PHD CHAMBER

PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

TRANSFORMING INDIA

through

Make in India
Skill India
Digital India

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PHD CHAMBER OF COMMERCE AND INDUSTRY

BUSINESS RESEARCH AND CONSULTANCY

Customised Business Solutions

We are pleased to inform you that PHD Research Bureau, the research arm of PHD Chamber has initiated the 'Business Research and Consultancy' which aims to provide a blend of strategic consulting for businesses in the areas of macro and micro economic dynamics, agriculture sector, industry and manufacturing sector, infrastructure sector, services sector, trade and investments, financial markets, taxation, social sector, customised business solutions and interpretation and clarifications on policy developments.

It will provide state of the art research services from experienced economists, researchers and analysts on implications of various global and domestic economic and business dynamics.

• RESEARCH • ANALYSIS • CONSULTANCY

Objectives

- Providing solutions to business-specific queries.
- Customised data mining and analysis.
- Providing interpretation and clarification of various policy developments.
- Potential business and investment avenues in the Indian States
- Personalized sectoral research for evaluating business and investment opportunities.
- Sectoral report writing
- Market research surveys
- Feasibility studies

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- Macro and Micro Economic Dynamics
- Agriculture Sector
- Industry and Manufacturing Sector
- Infrastructure Sector
- Services Sector
- Trade and Investments
- Financial Markets
- Taxation
- Social Sector

FEE STRUCTURE

Initial Consultancy Fee

For Members of PHD Chamber: Rs. 7,000 and for Non - Members: Rs. 10,000
For in depth queries, fee will be decided on case to case basis

Skilling India for Global Competitiveness

For queries and details please contact
Ms. Surbhi Sharma (surbhi@phdcci.in)

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November 2016

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From President's Desk

Dr. Mahesh Gupta

★★★★★★★★★★

"India has emerged as the one of the fastest moving economies and a leading investment destination. The fact is that ever since India has launched dynamic reforms there has been no looking back."

★★★★★★★★★★

We envisage a transformed India where the economy is in double digit growth trajectory, manufacturing sector is globally competitive, the agriculture sector is sufficient to sustain the rising population and millions of jobs are created for socio-economic development of the nation.

This transformation will take place through the dynamic policy environment announced by our esteemed Government. 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.

I believe, the economic activity is expected to regain its momentum in the coming months with circulation of new currency in the system that would lead to reduction in interest rates and higher aggregate demand.

The theme of our 111th AGM is "***Transforming India through Make in India, Skill India & Digital India'.*** The transformed India provide housing for all, education for all, easy access to medical and health facilities as well as safe and better standards of living to the population of India. Transformed India would promise every citizen to realize his or her potential and contribute towards self, family and the country. Transformed India will have numerous success stories to tell, demonstrate and sell to the world.

The PHD Chamber has always aimed to be an important stakeholder in the development of the nation. Going ahead, we look forward to the continued pace of economic reforms to uplift the socio-economic standards of the people.

From Senior Vice President's Desk

Mr. Gopal S. Jiwarajka

★★★★★★★★★★

"Reinforcement of sentiments and confidence across countries for India has engendered prospects of substantial development."

★★★★★★★★★★

Today, India is not only the fastest growing economy in the world but also a bright spot in the global economic system as its participation in the world economic system is increasing significantly year after year. India is increasingly becoming competitive at global charts.

Much of this remarkable growth can be attributed to the recent initiatives of the present government which in the last two dynamic years has made significant reforms to kick-start economic growth, such as Jan Dhan Yojana, Digital India, Make in India, Smart Cities and Housing for all. With the agenda of propelling India's growth and development process, GST: The game-changing biggest indirect tax reform is one of the boldest moves taken by the government, perhaps, in the history of democratic India.

It's evident that India is the place where the world can generate a lot of great business opportunities in the long run and will be one of the great economic powers of the future.

The Government's favourable policy regime and initiatives in recent years such as relaxing FDI norms across sectors such as defense, civil aviation, PSU oil refineries, telecom, power exchanges, stock exchanges and pharmaceuticals has opened up vast opportunities for foreign investors to invest in India.

