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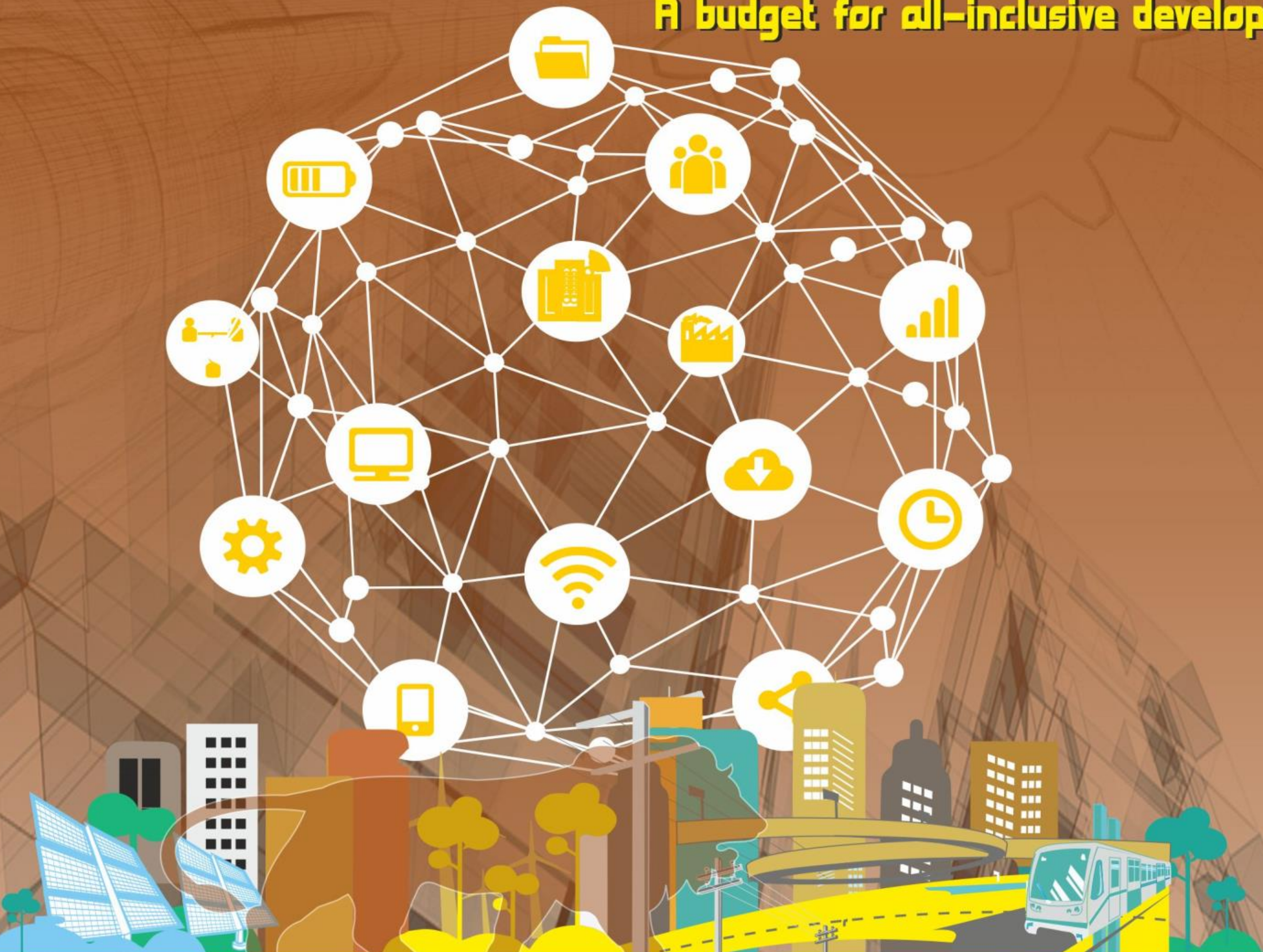
Union Budget 2017-18

A budget for all-inclusive development



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Union Budget 2017-18

A Budget for all-inclusive development

February 2017

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PHD CHAMBER OF COMMERCE AND INDUSTRY

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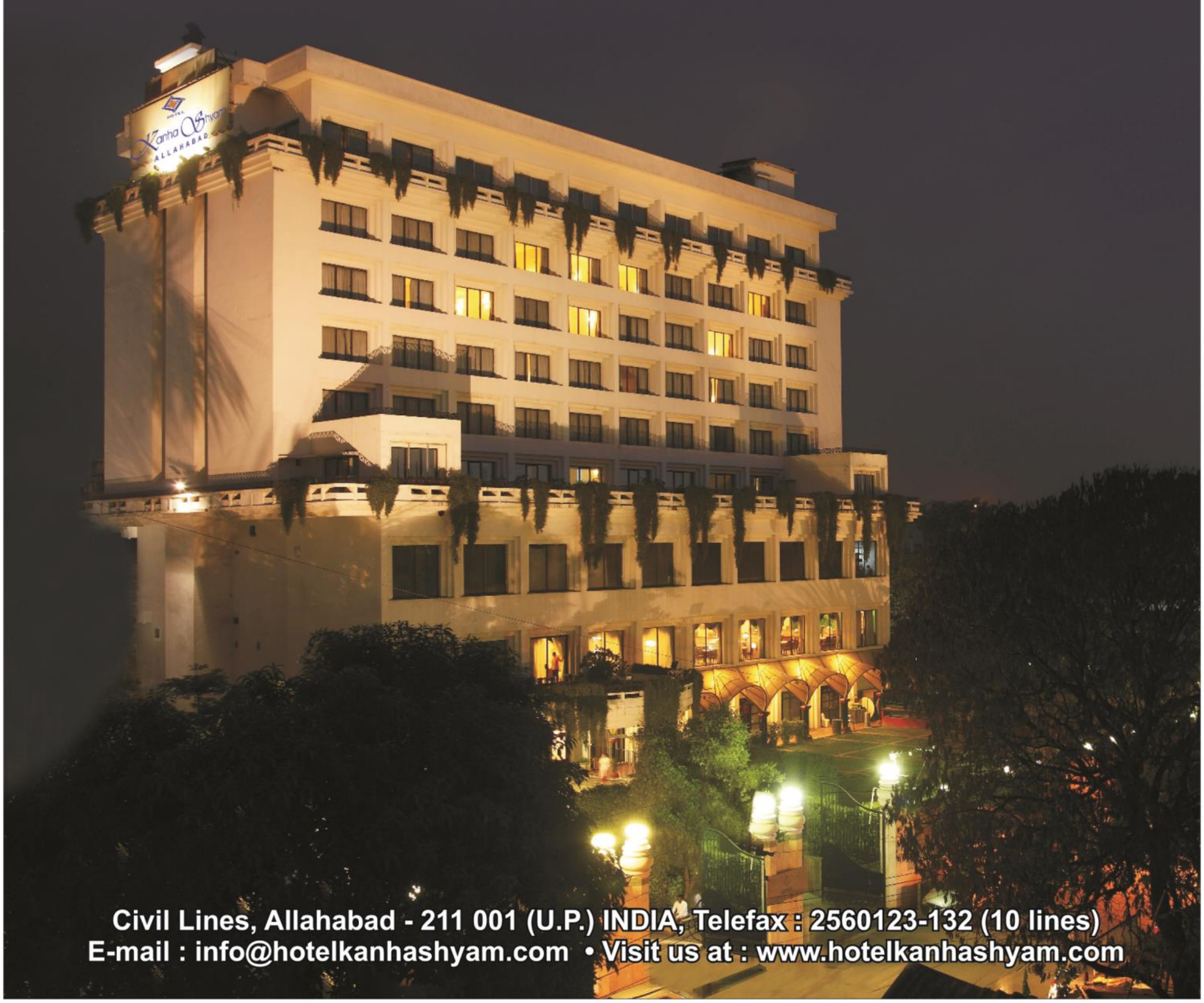

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PHD CHAMBER'S VIEWPOINT

Mr. Gopal Jiwarajka
President

Government has provided a balanced and growth-oriented budget; tax benefits to small taxpayers, MSMEs and Infra status to affordable housing are encouraging and would pave the way for a higher growth trajectory in the coming times. The socio-economic focus across the segments including farmers, rural population, youth, poor and underprivileged will have a significant boost to the all-inclusive development of the country.

