

100 days of New Government

1. Introduction

The new government has undertaken many reforms in the recent times that have created scope for rejuvenation of India's growth story. The focus of the government during the last 100 days has been on refueling growth, taming price pressures, facilitating industrial and businesses environment and simplifying the policies and procedures.

2. Economic Challenges before new Government came to power

Before the new government came in power, the Indian economy was facing multiple problems including deceleration in industrial growth and exports, rising prices and high interest rates scenario, widening fiscal and current account deficit. The unfavorable macroeconomic environment coupled with weak policy support including stalled projects, problems in environment clearances and land acquisition, stringent labor laws, among others impacted the overall economic growth and GDP decelerated to 4.7% in 2013-14 from its peak registered during 2006-07 at 9.6%.

During the last 3 months, some of the lead economic indicators have shown positive growth trajectories and policy environment also has been observed moving in the right direction. Though expectations from the new government are high, the effective implementation of the recent announcements would be critical to sustain the feel good environment and behavior of lead economic indicators.

Economic performance in the recent past

S.No.	Economic Indicators	FY14	Q1 FY15
1	Real GDP Growth	4.7%	5.7%
2	WPI Inflation	6%	5.7%
3	CPI Inflation	9.5%	8.1%
4	Industry Growth	(-)0.1%	4.2%
5	Exports	4%	9.3%
6	Fiscal Deficit	4.5%	4.1%
7	Current Account Deficit	1.7%	1.7%
8	FDI Inflows	8%	34%
9	Exchange rate	60.68	59.8

Source: PHD Research Bureau, compiled from various sources

3. Actions taken by new government

The new government started its working with 10-point agenda to kick-start economic growth followed by various announcements in the Union Budget 2014-15. Subsequently, the reform process was boosted by implementing big bang schemes including Jan Dhan Yojana, Digital India, development of 100 Smart Cities, approval to amendments in labor laws and Special Investigation Team on black money.

3.1 Reforms Undertaken so far

1. **Foreign Direct Investment**
 - a. FDI limits in insurance and defence enhanced from 26% to 49%.
 - b. 100% FDI in railway infrastructure has been allowed.

2. **Industrial Development**
 - a. Eased green rules for mining, roads, power and irrigation projects
 - b. Approval for amendments to three archaic labor laws including-
 - i. Apprenticeship Act 1961,
 - ii. Factories Act 1948
 - iii. Labor laws act (Exemption from furnishing returns and maintaining of registers by certain establishments 1988)

- 2.1 **MSMEs**
 - a. Announcement of a corpus fund of Rs. 10,000 crore allocated for the startup MSMEs
 - b. Marketing facilitation for MSMEs manufacturing enterprises/ exporters
 - c. Corpus of Rs. 200 crore to be set up to establish Technology Centre Network
 - d. A nationwide District level Incubation and Accelerator Programme to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship

3. **Price Control**
 - a. Minimum export price on onions imposed
 - b. Check on hoarding by bringing onions and potatoes in essential commodities list
 - c. Rs. 500 crore price stabilization fund announced in the budget

4. **Infrastructure Development**
 - a. Announcement of development of 100 Smart cities
 - b. Highway projects worth Rs. 40,000 crore approved
 - c. Roadmap on Ganga cleanup mission with a dedicated separate ministry

5. **Financial Inclusion**
 - a. Launch of Jan Dhan Yojana
 - i. Aimed at providing bank accounts to the poor
 - ii. 1.5 accounts opened in a day

6. **Governance**
 - a. Formation of Special Investigation Team (SIT) on black money
 - b. Launch of Digital India plan
 - i. Aimed to connect all gram panchayats by broadband internet
 - ii. Transform India into a connected knowledge economy

7. **Foreign Relations**
 - a. Prime Ministers of all SAARC nations invited on the swearing-in ceremony of the new government

- b. US\$100bn development bank launched at the BRICS meet
- c. Positive outcome of Japan visit
 - i. Japan to invest \$33.58 billion over the next five years under the India-Japan Investment Promotion Partnership
- d. India and Australia signed civil nuclear deal to address India's growing need for power

3.2 Reforms on the move

- 1. New body to replace Planning Commission**
- 2. Amendments in Land acquisition act**
- 3. Implementation of GST**
- 4. Committee to examine the financial architecture for MSME Sector to be set up**
- 5. Committee on retrospective tax amendments**
- 6. Health insurance scheme for the poor**
- 7. Real Estate Regulatory Bill, 2013 to be revised**
- 8. Focus on clearing stalled projects**

4. Conclusions and Suggestions

Though the macro-economic outlook is stabilizing and lead economic indicators are gathering pace, there are certain challenges to India's growth story, the most prominent being Inflation. The cost of doing business is high which impacts manufacturing growth and competitiveness. Consequently, this affects employment generation in the economy. The fiscal challenges also remain high as 61.2% of budget earmarked for the current financial year has been utilized. The government should cut wasteful subsidies, rather than growth-inducing investments and subsidy must be converted into investment in the farm sector. Further, the geopolitical tensions also pose risks to external sector and growth. Going ahead, the time bound implementation of reform measures at the grassroots level would be critical for the continuation of revamp in economic sentiments.