From Vice President's Desk

Mr. Anil Khaitan

★★★★★★★★★★

"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.

★★★★★★★★★★

During the last few years, India's policy environment has changed and the Government of India has introduced various dynamic reforms which have the potential to boost not only economic growth but overall socio-economic development of the country to the next level.

The Make in India programme is a commendable program of the Government which is expected to establish India as a major manufacturing hub. In a short space of time, the programme has identified key doables to attract investments in various sectors, fostering innovation, developing skills and improvement in the state of the art manufacturing infrastructure. This programme has the potential to generate millions of employment opportunities to deploy massive young population and put India prominently on the global manufacturing map.

Since, Make in India programme will generate millions of job opportunities for young population, hence it will be essential to provide skill education to upgrade their skills and to make them complacent with the rising demand for skilled workforce. As a result, Skill India programme will be important for Make in India programme which will further percolate to the rural sectors of the economy.

Another programme to transform India's growth story is the programme of Digital India. The programme aims to transform India into a digitally empowered society and knowledge economy.

From Secretary General's Desk

Mr. Saurabh Sanyal

★★★★★★★★★★

"As per the statistics launched by World Economic Forum, India jumped 16 places from 55th position to 39th position in the latest Global Competitiveness Index."

★★★★★★★★★★

PHD Research Bureau of PHD Chamber of Commerce and Industry has come up with a report on ***'Transforming India through Make in India, Skill India & Digital India'***.

The report highlights the global economic developments and It also brings together latest policy developments in the country, apart from highlighting the potential roadmap it also signifies the further growth prospects by making recommendations on measures to improve the various sectors of the economy.

The report further analyses India's ranking in various global indices with a holistic comparison with various economies in terms of trade, investment, competitiveness and others.

I take this opportunity to express our gratitude and respect to our office bearers Dr. Mahesh Gupta, President; Shri Gopal Jiwarajka, Senior Vice President; and Shri Anil Khaitan, Vice President for their constant support.

I commend and appreciate the team PHD Research Bureau for preparing this analytical and informative report.

CONTENTS

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 ate 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 FIIs. 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 merchandize 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. 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 Growth2015 (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

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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

EXPORTS COMPARISON

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.

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

EXTERNAL DEBT COMPARISON

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.

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 COMPARISON

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 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

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 COMPARISON

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.

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.

2. 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

3. REFORMS TO ENHANCE GROWTH TRAJECTORY

INDIA'S DEVELOPMENT STORY

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

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.

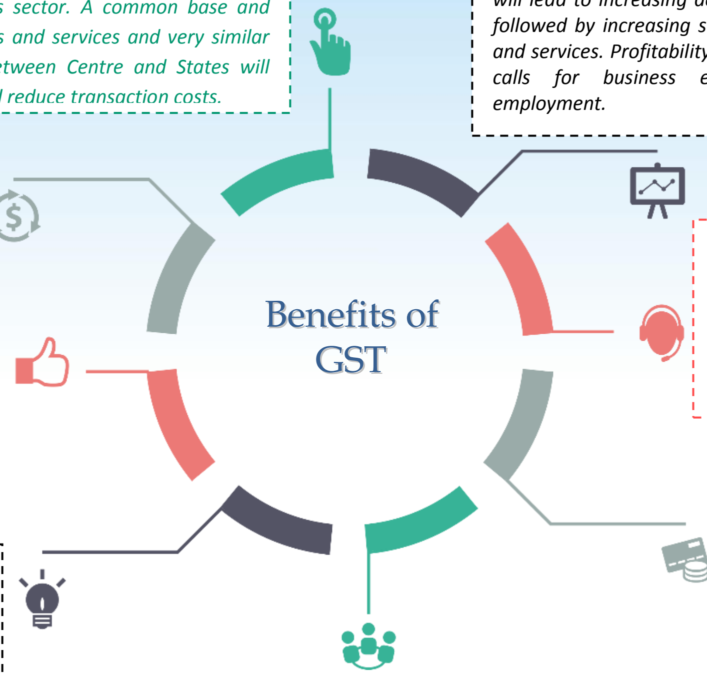
Therefore, GST is imposed throughout the production-distribution chain unlike the present sales tax and services tax which is collected at a single point. The burden of the tax is circulated from manufacturer to wholesaler to retailer then finally to the end consumers. This enables greater control and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

Through GST there would be integration of all taxes that would split the tax burden equally between the manufacturing and services sector. A common base and common rates across goods and services and very similar rates across States and between Centre and States will facilitate administration and reduce transaction costs.