There is no announcement on the change in MAT and corporate tax rates in general in the Union Budget 2017-18. Corporate tax was expected to reduce to the level of 25% to increase India's competitiveness in global markets. However, cut in corporate tax to 25% for MSME companies with a turnover of under Rs. 50 crore is appreciable and would go a long way to strengthen MSMEs competitiveness.

Mr. Anil Khaitan
Senior Vice President

Mr. Rajeev Talwar
Vice President

Announcements about the proposed amalgamation of existing labour laws into four codes pertaining to wages, industrial relations, social security, welfare, safety and working conditions will enhance the business sentiment particularly production possibility frontier of the MSMEs as the sector is impacted by existing stringent labour laws. The implementation of the reform is expected to improve India's ease of doing business at a much greater level.

Agenda "Transform, Energize and Clean India" – TEC to transform the quality of governance and quality of life of people, energize various sections of society and clean the country from the evils of corruption is inspiring and pragmatic. Structural reforms in the digital economy are appreciable and will help the economy to become less cash dependent in the coming times.

Dr. Mahesh Gupta
Immediate Former President

Mr. Saurabh Sanyal
Secretary General

The budget for 2017-18 has rightly focused on all-inclusive development of the country with impactful announcements for small businesses, small tax payers, farmers and workers with expected fruitful outcomes in the coming times. The increase in the rural, agriculture and allied sectors allocation by 24% in 2017-18 reveals government's continuous focus on agriculture reforms to strengthen the rural economy.

ONE PERSON
ONE IDENTITY
ONE ID

HEALTH CARD
FOR UNDER
PRIVILEGED

TOUCHING LIVES
THROUGH
INNOVATION

INTEGRATING
WORLD
IN YOUR HAND

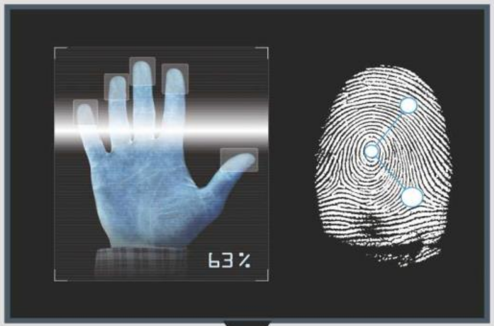
SMART CHIP
A Morpho Company

SOLUTIONS
GIVING YOU
REASONS
TO SMILE

DELIVERING
WORLD CLASS
SIM SOLUTIONS

YOUR LICENCE
TO
DRIVE

QUICK
PAYMENT
SOLUTIONS



GRANTING
PHYSICAL
ACCESS

Table of Contents

1. UNION BUDGET 2017-18
A budget for all-inclusive development

Executive Summary

Union budget 2017-18 is a balanced and growth-oriented budget which focuses on small taxpayers by offering tax benefits, enhancing competitiveness of MSMEs and providing infra status to affordable housing. The agenda “Transform, Energize and Clean India” – TEC to transform the quality of governance and quality of life of people, energize various sections of society and clean the country from the evils of corruption is inspiring and pragmatic. The socio-economic focus across the segments including farmers, rural population, youth, poor and underprivileged will have a significant impact on the inclusive development of the country. The fiscal deficit target at 3.2% of GDP in 2017-18 is in line with the overall thought process of the government. It will strengthen macroeconomic stability and improved growth outlook, going forward.

Announcements about the proposed amalgamation of existing labour laws into four codes pertaining to wages, industrial relations, social security and welfare and safety and working conditions will enhance the business sentiment particularly production possibility frontier of the MSMEs as the sector is impacted by existing stringent labour laws. There is no change in MAT and corporate tax rates in general. Corporate tax was expected to reduce to the level of 25% to increase India’s competitiveness in global market as most of the economies have less than 23% effective rate of corporate tax which is significantly lower than India’s effective rate of more than 30%. Last year Hon’ble Finance Minister reduced the rate to 29% for select companies; this year cut in corporate tax to 25% is only for MSME companies with a turnover of under Rs. 50 crore. Abolition of Foreign Investment Promotion Board (FIPB) would attract foreign investors vis-à-vis removed roadblocks to foreign investment and a boost to Make in India program. Structural reforms in the digital economy vis-à-vis remonetization process are appreciable and help the economy to become less-cash dependent in the coming times.

The Budget speech highlighted ten specific areas of focus (1) farmers--committed to double the income in 5 years; (2) rural population--providing employment & basic infrastructure; (3) Youth--energizing them through education, skills and jobs; (4) the poor and the underprivileged-- strengthening the systems of social security, health care and affordable housing; (5) infrastructure-- for efficiency, productivity and quality of life; (6) financial sector--growth & stability by stronger institutions; (7) digital economy--for speed, accountability and transparency; (8) public service-- effective governance and efficient service delivery through people’s participation; (9) prudent fiscal management--to ensure optimal deployment of resources and preserve fiscal stability; (10) tax administration: honouring the honest including affordable housing, the rural-agri sector and the digital economy.

Focus on improving rural infrastructure, agricultural productivity, enhancing farm incomes and consumption

The Government has proposed various initiatives in the Union Budget 2017-18 to enhance farmer’s income, revive rural demand and eliminate rural poverty. These include higher investments in irrigation, increased coverage under crop-insurance, a fund to develop dairies, development of rural infrastructure, wider access to credit and expansion of agri-markets by de-notifying fruits and vegetables. The total allocation for the rural, agriculture and allied sectors in 2017-18 is Rs. 1,87,223 crores, which is 24% higher than the previous year 2016-17. The socio-economic focus across the segments including farmers, rural population, youth, poor and underprivileged will have a significant impact on the inclusive development of the country, going forward.

Bolstering MSMEs and Start-Ups

The government has provided impetus in the Union Budget 2017-18 proposals for Indian Industry with a balanced and growth-oriented approach for MSMEs, start-ups and boost to Make in India program. Infra status to affordable housing is very encouraging and would pave the way for a higher growth of construction sector in the coming times. One of the significant announcements in the Budget is the reduction in corporate income tax rate from 30% to 25% for MSMEs to make them competitive. It will provide a much needed push to promote creation of job opportunities in the country. The relaxed conditions for start ups to allow them to carry forward losses will offer ease of doing work for start ups. This is a positive booster for start-ups and will promote entrepreneurship in the economy and create an ecosystem for the growth of startups.

