to around 3.4% in 2015. Indian economy is one of the fastest-growing economies in the world and is the third-largest economy in terms of PPP (Purchasing

Power Parity). India is also one of the fastest moving emerging economies with a growth rate of 7.6%. The dynamic reforms announced by the government such as 'Make in India'; 'Digital India'; 'Jan Dhan Yojana'; 'Startup India'; and 'Smart cities' have started providing visible results as many of our macroeconomic indicators are performing well and are expected to strengthen further by reforms showing visible impact at ground level, against a backdrop of apathetic and frail global growth. The entrepreneurial ecosystem in India has also witnessed accentuation, and foreign investments have increased substantially; infrastructure has gained momentum, fiscal consolidation has been strengthened, and inflation has decelerated. India, like China a few decades ago, has been experiencing setting up of industrial parks, construction of essential infrastructures every day, and a continuous forward extension of railways and roads.

The prospects of the Indian economy seem better this year with the expectation of more consolidated growth and macroeconomic stability. A resuscitated agricultural sector, civil service pay reforms supporting consumption, revival of exports, and recovery of private investment in the medium run coupled with a plummet in global commodity prices would stabilize inflationary pressures and would further pave the way for a turnaround in economic growth. A boost to agriculture growth should enhance the rural demand further and propel manufacturing growth. Improvements in the agriculture sector will not only help in meeting the supply side pressures but will also aid in stabilizing the overall macro-economic environment, going forward. The initiatives taken by the government such as Fasal Bima Yojana, Soil Health Card, and E-Marketing of agricultural produce has improved the agricultural ecosystem in India.

With the advent of reforms in the coming year such as GST; farm policy; and reforms focusing industrial growth, Indian economy may witness a substantial boost in the growth rate. However, areas such as education; health; safety and security; and natural environment should be the priority focus areas as far as the development roadmap is concerned. However, important reforms for revitalizing services sector growth, energy sector reforms, environmental issues and simplification of labor laws etc. are still awaited.

On the investment front, India attracted around US\$21.624 billion in the form of FDI during April - September 2016-17. A healthy trend had been noticed in FDI particularly in sectors, such as construction development, computer software & hardware, telecom, automobile, and pharmaceuticals. The softening inflationary scenario will help attract foreign investors once again and the capital flows are also expected to increase further in the coming months. The rupee has seen some volatility on the backdrop of US election results and pre-emptive demonetization policy followed by the government but still better placed compared with other emerging market currencies. The panic in the forex market, caused by the overnight demonetization, has been eased down; however, high volatility still looms in the market. The government is confident of meeting its fiscal deficit targets on the back of new sources of revenue such as disinvestments, voluntary disclosure of income scheme, demonetization policy and strategic sales of public sector enterprises.

The growth potential remains substantially high and is expected to accelerate gradually over the next two-three years with improvement in manufacturing growth vis-à-vis effectiveness of the dynamic policy environment such as make in India, digital India and implementation of new investment projects.

7. SUGGESTIVE MEASURES & CONCLUDING REMARKS

Suggestive measures for achieving double-digit growth for India

India has every potential to emerge as the economy growing at double-digits and a leading investment destination in the next very few years, however, it requires urgent policy actions to remove sticky bottlenecks to growth.



Dynamic Reforms

Need of dynamic reforms to improve the productivity of agriculture sector

- ❖ To revisit the double-digit growth trajectory, there is a need to improve agriculture growth and productivity as it still accounts for the livelihood of almost half of the population of the country. Raising agricultural growth and productivity is, therefore, important for containing price pressures, raising rural incomes and making growth more inclusive, going forward.
- ❖ In order to improve agriculture growth and productivity, it is imperative to minimize the wastages by augmenting storage capacities, modernizing/ upgrading the godowns, increase public investments to improve agriculture infrastructure from farm gate to agricultural markets, strengthen the role of agricultural universities and technology to improve the yield/productivity along with expanded irrigation facilities and fertilizer availability and ensure credit availability to small & marginal farmers to adopt modern farm techniques.

Removal of rigidities in the Industrial sector is the need of the hour

- ❖ Industrial sector in India has witnessed astronomical expansion over the last decade, primarily on the back of liberal economic policies followed by the Indian government. Despite the facilitating policies, industry growth process has been to some extent influenced by global business cycles, the persisting slowdown in industrial growth is, in part, attributed to the slowdown in domestic and global demand.
- ❖ In an increasingly global environment, the sector continues to face structural constraints, such as inadequate, relatively inefficient and high-cost infrastructure, high costs of borrowed funds, inflexibilities in labour markets and other institutional rigidities that inhibit the pace of industrial restructuring.