As tax rate would be reduced the prices of commodities will fall. The law of demand principle states that falling prices will lead to increasing demand. So, the demand would rise followed by increasing supply and manufacturing of goods and services. Profitability can be seen in a larger frame that calls for business expansion. Thus, will promote employment.

More employment more demand more output produced, all these directs towards increasing the GDP of the economy.



Improving tax collection machinery and the delivery of tax payer services through GST would be working in compliance of ease of doing business initiative of the government.

A more comprehensive and wider coverage subsuming several Central and State taxes in GST and phasing out of Central Sales Tax is another beneficial area been provided.

With the reduction in the compliance cost our trade and industry will become more competitive leading to an increase in exports and lower domestic prices.

There would be no tax barrier in GST for inter-state movement of goods which would reduce the distribution cost.

GST would bring in uniformity in the tax rates which would make the tax calculation and collection easier by widening the tax base and reducing the tax rate

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	➢ Different prices due to different rates of tax levied and collected on the same commodity in different states.	➢ No common economic market i.e. absence of integrated market.
Not leveraging economies of scale	➢ Potential decrease in productivity and lower production. ➢ Industries unable to gain the low-cost advantage.	➢ 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	➢ Constitutional pluralism. ➢ Contradictory Provisions. ➢ Subordinate legislations -Rules or Notifications or Circular in some cases tends to override the provisions of the mother Act.	➢ 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 Governments 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.

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.

Fake Indian Currency Notes (FICN) in circulation in these denominations are 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.

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 UdyogAdhaar.

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.

Key Initiatives taken under Make in India Programme

	Initiatives	
	Actions Completed	**Measures underway**
New Processes	1) 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. 2) **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 3) 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. 4) The Companies (Amendment) Act, 2015 has been passed to **remove**	1) **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) 2) **Integration processes** for obtaining PAN, TAN, ESIC and EPFO registration with incorporation of company

	requirements of minimum paid-up capital and common seal for companies. 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. 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	
New infrastructure	1) The **Smart Cities Mission** is progressing, with Special Purpose Vehicles for 19 cities already set up. 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. 3)The **eight investment regions propos**ed to be developed in Phase I of Delhi Mumbai Industrial Corridor 4) **Fourteen National Investment and Manufacturing Zone**s 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 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) are under initial stages of planning. 7) **Draft shareholders agreement and state support agreement** have been shared with state governments for CBIC.	
New sectors	**1) Defense** • 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 **2) Civil Aviation** • 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.

A. DIGITAL INFRASTRUCTURE AS A CORE UTILITY TO EVERY CITIZEN

- ✓ Availability of high speed internet as a core utility for delivery of services to citizens
- ✓ Cradle to grave digital identity that is unique, lifelong, online and authenticable to every citizen
- ✓ Mobile phone & bank account enabling citizen participation in digital & financial space
- ✓ Easy access to a Common Service Centre
- ✓ Shareable private space on a public cloud
- ✓ Safe and secure cyber-space

B. GOVERNANCE AND SERVICE ON DEMAND

- ✓ Seamlessly integrated services across departments or jurisdictions
- ✓ Availability of services in real time from online & mobile platforms
- ✓ All citizen entitlements to be portable and available on the cloud
- ✓ Digitally transformed services for improving ease of doing business
- ✓ Making financial transactions electronic & cashless
- ✓ Leveraging Geospatial Information Systems (GIS) for decision support systems & development

C. DIGITAL EMPOWERMENT TO CITIZENS

- ✓ Universal digital literacy
- ✓ Universally accessible digital resources
- ✓ Availability of digital resources / services in Indian languages
- ✓ Collaborative digital platforms for participative governance
- ✓ Citizens not required to physically submit Govt. documents / certificates

Pradhan Mantri Jan Dhan Yojana: Large scale banking outreach

Pradhan Mantri Jan-DhanYojana (**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.