Tax relief to small taxpayers to boost demand

For the small taxpayers, existing rate of taxation for individual assesses between incomes of Rs. 2.5 lakhs to 5 lakhs has been reduced to 5% from the present rate of 10%. This would reduce the tax liability of all persons below Rs. 5 lakh income either to zero (with rebate) or 50% of their existing liability. In order not to have duplication of benefit, the existing benefit of rebate available to the same group of beneficiaries is being reduced to Rs. 2500 available only to assessees upto income of Rs. 3.5 lakhs. The combined effect of both these measures will mean that there would be zero tax liability for people getting income upto Rs. 3 lakhs per annum and the tax liability will only be Rs. 2,500 for people with income between Rs. 3 and Rs. 3.5 lakhs. On the other hand, surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore will be applicable. Further, simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs. 5 lakhs other than business income. These announcements are expected to provide relief to small tax payers and improve the tax compliance. The higher disposable income in hands of individuals will increase demand in the economy.

Youth scripting India's growth story

The predominance of youth population in India holds immense significance and it will determine the direction of economy and business in the coming times. The budget proposed to introduce a system of measuring annual learning outcomes in our schools. Innovation Fund for Secondary Education is proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts. SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty. Further, National Testing Agency is to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions. Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country and 100 India International Skills Centres will be established across the country. Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs. 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth.

Push to infrastructure development

Economic development depends on the availability of adequate infrastructure. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints to accelerating growth. The total outlay for infrastructure stands at Rs. 3,96,135 crores for 2017-18. The budget rightly focuses on creation of the infrastructure which is much needed for increasing manufacturing growth and enhancing the economic growth in the coming times. Going ahead, Indian economy holds immense growth potential as it is among the world's fastest growing major economies, underpinned by a stable macro-economy with declining inflation and improving fiscal and external balances and enacting major structural reforms.

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2. ECONOMIC SURVEY 2016-17

The Economic Survey 2016-17 presented by the Hon'ble Finance Minister, Shri Arun Jaitley stated that against the backdrop of robust macro-economic stability, this year has been marked by several historic economic policy developments. The Indian Economy has sustained a macro-economic environment of relatively lower inflation, fiscal discipline and moderate current account deficit coupled with broadly stable rupee dollar exchange rate. This year's survey comes in the wake of a set of tumultuous international developments – BREXIT, political changes in advanced economies-and two radical domestic policy actions: the GST and demonetization. The survey highlighted that India seems to be a demographic sweet spot with its working age population projected to grow by a third over the next three decades providing it a potential the growth boost from the demographic divided which is likely to peak within next five years.

> **"Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of the Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST), and the action to demonetize the two highest denomination notes. The GST will create a common Indian market, improve tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism."**
>
> \- **The Economic Survey 2016-17**

The Survey report mentioned that demonetization has had short-term costs but holds the potential for long-term benefits. Follow-up actions to minimize the costs and maximize the benefits include: fast, demand-driven, remonetisation; further tax reforms, including bringing land and real estate into the GST, reducing tax rates and stamp duties; and acting to allay anxieties about over-zealous tax administration.

These actions would allow growth to return to trend in 2017-18, possibly making it the fastest-growing major economy in the world, following a temporary dip in 2016-17. The survey highlighted the real GDP growth in 2017-18 is projected to be in the range of 6¾-7½ %.

Major highlights of the Economic Survey 2016-17 are as follows:

1. **Global outlook:** The Economic Survey 2016-17 stated that the year was also marked by some tumultuous external developments. In the short-run, world GDP growth is expected to increase because of a fiscal stimulus in the United States but there are considerable risks. These include higher oil prices, and eruption of trade tensions from sharp currency movements, especially involving the Chinese yuan, and from geo-political factors. Another serious medium-term risk is an upsurge in protectionism that could affect India's exports.

2. **In creating one Economic India, Technology, Economics and Politics are Surging Ahead:** The Economic Survey 2016-17 suggested that on the question of creating one economic India, technology, economics and

politics have been surging ahead. Perhaps, it is time for the laws to catch up to further facilitate this surging internal integration.

3. **Real per capita GSDP between 1983 and 2014, shows across-the-board improvement:** The Economic Survey 2016-17 mentioned that when studying real per capita GSDP over time between 1983 and 2014, there has been a clear increase in levels indicating an across-the-board improvement.

4. **Good fiscal performance by States should be incentivized to keep the overall fiscal performance on track:** The Economic Survey 2016-17 highlighted the need for fiscal prudence both by the Centre as well as the States in order to maintain overall fiscal health of the economy. As per the Economic Survey, there has been an improvement in the financial position of the States over the last few years. The average revenue deficit has been eliminated, while the average fiscal deficit was curbed to less than 3 % of GSDP. The average debt to GSDP ratio has also fallen.

5. **Labour migration in India increasing at an accelerating rate:** New estimates of labour migration in India as highlighted by the Economic Survey 2016-17 revealed that inter-state labor mobility is significantly higher than previous estimates. The study based on the analyses of new data sources and new methodologies also shows that the migration is accelerating and was particularly pronounced for females.

6. **Apparel and Leather industry key to generation of formal and productive jobs:** The Economic Survey 2016-17 highlighted that the apparel and Leather & Footwear sectors provides immense opportunities for creation of jobs for the weaker sections, especially for women, and can become vehicles for broader social transformation in the country. The Survey suggests several measures to make these sectors globally competitive and unlock its potential for creating new jobs and generating growth. It recommends that there is a need to undertake rationalization of domestic policies which are inconsistent with global demand patterns.

7. **Middle class to get affordable housing due to fall in Real Estate prices:** The Economic Survey 2016-17 stated that the weighted average price of real estate in eight major cities which was already on a declining trend fell further after November 8, 2016 with the announcement of demonetization. It goes on to add that an equilibrium reduction in real estate prices is desirable as it will lead to affordable housing for the middle class and facilitate labour mobility across India currently impeded by high and unaffordable rents.

8. **Setting up of a centralized Public Sector Asset Rehabilitation Agency:** The Economic Survey 2016-17 observed that our country has been trying to solve its 'Twin Balance Sheet' (TBS) problem – overleveraged companies and bad-loan-encumbered banks, a legacy of the boom years around the Global Financial Crisis. So far, there has been limited success. The problem has consequently continued to fester: Non-Performing Assets (NPAs) of the banking system (and especially public sector banks) keep increasing, while credit and investment keep falling. Now it is time to consider a different approach – a centralized Public Sector Asset Rehabilitation Agency (PARA) that could take charge of the largest, most difficult cases, and make politically tough decisions to reduce debt.

9. **Universal Basic Income (UBI) Scheme an alternative to plethora of State subsidies for poverty alleviation:** The Economic Survey 2016-17 advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. The survey juxtaposes the benefits and costs of the UBI scheme in the context of the philosophy of the Father of the Nation, Mahatma Gandhi.

10. **Economic Survey advocates reforms to unleash economic dynamism and social justice:** The Economic Survey 2016-17 highlighted that India needs an evolution in the underlying economic vision across the political spectrum and further reforms are not just a matter of overcoming vested interests that obstruct

them. The Survey lists the some of the challenges that might impede India's progress as follows: ambivalence about property rights and the private sector, deficiencies in State capacity, especially in delivering essential services and inefficient redistribution.

The survey highlighted that the Swachh Bharat Abhiyan which has the objective of ensuring safe and adequate sanitation, water security and hygiene has been a part of serious policy issue which would promote a broader fundamental right to privacy for women in the country.

Societal shifts at the level of ideas and narratives will be needed to overcome three long-standing meta-challenges: inefficient redistribution, ambivalence about the private sector and property rights, and improving but still-challenged state capacity. Doing so would lift an economy that is oozing with potential. In the aftermath of demonetization, and at a time of gathering gloom about globalization, articulating and embracing those ideational shifts will be critical to ensuring that India's sweet spot is enduring not evanescent.