Industry Revival

Agricultural Reforms

Increase public investments in agriculture

The development of agriculture is a critical prerequisite for sustaining a high growth process, apart from raising living standards and eradicating poverty of a large proportion of the populace that is directly dependent on agriculture. There is a strong need for investments in the agriculture sector and that should firstly come from the public sector in basic agriculture infrastructure than private sector should follow in building the strong supply chain etc. Public investment in agriculture should be enhanced at gross capital formation in the agriculture sector should not be less than 20% (Public and Private) of the total gross capital formation in the economy.

**Revitalizing
Services Sector**
Need to revitalize Services sector growth

- ❖ The critical element of Indian economy, viz. the services segment, has been the marquee propeller for years. 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, recession in some countries of the euro zone, followed by Brexit and stuttering growth in the United States has dampened demand for Indian services exports.

Speedy implementation of infrastructure products

- ❖ Infrastructure sector is the pivotal driver for Indian long-run double-digit growth. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints to accelerating growth. Even so, our efforts, domestic and international, to bridge the deficit have witnessed signs of revival in the recent months. To step up larger infrastructure investments and to mobilize the necessary resources, reforming regulations, contractual arrangements and efficient project planning and execution are the need of the hour. Speedy implementation of rural infrastructure projects to make infrastructure available in all the villages across the country is significant.

**Strengthening
Infrastructure**
**Bolstering
MSMEs**
Special attention to MSMEs

- ❖ The MSMEs in India hold tremendous potential to drive the growth engine in India. The efficiency and competitiveness of the MSMEs enterprises through continuous technology innovation, quality improvement, easy access to finance, diversification into new markets, better infrastructural facilities and skill up gradation is the need of the hour to further accentuate the share of MSME in national output from existing 3%.

Reforms in labour laws

- ❖ Labour, the essence of Indian economy, is the eminent ingredient for a smooth and stabilized economy. Labour laws need comprehensive amendments because the rigid and restricted features of labour policy and unhealthy trade union influence impede efficiency and competitiveness. Hence, regulation and liberalization of labour laws are the need of the hour to attract investors in the employment generating sectors and to facilitate dispute resolution processes hindering the industrial production.

**Expediting
Labour Laws**
**Workforce Skill
Upgradation**
Skill up gradation of workforce

- ❖ In order to revisit the double-digit growth in the economy, it has become crucial to bring more and more of our workforce in the production chain by improving the skill sets under the Skill India campaign in the economy.
- ❖ In order to enhance skill development adequate resources for skill development and up-gradation are required so that the existing projects are completed on time without hindrances and new programmes are planned to bridge the skill gap. Effective education and skill development holds the key to reap the emerging demographic dividend.

8. EXPECTATIONS FROM THE BUDGET 2017-18

- ❖ We expect simplification of triple taxation which is corporate income tax and then dividend distribution tax and tax on the dividends in the hands of recipients.
- ❖ Corporate tax rate should not be more than 25% from the headline rate of 30% and 34.6% with cesses and surcharges.
- ❖ Every new tax payer should be given an incentive in the tax rate
- ❖ **Widening the tax base** would help increased tax revenue and more social and infrastructural spending.
- ❖ The maximum personal income tax rate should be 25% in line with the suggested Corporate Tax rate of 25% to increase the personal disposable income and to boost demand in the economy.
- ❖ Increase the rebate on the interest paid on housing loan from the current level of Rs. 2 lacs to Rs. 3.5 Lacs would be a great boost to enhance demand in the sector.
- ❖ Housing and construction sector is the biggest employment creator after the agriculture sector.
- ❖ Purchase of house under section 54 (capital gains from the sale of property) should be allowed in more than one house.
- ❖ Stressed Assets Fund should be created to be operated through escrow accounts to complete all pending housing projects so that all commitments made to buyers are fulfilled. The loans to the builder will have to be repaid with interest.
- ❖ IFCL should be allowed to take exposure of more than 20% in long-term infrastructure projects.
- ❖ Lending by NBFCs for MSMEs should be considered in priority sector lending.
- ❖ **Employment creation in the manufacturing sector** should be incentivized with some relief in the Corporate Tax rate
- ❖ Allow banks to provide funding for domestic Mergers and Acquisitions.
- ❖ Effective transmission of the monetary policy is required so that the benefits of rate cuts are percolated towards beneficiaries.

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