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 cover 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.

Account can be opened in any bank branch or Business Correspondent (Bank Mitr) 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 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.

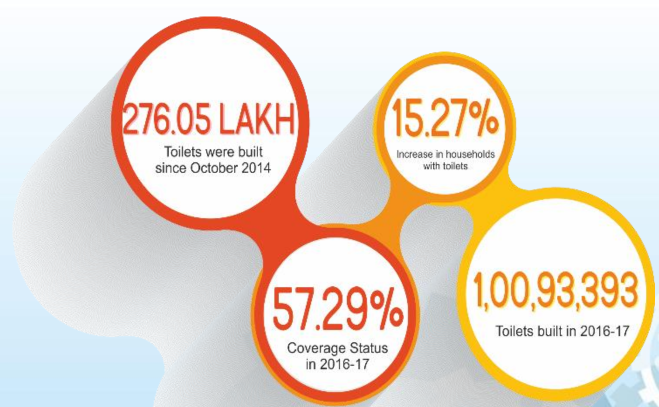
Financial Inclusion - Summary progress of all Banks including Regional RuralBanks (RRBs), during five years period are as under:

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 IV.7, RBI Annual Report, 2013-14

[1]Source RBI. "Rural" areas are defined as those centres which have population of less than 10,000.
USSD- Unstructured Supplementary Service Data proposed to be launched by NPCI
[2]One 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.

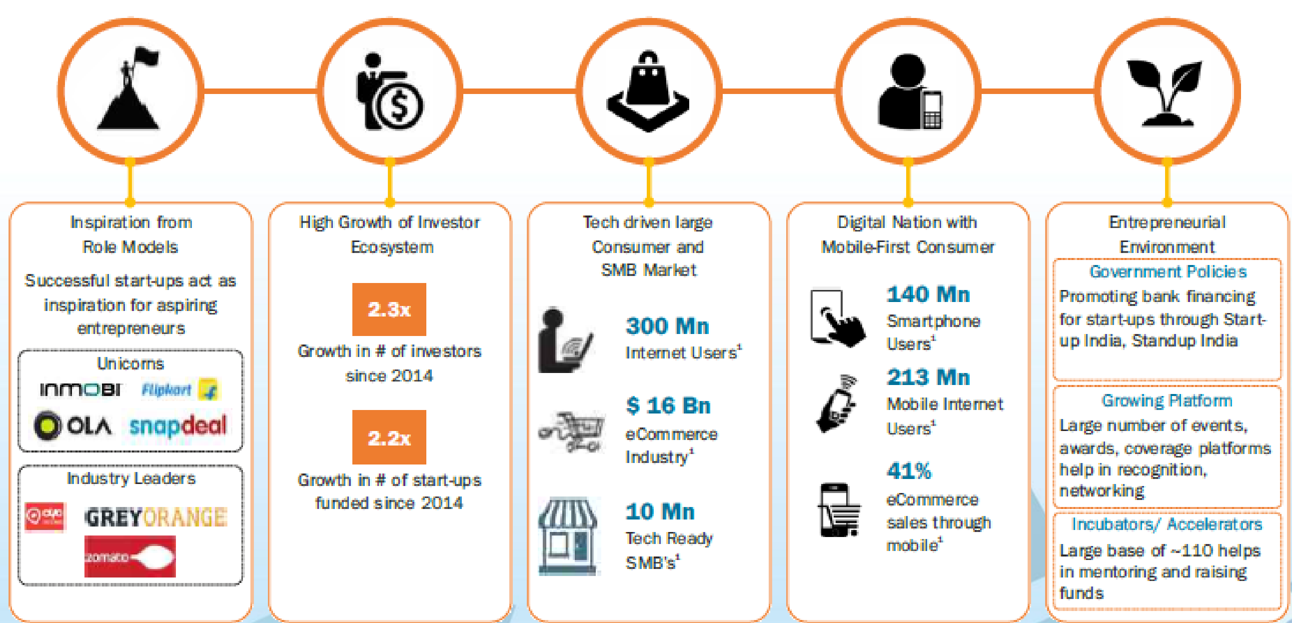
The Swachh Bharat Mission is only one of the instruments being used to improve sanitation. The articulation that sanitation should be connected to public health is an important and powerful one, as it also connects directly to all citizens and brings the health outcome to the fore. This emphasis is also 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.