11. **Fiscal activism embraced by advanced economies not relevant for India:** The Economic Survey 2016-17 observed that fiscal activism embraced by advanced economies- giving a greater role to counter-cyclical policies and attaching less weight to curbing debt- is not relevant for India. Although, India's fiscal experience has underscored the fundamental validity of the fiscal policy principles enshrined in the Fiscal Responsibility and Budget Management Act (FRBM) Act 2003, but has reaffirmed the need for rules to contain fiscal deficits, because of the proclivity to spend during booms and undertake stimulus during downturns.

State of the Economy: Key Features

As per the advance estimates released by the Central Statistics Office, the growth rate of GDP (Gross Domestic Product) at constant market prices for the year 2016-17 is placed at 7.1 %, as against 7.6 % in 2015-16.This estimate is based mainly on information for the first seven to eight months of the financial year. Government final consumption expenditure is the major driver of GDP growth in the current year. Fixed investment (gross fixed capital formation) to GDP ratio (at current prices) is estimated to be 26.6 % in 2016-17, vis-à-vis 29.3 % in 2015-16.

For 2017-18, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation and as follow-up actions to demonetization are taken. On balance, there is a likelihood that Indian economy may recover back to 6 ¾ % to 7 ½ % in 2017-18.

1. **Fiscal -** The Indirect taxes grew by 26.9 % during April-November 2016. The strong growth in revenue expenditure during April-November 2016 was boosted mainly by a 23.2 % increase in salaries due to the implementation of the Seventh Pay Commission and a 39.5 % increase in the grants for creation of capital assets.

2. **Prices -** The headline inflation as measured by Consumer Price Index (CPI) remained under control for the third successive financial year. The average CPI inflation declined to 4.9 % in 2015-16 from 5.9 % in 2014-15 and stood at 4.8 % during April-December 2015. Inflation based on Wholesale Price Index (WPI) declined to (-) 2.5 % in 2015-16 from 2.0 % in 2014-15 and averaged 2.9 % during April-December 2016. Inflation is repeatedly being driven by narrow group of food items, of these pulses continued to be the major contributor of food inflation. The CPI based core inflation has remained sticky in the current fiscal year averaging around 5 %.

3. **Trade -** The trend of negative export growth was reversed somewhat during 2016-17 (April-December), with exports growing at 0.7 % to USD 198.8 billion. During 2016-17 (April-December) imports declined by 7.4 % to USD 275.4 billion. Trade deficit declined to USD 76.5 billion in 2016-17 (April-December) as compared to USD 100.1 billion in the corresponding period of the previous year. The current account deficit (CAD) narrowed in the first half (H1) of 2016-17 to 0.3 % of GDP from 1.5 % in H1 of 2015-16 and 1.1 % in 2015-16 full year. Robust inflows of foreign direct investment and net positive inflow of foreign portfolio investment were sufficient to finance CAD leading to an accretion in foreign exchange reserves in H1 of 2016-17. During 2016-17 so far, the rupee has performed better than most of the other emerging market economies.

4. **External Debt -** At end-September 2016, India's external debt stock stood at USD 484.3 billion, recording a decline of USD 0.8 billion over the level at end-March 2016. Most of the key external debt indicators showed an improvement in September 2016 vis-à-vis March 2016. The share of short-term debt in total external debt declined to 16.8 % at end-September 2016 and foreign exchange reserves provided a cover of 76.8 % to the total external debt stock. India's key debt indicators compare well with other indebted developing countries and India continues to be among the less vulnerable countries.

5. **Agriculture -** Agriculture sector is estimated to grow at 4.1 % in 2016-17 as opposed to 1.2 % in 2015-16; the higher growth in agriculture sector is not surprising as the monsoon rains were much better in the current year than the previous two years. The total area coverage under Rabi crops as on 13.01.2017 for 2016-17 is 616.2 lakh hectares which is 5.9 % higher than that in the corresponding week of last year.

6. **Industry -** Growth rate of the industrial sector is estimated to moderate to 5.2 % in 2016-17 from 7.4 % in 2015-16.During April-November 2016-17, a modest growth of 0.4 % has been observed in the Index of Industrial Production (IIP).

7. **Services -** Service sector is estimated to grow at 8.9 % in 2016-17, almost the same as in 2015-16. It is the significant pick-up in public administration, defence and other services, boosted by the payouts of the Seventh Pay Commission that is estimated to push up the growth in services.

8. **Social Infrastructure, Employment and Human Development -** The Parliament has passed the "Rights of Persons with Disabilities Act, 2016". The Act aims at securing and enhancing the rights and entitlements of Persons with Disabilities. The Act has proposed to increase the reservation in vacancies in government establishments from 3 % to 4 % for those persons with benchmark disability and high support needs.

PEPSICO

India Region

3. UNION BUDGET 2017-18: KEY HIGHLIGHTS

“Transform, Energize and Clean India” – TEC India

The Union Budget 2017-18 announced by the Hon’ble Finance Minister Shri Arun Jaitley attempts to enhance domestic demand by increasing the layout on the key economic and social segments. The budget has proposed various initiatives with special focus on spending in rural areas, infrastructure, poverty alleviation and to maintain the best standards of fiscal prudence. This year’s budget is very progressive and growth oriented budget and lays the foundation for building a cashless India. The cumulative impact of budget announcements will give a steady boost to private consumption in general and rural consumption specifically.

1. Roadmap and Priorities

- Agenda for 2017-18 is : “Transform, Energize and Clean India” – TEC India
- TEC India seeks to :
- Transform the quality of governance and quality of life of our people;
- Energize various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential
- Clean the country from the evils of corruption, black money and non-transparent political funding.
- Ten distinct themes to foster this broad agenda:
- **Farmers :** committed to double the income in 5 years;
- **Rural Population :** providing employment & basic infrastructure;
- **Youth :** energizing them through education, skills and jobs;
- **The Poor and the Underprivileged :** strengthening the systems of social security, health care and affordable housing;
- **Infrastructure:** for efficiency, productivity and quality of life;
- **Financial Sector :** growth & stability by stronger institutions;
- **Digital Economy :** for speed, accountability and transparency;
- **Public Service :** effective governance and efficient service delivery through people’s participation;
- **Prudent Fiscal Management:** to ensure optimal deployment of resources and preserve fiscal stability;
- **Tax Administration:** Honouring the honest.

2. Announcements for Farmers

- Target for agricultural credit in 2017-18 has been fixed at a record level of 10 lakh crores.
- Farmers will also benefit from 60 days’ interest waiver announced on 31 Dec 2016.
- To ensure flow of credit to small farmers, Government to support NABARD for computerization and integration of all 63,000 functional Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of Rs. 1,900 crores.

- Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made.
- New mini labs in Krishi Vigyan Kendras (KVKs) and ensure 100% coverage of all 648 *KVKs* in the country for soil sample testing.
- As announced by the Honourable Prime Minister, the Long Term Irrigation Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to Rs. 40,000 crores.
- Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop' with an initial corpus of Rs. 5,000 crores.
- Coverage of National Agricultural Market (e-NAM) to be expanded from 250 markets to 585 APMCs. Assistance up to Rs. 75 lakhs will be provided to every e-NAM.
- A model law on contract farming to be prepared and circulated among the States for adoption
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of Rs. 2000 crores and will be increased to Rs. 8000 crores over 3 years.