Details of Reforms announced and on the move

1	<p>Jan Dhan Yojana- Government launched its massive financial inclusion scheme Prime minister's Jan Dhan Yojana on August 28, to remove financial untouchability. On the first day of the scheme 1.5 crore bank accounts were opened. The scheme hopes to open 7.5 crore accounts by January 26th, 2015. In the first phase, every account holder will get a RuPay debit card with a Rs 1,00,000 accident cover. Additionally, those who open accounts by Jan 26, will be entitled to an additional life insurance of Rs 30,000.</p>
2	<p>Digital India- The Hon'ble Finance minister, Shri Arun Jaitley, in Union Budget 2014-15 proposed to launch a pan-India programme Digital India. This would ensure broadband connectivity at village level, improved access to services through IT enabled platforms, greater transparency in government processes and increased indigenous production of IT hardware and software for exports and improved domestic availability. A National Rural Internet and Technology Mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme is also proposed. A sum of Rs.500 crore has been proposed for this purpose.</p>
3	<p>Schemes for MSMEs-</p> <ul style="list-style-type: none"> • Marketing facilitation- MSME Development Institute, Ministry of Micro, Small and Medium Enterprises provides marketing platform to manufacturing MSMEs (Micro, Small & Medium Enterprises) through their participation in State/District level exhibitions being organized by State/District Authorities/Associations under Marketing Assistance and Technology Upgradation Scheme. • Rs. 10,000 crore fund for MSMEs was announced in budget- In order to create a conducive ecosystem for venture capital in the MSME sector, Finance minister in Union budget 2014-15, proposed to establish a Rs 10,000 crore fund to act as a catalyst to attract private investors by way of providing equity and soft loans
4	<p>Outcomes of Prime minister's Japan visit – Prime minister Narendra Modi visit to Japan focussed on next generation infrastructure, bullet trains, smart cities, rejuvenation of Ganges, manufacturing, agriculture projects, healthcare and women empowerment, is encouraging for the strong and sustainable growth. In bilateral meeting between two countries, Japan also showed interest in India's infrastructural development and enhanced investments to the tune of US\$ 33.5 billion (ODA and FDI) in the next 5 years to boost infrastructural and industrial development of the country.</p>
5	<p>Outcomes of Prime minister's Australia visit- Australia and India underlined the priority for boosting investment and trade for mutual benefit in areas of infrastructure, resources, agriculture, manufacturing, health, education and new technologies and innovation and skills. In addition four MoUs were also signed on Nuclear Energy, Sports, Water resources management and Vocational educational and training</p>
6	<p>100 Smart cities- The Government in Union Budget 2014-15, has proposed to allocate a sum of Rs 7060 crore in the current fiscal for the project of developing 100 new "Smart Cities". With the pace of development gaining momentum, the rural to urban migration has increased. Therefore development of 100 new smart cities can prove to be an efficient way to deal with the country's rapidly urbanizing population. The development of smart cities will give boost to construction and manufacturing sector and will also emerge as an instrument to provide affordable housing to the people at large. This initiative is expected to boost infrastructure investments from national and foreign investors. Formation of smart cities will also generate employment, ensure development and lead to creation of new real estate markets.</p>
7	<p>Foreign direct investment- The Union Cabinet increased FDI limit in insurance and Defence from 26% to 49%. Further 100% FDI in Railway infrastructure has also been allowed.</p>
8	<p>Approval to amendments in Labor Laws- The Union cabinet has also approved proposal to amend to archaic labour laws including the Factories Act 1948, Apprenticeship Act 1961 and Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act 1988.</p>

Research Team

Dr. S P Sharma
Chief Economist

Ms. Megha Kaul
Senior Research Officer

Ms. Ekta Goel
Research Assistant

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PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area, August Kranti Marg New Delhi 110016

Phone: 91-11-49545454 Fax: 91-11-26855450, 26863135

Email: research@phdcci.in Website: www.phdcci.in