Key Drivers



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.

4. 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.

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

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 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 DhanYojna, 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.

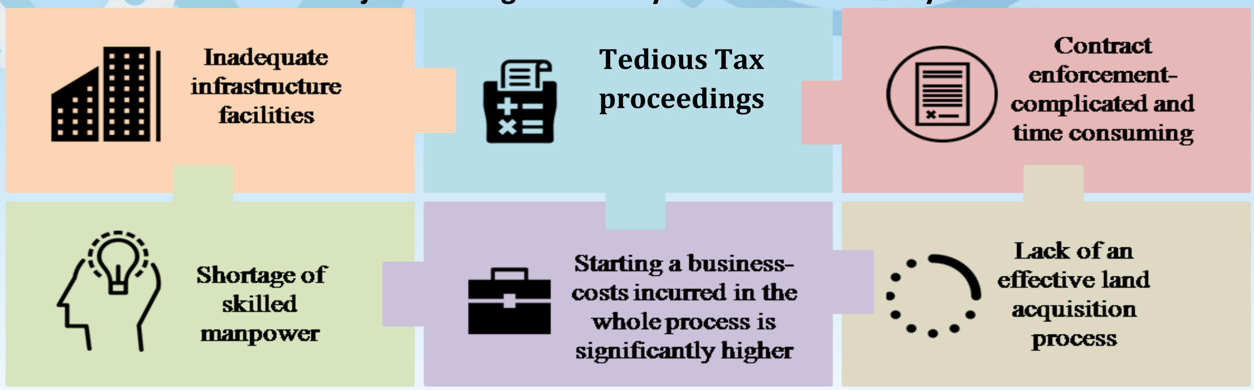
- ***Land reforms*** – Land is a major ingredient in the four factors of production, so the availability of land becomes crucial for industrialization. At this juncture, the Government should initiate land reforms and a land bank can be created for the use of the industry.

- ***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



State level story of reforms

Implemented Reforms	States included
1. Single Window Systems 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
2. Tax reforms 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
3. Construction permits 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, Uttrakhand
4. Environment and labour reforms 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
5. Inspection Reforms 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

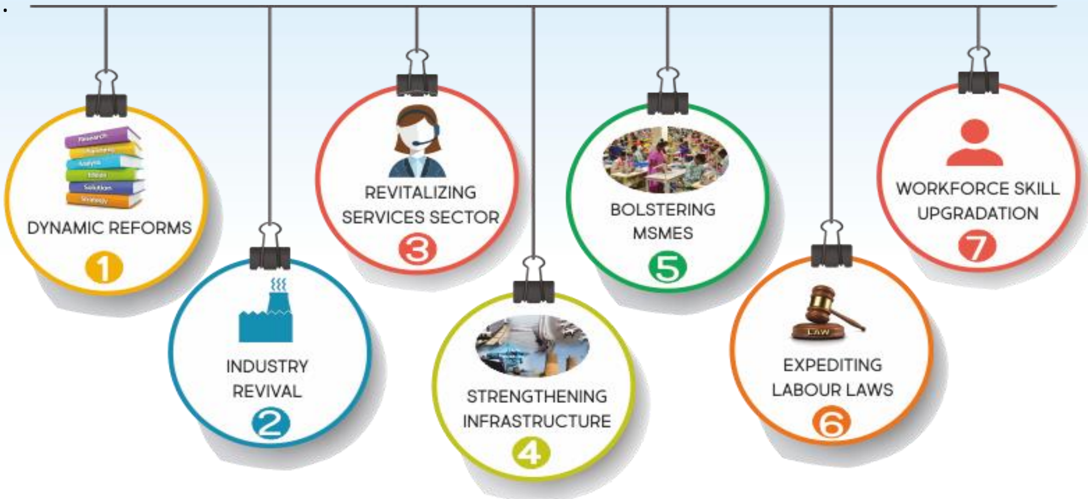
Ingredients	Problems	Industry Expectations	Present Status	Suggestions
Land	Problems in Land Acquisition	**Easy** process for land acquisition	The Act has been deferred	**Re-allocate** un-used land to industries **Allot** PSUs' un-utilised land to private sector
Labour	Stringent labour laws	**Repeal** 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

5. 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.