3. Announcement for rural population

- Over 3 lakh crores spent in rural areas every year, for rural poor from Central Budget, State Budgets, Bank linkage for self-help groups, etc.
- Aim to bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019, the 150th birth anniversary of Gandhiji.
- Against target of 5 lakh farm ponds under MGNREGA, 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up.
- Women participation in MGNREGA has increased to 55% from less than 48%.
- MGNREGA allocation to be the highest ever at Rs. 48,000 crores in 2017-18.
- Pace of construction of PMGSY roads accelerated to 133 km roads per day in 2016-17, against an avg. of 73 km during 2011-2014 Government has taken up the task of connecting habitations with more than 100 persons in left wing extremism affected Blocks under PMGSY. All such habitations are expected to be covered by 2019 and the allocation for PMGSY, including the State's Share is Rs. 27,000 crores in 2017-18.
- Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from 15,000 crores in BE 2016-17 to Rs. 23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.
- Well on our way to achieving 100% village electrification by 1st May 2018.
- Allocation for Prime Minister's Employment Generation Program and Credit Support Schemes has been increased three fold.
- Sanitation coverage in rural India has gone up from 42% in Oct 2014 to about 60%. Open Defecation Free villages are now being given priority for piped water supply.
- As part of a sub mission of the National Rural Drinking Water Programme (NRDWP), it is proposed to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years.
- For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022.
- A programme of "human resource reforms for results" will be launched during 2017-18 for human resources development in Panchayati Raj Institutions.
- Total allocation for Rural, Agriculture and Allied sectors is Rs. 187223 crores

4. Announcement for youth

- To introduce a system of measuring annual learning outcomes in our schools.
- Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.
- Good quality higher education institutions to have greater administrative and academic autonomy.
- SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty.
- National Testing Agency to be set-up as an autonomous and self-sustained premier testing organization to conduct all entrance examinations for higher education institutions.
- Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country. 100 India International Skills Centres will be established across the country.
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs. 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth.
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores.
- A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched.
- Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

5. Announcement for the poor and the underprivileged

- Mahila Shakti Kendra will be set up with an allocation of Rs. 500 crores in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.
- Under Maternity Benefit Scheme Rs. 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.
- Affordable housing to be given infrastructure status.
- National Housing Bank will refinance individual housing loans of about Rs. 20,000 crore in 2017-18.
- Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 is also targeted.
- Action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.
- To create additional 5,000 Post Graduate seats per annum to ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care.
- Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.
- To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalize and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.
- Propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines.
- The allocation for Scheduled Castes has been increased by 35% compared to BE 2016-17. The allocation for Scheduled Tribes has been increased to ` 31,920 crores and for Minority Affairs to Rs. 4,195 crores.
- For senior citizens, Aadhar based Smart Cards containing their health details will be introduced.

6. Announcement for infrastructure

- For transportation sector as a whole, including rail, roads, shipping, provision of Rs. 2,41,387 crores has been made in 2017-18.
- For 2017-18, the total capital and development expenditure of Railways has been pegged at Rs. 1,31,000 crores. This includes Rs. 55,000 crores provided by the Government for passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of Rs. 1 lakh crores over a period of 5 years.
- Unmanned level crossings on Broad Gauge lines will be eliminated by 2020.
- In the next 3 years, the throughput is proposed to be enhanced by 10%. This will be done through modernization and upgradation of identified corridors.
- Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
- 500 stations will be made differently abled friendly by providing lifts and escalators.
- It is proposed to feed about 7,000 stations with solar power in the medium term.
- SMS based Clean My Coach Service has been started.
- 'Coach Mitra', a single window interface, to register all coach related complaints and requirements to be launched.
- By 2019, all coaches of Indian Railways will be fitted with bio toilets. Tariffs of Railways would be fixed, taking into consideration costs, quality of service and competition from other forms of transport.
- A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardization and indigenization of hardware and software.
- A new Metro Rail Act will be enacted by rationalizing the existing laws. This will facilitate greater private participation and investment in construction and operation.
- In the road sector, Budget allocation for highways increased from Rs. 57,976 crores in BE 2016-17 to Rs. 64,900 crores in 2017-18.
- 2,000 kms of coastal connectivity roads have been identified for construction and development.
- Total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years.
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.
- By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, under BharatNet. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.
- Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.
- Second phase of Solar Park development to be taken up for additional 20,000 MW capacity.
- For creating an eco-system to make India a global hub for electronics manufacturing a provision of Rs. 745 crores in 2017-18 in incentive schemes like M-SIPS and EDF.
- A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.

7. Announcement for Financial Sector

- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalization of FDI policy is under consideration.

- An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market in the agricultural sector, for commodities trading. e- NAM to be an integral part of the framework.
- Bill relating to curtail the menace of illicit deposit schemes will be introduced. A bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system.
- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.
- A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established.
- Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- Propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.
- A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.
- In line with the 'Indradhanush' roadmap, Rs. 10,000 crores for recapitalization of Banks provided in 2017-18.
- Lending target under Pradhan Mantri Mudra Yojana to be set at Rs. 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes and Women.

8. Announcement for Digital Economy

- 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.
- Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards.
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.
- Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017.
- Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

9. Announcement for Public Service

- The Government e-market place which is now functional for procurement of goods and services.
- To utilize the Head Post Offices as front offices for rendering passport services.
- A Centralized Defence Travel System has been developed through which travel tickets can be booked online by our soldiers and officers.
- Web based interactive Pension Disbursement System for Defence Pensioners will be established.
- To rationalise the number of tribunals and merge tribunals wherever appropriate.
- Commemorate both Champaran and Khordha revolts appropriately.

10. Announcement for Prudent Fiscal Management

- Stepped up allocation for Capital expenditure by 25.4% over the previous year.
- Total resources being transferred to the States and the Union Territories with Legislatures is Rs. 4.11 lakh crores, against Rs. 3.60 lakh crores in BE 2016-17.
- For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents.
- FRBM Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and need for public investment, fiscal deficit for 2017-18 is targeted at 3.2% of GDP and Government remains committed to achieve 3% in the following year.
- Net market borrowing of Government restricted to Rs. 3.48 lakh crores after buyback in 2017-18, much lower than Rs. 4.25 lakh crores of the previous year.
- Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9% , against 2% mandated by the FRBM Act.

11. Announcement for promoting affordable housing and real estate sector

- Between 8th November and 30th December 2016, deposits between Rs. 2 lakh and Rs. 80 lakh were made in about Rs. 1.09 crore accounts with an average deposit size of Rs. 5.03 lakh. Deposits of more than Rs. 80 lakh were made in 1.48 lakh accounts with average deposit size of Rs. 3.31 crores.
- Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.
- The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply.
- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received.
- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property.
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.
- Exemption from capital gain tax for persons holding land on 2.6.2014, the date on which the State of Andhra Pradesh was reorganized, and whose land is being pooled for creation of capital city of Andhra Pradesh under the Government scheme.

12. Announcement for measures for stimulating growth

- Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds.
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years.
- MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present.
- In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs. 50 crore is reduced to 25%.

- Allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks.
- Basic customs duty on LNG reduced from 5% to 2.5%.

13. Announcement for promoting Digital Economy

- Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means.
- No transaction above Rs. 3 lakh would be permitted in cash subject to certain exceptions.
- Miniaturized POS card reader for m-POS (other than mobile phones or tablet computers), micro ATM standards version 1.5.1, Finger Print Readers / Scanners and Iris Scanners and on their parts and components for manufacture of such devices to be exempt from BCD, Excise/CV duty and SAD.

14. Announcement for transparency in electoral funding

- Need to cleanse the system of political funding in India.
- Maximum amount of cash donation, a political party can receive, will be Rs. 2000/- from one person.
- Political parties will be entitled to receive donations by cheque or digital mode from their donors.
- Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.
- Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act.
- Existing exemption to the political parties from payment of income-tax would be available only subject to the fulfilment of these conditions.

15. Announcement for ease of doing business

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deduction.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs or income from 1.2 lakhs to 2.5 lakhs.
- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.
- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.
- Under scheme for presumptive taxation for professionals with receipt upto Rs. 50 lakhs p.a. advance tax can be paid in one installment instead of four.
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

16. Announcement for personal income-tax

- Existing rate of taxation for individual assesses between incomes of Rs. 2.5 lakhs to 5 lakhs reduced to 5% from the present rate of 10%.
- Surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore.
- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs. 5 lakhs other than business income.
- Appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs.

17. Goods and service tax

- The GST Council has finalized its recommendations on almost all the issues based on consensus on the basis of 9 meetings held.
- Preparation of IT system for GST is also on schedule.
- The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.

18. Rapid (Revenue, Accountability, Probity, Information and Digitization)

- Maximize efforts for e-assessment in the coming year.
- Enforcing greater accountability of officers of Tax Department for specific act of commission and omission.

4. BUDGET AT A GLANCE

Fiscal deficit in Revised Estimates (RE) 2016-17 and BE 2017-18 retained at 3.5% and 3.2 % respectively.

Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9%.

Total expenditure in Budget for 2017-18 has been placed at 21.47 lakh crores.

1. Budget at a Glance

(Amount in Rs. Crore)

S. No.	Particulars	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
1	**Revenue Receipts (2+3)**	1195025	1377022	1423562	1515771	6.5
2	Tax Revenue (Net to Centre)	943765	1054101	1088792	1227014	12.7
3	Non-tax revenue	251260	322921	334770	288757	-13.7
4	**Capital Receipts (5+6+7)$**	595748	601038	590845	630964	6.8
5	Recoveries of loans	20835	10634	11071	11932	7.8
6	Other Receipts	42132	56500	45500	72500	59.3
7	Borrowings & other liabilities*	532791	533904	534274	546532	2.3
8	**Total Receipts (1+4)$**	1790783	1978060	2014407	2146735	6.6
9	**Scheme Expenditure**	725114	801966	869847	945078	8.6
10	On Revenue Account	545619	601900	631511	674057	13.7
11	On Capital Account	179495	200066	238336	271021	5.0
12	**Expenditure on Other than Schemes (13+15)**	1065669	1176094	1144560	1201657	5.4
13	On Revenue Account	992142	1129137	1103049	1162877	8.3
14	Of which Interest Payments	441659	492670	483069	523078	-6.6
15	On Capital Account	73527	46957	41511	38780	6.6
16	**Total Expenditure (9+12)**	1790783	1978060	2014407	2146735	6.6
17	On Revenue Account (10+13)	1537761	1731037	1734560	1836934	5.9
18	Of Which, Grants for creation of Capital Assets	131754	166840	171472	195350	13.9
19	On Capital Account (11+15)	253022	247023	279847	309801	10.7
20	**Revenue deficit (17-1)**	342736	354015	310998	321163	3.3
	as % of GDP	2.5	2.3	2.1	1.9	....
21	**Effective Revenue Deficit (20-18)#**	210982	187175	139526	125813	
	as % of GDP	1.6	1.2	0.9	0.7	....
22	**Fiscal deficit {16-(1+5+6)}**	532791	533904	534274	546532	
	as % of GDP	3.9	3.5	3.2	3.2	....
23	**Primary deficit (22-11)**	91132	41234	51205	23454	
	as % of GDP	0.7	0.3	0.3	0.1	....
24	**Nominal GDP**					11.9*

Source: PHD Research Bureau complied from Budget 2017-18. Note: Individual items in this document may not sum up to the totals due to rounding off. * According to the CSO, this counterfactual is 11.9%, while the survey's estimate is around 11.25%.

2. Summary of Receipts

(Amount in Rs. Crore)

S. No	Component	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
1	**Net tax revenue**	**943765**	**1054101**	**1088793**	**1227014**	**12.7**
	Gross tax revenue	**1455648**	**1630888**	**1703243**	**1911579**	**12.2**
	Corporation tax	453228	493924	493923	538745	9.1
	Income Tax	287637	353174	353174	441255	24.9
	Wealth Tax	1080	....	....	....	...
	Customs	210338	230000	217000	245000	12.9
	Union excise duties	288073	318669	387369	406900	5.0
	Service Tax	211414	231000	247500	275000	11.1
	Taxes of UTs	3878	4121	4277	4679	9.4
	Less – NCCD/ NDRF	5690	6450	6450	10000	55.0
	Less – states' share	**506193**	**570337**	**608000**	**674565**	**10.9**
2	**Non tax revenue**	**251260**	**322921**	**334770**	**288757**	**-13.7**
	Interest receipts	25378	29621	18149	19021	4.8
	Dividend and Profits	112127	123780	153222	142430	-7.0
	External Grants	1881	2862	2882	3060	6.2
	Other Non-Tax Revenue	110336	165319	159115	122728	-22.9
	Receipts of Union Territories	1538	1339	1402	1518	8.3
3	**Total Revenue Receipts**	**1195025**	**1377022**	**1423563**	**1515771**	**6.5**
A.	**Non debt receipts**	**62967**	**67134**	**56571**	**84433**	49.3
	Recoveries of loans & advances@	20835	10634	11071	11933	7.8
	Miscellaneous capital receipts	42132	56500	45500	72500	59.3
B.	**Debt Receipts***	**532791**	**533904**	**534273**	**546531**	**2.3**
	Total capital receipts	**595758**	**601038**	**590844**	**630965**	**6.8**
	Draw down of cash balance	13170	13195	40227	12844	-68.1
	Total receipts	1790783	1978060	2014407	2146735	6.6
	Receipts under MSS (net)	....	20000	....	...	....

Source: PHD Research Bureau complied from Budget 2017-18. Note: Individual items in this document may not sum up to the totals due to repayments. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth. NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund. *The receipts are net of repayments and do not include receipts under Market Stabilisation Scheme. @excludes recoveries of short-term loans and advances from States, loans to Government servants, etc.

3. Summary of Expenditure

(Amount in Rs. Crore)

S.No.	Particulars	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
A.	**Centre's Expenditure**					
I	Establishment Expenditure of Centre	334870	389855	406711	437538	**7.6**
II	Central Sector Schemes/Projects	521374	570066	624411	666644	**6.8**
III	Other Central Sector Expenditure	592909	641121	585589	619225	**5.7**
a.	*Statutory and Regulatory Bodies*	*5818*	*6124*	*6196*	*6482*	**4.6**
b.	*Autonomous Bodies*	*41939*	*47863*	*49331*	*60278*	**22.2**
c.	*Public Sector Undertakings*	9696	5703	8090	4639	**-42.2**
d.	*Public Sector Banks*	*25000*	*25000*	*25000*	*10000*	**-60.0**
e.	*Financial Institutions*	*1627*	*1140*	*1905*	*4068*	**113.5**

f.	*Others*	*508829*	*555292*	*495066*	*533758*	**7.8**
B.	**Centrally Sponsored Schemes and other Transfers**					
IV	Centrally Sponsored Schemes	203741	231900	245435	278433	**13.4**
V	Finance Commission Grants	84579	100646	99115	103101	**4.0**
VI	Other Grants/Loans/Transfers	53310	44472	53146	41794	-21.4
	GRAND TOTAL	**1790783**	**1978060**	**2014407**	**2146735**	6.6