Industry Revival

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. The removal of the rigidities in the industrial sector would not only regenerate the required production growth but also promote much greater industrial employment. The Make in India initiative and liberalization of FDI norms has provided the much necessary impetus to the industrial sector in India.

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.

Strengthening Infrastructure

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.

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%.

Expediting Labour Laws

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.

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.

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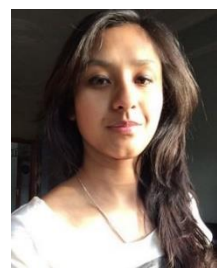

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Disclaimer

"**Transforming India through Make in India, Skill India and Digital India**" is prepared by PHD Chamber of Commerce and Industry to provide a holistic overview of the transformed Indian economy under the tutelage of flagship schemes such as Make in India, Skill India and Digital India.

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At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.

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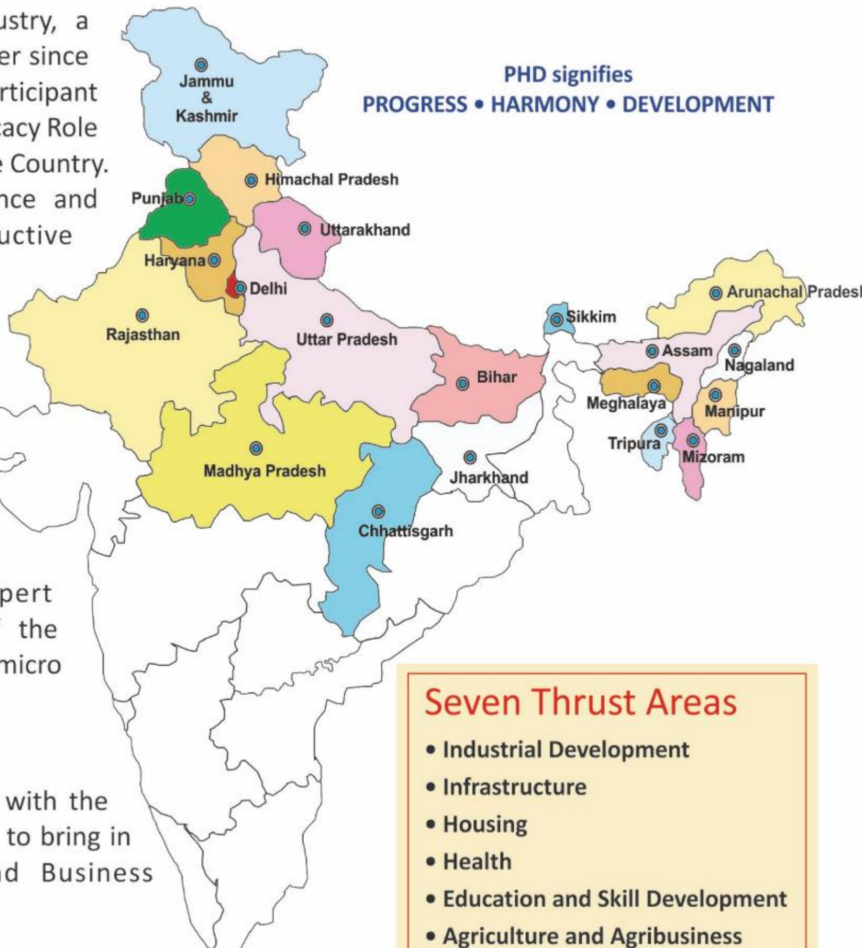

Seven Thrust Areas

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