Source: PHD Research Bureau compiled from Budget 2017-18.
Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y stands for Year on year growth.
(i)The Establishment Expenditures of the Centre includes all the establishment related expenditure of the Ministries/Departments and Includes establishment expenditure on attached and subordinate offices.
(ii) The Central Sector Schemes includes all schemes which are entirely funded and implemented by the Central Agencies
(iii) The Other Central Expenditure includes provisions made for the Central expenditure on PSUs, Autonomous Bodies etc. and other expenditure not covered in the category of schemes or establishment expenditure.
(iv) The Centrally Sponsored Schemes will include the schemes so decided by the Report of the Sub-Group of Chief Ministers on rationalization of Centrally Sponsored Schemes as approved by the Cabinet on 3.8.2016.
(v) The category Finance Commission Transfers in the demand titled "Transfers to States" The category Other Transfers to States will include all other transfers to States such those made under National Disaster Relief Fund, Assistance to schemes under proviso (i) to Article 275(1) of the Constitution.

4. Summary of Subsidies

(Amount in Rs. Crore)

S. No	Indicators	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 (as % GDP)
1	**Major Subsidies of which**					
	Food	72415	70000	70000	70000	0.0
	Fertilizers	139419	134835	135173	145339	7.5
	Petroleum	29999	29000	27532	25000	-9.2
2	Interest	441659	492670	483069	523078	8.3
3	Others	46008	58373	61496	67724	10.0
	Subsidy Expenditure*	**241833**	**233835**	**232705**	**240339**	**3.3**

Source: PHD Research Bureau compiled from Budget 2017-18. Note: Individual items may not sum up to the totals due to rounding off. BE Budget Estimates, RE-Revised Estimates. Subsidy Expenditure * = Total of expenditure on Food, Fertilizer and Petroleum subsidy.

5. Resources Transferred to State and U.T.

(Amount in Rs. Billion)

S.No.	Indicators	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
I.	**Devolution of States' share in taxes**	**506193**	**570337**	**608000**	**674565**	**10.9**
II.	**Finance Commission Grants**	**84579**	**100646**	**99115**	**103101**	**4.0**
a.	Grant for Rural Local Bodies	19993	33871	33871	39041	15.3
b.	Grants for Urban Local Bodies	6924	14998	14998	17247	15.0
c.	Grants-in-Aid for SDRF	8756	10470	8938	10993	23.0
d.	Post Devolution Revenue Deficit Grants	48905	41308	41308	35820	-13.3
III.	**Scheme Related Transfers**	**195051**	**190436**	**201363**	**212466**	**5.5**
a.	Under Centrally Sponsored Schemes	175736	175965	182520	202952	11.2
b.	Under Central Sector schemes	2606	4325	8484	8824	4.0
c.	Other Transfers	16708	10147	10360	690	-93.3
IV.	**Other Transfers**	**43143**	**35463**	**44864**	**48447**	**8.0**
a.	Schemes of North East Council	604	314	500	500	0.0
b.	Central Pool of Resources for North Eastern Region and Sikkim	604	700	650	701	7.8
c.	Grants to Autonomous Councils and areas	....	1000	1	500	...

	covered under the Sixth schedule of the Constitution					
d.	Schemes under Provision to Article 275(1) of the Constitution	1392	1196	1061	1228	15.7
e.	Special Central Assistance to Tribal Area	1132	1173	1123	1248	11.1
f.	Special Central Assistance to Scheduled Castes	800	780	780	770	-1.3
g.	Special Assistance	10890	9000	11000	11000	0.0
h.	Assistance to States from NDRF	12452	6450	8450	10000	18.3
i.	Externally Aided Projects – Grants	2772	2350	3500	4000	14.3
j.	Externally Aided Projects – Loans	12498	12500	17800	18500	3.9
V.	**Transfer to North Eastern States**	**378**	**28472**	**31422**	**42499**	**35.3**
VI.	**Total Transfers to UTs with legislature Delhi and Puducherry)**	**5139**	**5320**	**5547**	**3996**	**-28.0**
	Total transfer to States/UTs	**834483**	**930674**	**990311**	**1085075**	**9.6**

Source: PHD Research Bureau, compiled from Budget 2017-18. Note: BE-Budget Estimates, RE-Revised Estimates. UT stands for Union Territories and NDRF stands for National disaster Response Fund (NDRF).

6. Debt and Deficit Statistics

(Amount in Rs. Crore)

S.No.	Particulars	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
1.	**Fiscal Deficit**	**532791**	**533904**	**534274**	**546532**	2.3
2.	**Primary Deficit**	**91132**	**41234**	**51205**	**23454**	-54.2
3.	**Revenue Deficit**	**342736**	**354015**	**310998**	**321163**	3.3
4.	**Effective Revenue Deficit**	**210982**	**187175**	**139526**	**125813**	-9.8
	Sources of Financing Fiscal Deficit					
5.	**Debt Receipts (Net)**					
6.	*Borrowings*	454743	441830	365848	350228	-4.3
7.	*Securities Against Small Savings*	52465	22108	90377	100157	10.8
8.	*State Provident Funds*	11858	12000	13000	14000	7.7
9.	*Other Receipts (Internal Debts and Public Account)*	(-)12202	25677	9948	53513	437.9
10.	*External Debt*	12748	19094	14873	15789	6.2
11.	**Draw Down of Cash Balance**	**13170**	**13195**	**40227**	**12844**	-68.1
12.	**Grand Total**	**532791**	**533904**	**534274**	**546532**	2.3

Source: PHD Research Bureau compiled from Budget 2017-18. Note: Individual items may not sum up to the totals due to rounding off. BE Budget Estimates, RE-Revised Estimates.

7. Allocation for Specific Sections/Sectors

(Amount in Rs. Crore)

S.No.	Particulars	2016-17 BE	2016-17 RE	2017-18 BE	2017-18 Y-o-Y growth %
1.	**Allocation for Welfare of Scheduled Castes**	38833	40920	52393	**28.0**
2.	**Allocation for Welfare of Scheduled Tribes**	24005	25602	31920	**24.7**
3.	**Allocation for North Eastern Region**	29125	32180	43245	**34.4**
4.	**Allocation for Welfare of Children**	65758	66249	71305	**7.6**
5.	**Allocation for Welfare of Women**	90770	96332	113327	**17.6**

Source: PHD Research Bureau compiled from Budget 2017-18. Note: Individual items may not sum up to the totals due to rounding off. BE Budget Estimates, RE-Revised Estimates.

5. IMPACT ON ECONOMY

The Union Budget 2017-18 has focussed primarily on rural and infrastructure development to address the problems of slowing consumption and resultant growth in the economy post demonetization. The Agenda "Transform, Energize and Clean India" – TEC to transform the quality of governance and quality of life of people, energize various sections of society and clean the country from the evils of corruption is inspiring and pragmatic.

The announcement to enhance allocation by 24% for the agriculture, rural and allied sectors will enhance rural spending, create employment opportunities and help boost economy. The ten pillars of Union Budget viz. Agriculture and rural sector, skill development for youth, housing, infrastructure development, financial sector reforms, digital economy, public service, governance, fiscal discipline and tax reforms to increase the tax base are inspiring and will not only fuel economic development but will create a favourable environment to make India one the fastest growing economy in the world economic system.

Impact on Indian economy

S.No	Parameter	Announcement	Impact
1	**Macro-economic stability**	The Budget proposals aims to give an impetus to agriculture and rural sector while maintaining fiscal discipline, measures to uplift rural India with increased allocations for rural housing, rural electrification, construction of roads and employment generation, focus on infrastructure development, tax relief for MSMEs, infra status to housing, announcements for labour reforms, digital economy and banking sector.	The focus on rural and agriculture sector will push up demand, create jobs and alleviate poverty in times of dampening global activity. Focus on housing for all, skill development, labour reforms will give boost to manufacturing sector and create job opportunities, enhance exports, attract investments by improving ease of doing business.
2	**Fiscal Prudence**	The fiscal deficit in 2017-18 has been kept at 3.2% and 3% of GDP in 2018-19 respectively. Improved revenue deficit target to 1.9% (B.E) in 2017-18 from 2.1% of GDP in 2016-17 (R.E)	It shows government's commitment towards fiscal prudence It shows government is moving towards achieving its goal of productive spending to give a boost to the economy.
3	**Agriculture**	An amount of Rs. 48000 crore has been allocated to MNREGA for agriculture and farmers' welfare. Target for agricultural credit in 2017-18 has been fixed at a level of Rs. 10 lakh crores Coverage under Fasal Bima Yojana scheme has been increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50%	It will increase farmers' income and stimulate rural demand thereby facilitating economic growth. It will help the farmers in availing credit facilities resulting in increased agricultural productivity which will facilitate growth of the economy. It will relieve the farmers from the fear of bad monsoon and crop failure which has been the main cause of worry in the recent

		in 2018-19 for which a budget provision of Rs. 9000 crore has been made. Increase in the long term irrigation fund already set up in NABARD by 100% to take the total corpus of this fund to Rs. 40,000 crores. National Agricultural Market (e-NAM) has been expanded from 250 markets to 585 APMCs. Assistance up to Rs. 75 lakhs will be provided to every e-NAM	times. It will help farmers in increasing the area under irrigation and improve their efficiency of irrigation. This will help farmers in getting fair and adequate price for their produce without any wastage thus reducing inflation due to supply side bottlenecks.
4	**Rural Development**	An amount of Rs. 187223 crores has been made for Rural, Agriculture and Allied sectors. To bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019 Allocation for Pradhan Mantri Awaas Yojana increased from Rs. 15,000 crores in BE 2016-17 to Rs. 23,000 crores in 2017-18 For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022	The focus on rural development will touch the grassroots; create immense job opportunities for youth, give push to demand and consumption will increase. This will steer economic growth in the coming times. The funds allocated will help in transforming villages and small towns. It will lead to the transformation of villages with improvements in standards of living. It will lead to skill development and create employment opportunities for the rural people.
5	**Industry**	The condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present. Also, income tax for companies with annual turnover upto Rs. 50 crore is reduced to 25% To foster a conducive labour environment, legislative reforms has been undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social	This will promote entrepreneurship in the economy and create an ecosystem for growth of start-ups It will increase India's competitiveness in the global market as most of the world economies have less than 23% effective rate of corporate tax. It will enhance the business sentiment particularly Production Possibility Frontier of the MSMEs and will further give a boost to Make in India initiative of the government.

		security and welfare; and (iv) safety and working conditions.	
		Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs or income from 1.2 lakhs to 2.5 lakhs	This will improve ease of doing business and promote growth of start-up entrepreneurs.
		Affordable housing has been given infrastructure status	The move will benefit developers and give a fillip to the real estate sector.
		A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) has been launched.	It will help to strengthen the export growth of our economy and will create vast employment opportunities.
		Railway lines of 3500 kms will be commissioned and 2000 kms of coastal connectivity roads have been identified for construction and development purposes in 2017-18	The increased outlays for roads will further help in development of road and rail transportation in our country and will fill the infrastructural gaps to an extent. This will further facilitate better transportation of goods thus reducing costs for industry.

Source: PHD Research Bureau

6. IMPACT ON INDUSTRY

The government has provided impetus in the Union Budget 2017-18 proposals for Indian Industry with a balanced and growth-oriented approach for MSMEs, start-ups and boost to Make in India program. Infra status to affordable housing is very encouraging and would pave the way for a higher growth of construction sector in the coming times. One of the significant announcements in the Budget is the reduction in corporate income tax rate from 30% to 25% for MSMEs to make them competitive. It will provide a much needed push to promote creation of job opportunities in the country. The announcement of abolishment of Foreign Investment Promotion Board in 2017-18 is a notable step that would go a long way in supporting the objective of ease of doing business.

There is no change in MAT and corporate tax rates in general. Corporate tax was expected to reduce to the level of 25% to increase India's competitiveness in global market as most of the economies have less than 23% effective rate of corporate tax which is significantly lower than India's effective rate of more than 30%. Last year Hon'ble Finance Minister reduced the rate to 29% for select companies; this year cut in corporate tax to 25% is only for MSME companies with a turnover of under Rs 50 crore. Announcements about the proposed amalgamation of existing labour laws into four codes pertaining to wages, industrial relations, social security and welfare, and safety and working conditions will enhance the business sentiments. Overall, the Budget 2017-18 is highly focused on the growth of MSMEs and Startups that will push the economic growth to the next level.

Impact on Indian industry

S.No	Industry/Sector	Announcements	Impact
1	**Micro, Small and Medium Enterprises (MSMEs)**	Corporate Income tax for smaller companies with annual turnover upto Rs. 50 crore reduced to 25%	It will help in making small enterprises more competitive and enhance their savings. This will make MSME companies more viable and also encourage firms to migrate to company format
		Government will encourage Small Industries Development Bank of India (SIDBI) to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.	This will increase digital transactions and enable small and micro enterprises to access formal credit
		Under scheme of presumptive income tax for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is now reduced to 6% in respect of turnover which is by non-cash means	This will encourage entrepreneurs for opting digital payment. This will bring big relief to a large number of assesses in the MSMEs category.

2	**Start-ups**	For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues.	The relaxed conditions for start ups to allow them to carry forward losses will offer ease of doing work for start ups. This is a positive booster for start-ups. This will promote entrepreneurship in the economy and create an ecosystem for the growth of startups.
		Profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is being changed to 3 years out of 7 years	This will encourage entrepreneurship and enhance the establishments of more start-ups in the country.
3	**Labour intensive industries**	Announcements about the proposed amalgamation of existing labour laws into four codes pertaining to wages, industrial relations, social security and welfare and safety and working conditions.	This will enhance the business sentiments in the economy and create tremendous employment opportunities.
4	**Construction Sector**	Instead of built up area of 30 and 60 square metre, the carpet area of 30 and 60 square metre will be counted under profit-linked income tax exemption for promoters of affordable housing scheme	This will encourage the growth of construction sector, generate employment opportunities and promote affordable housing.
		Profit-linked income tax exemption completion time extended to 5 years from 3 years after commencement	This will promote affordable housing and enhance the construction activities in the country
		Under capital gain taxation provisions in respect of land and building, the holding period for considering gain from immovable property to be long term was 3 years which has been reduced to 2 years now	This move will significantly reduce the capital gain tax liability while encouraging the mobility of assets.
		Affordable housing to be given infrastructure status	This will enhance the construction of affordable housing in the country. This will absorb semi-skilled and unskilled workforce in the housing and construction sector, generate employment opportunities and increase demand in the economy
		A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, Public Private Partnership (PPP) and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.	New dispute resolution mechanism for quick dispute settlements will help in providing the conducive investment environment and promote efficiency.

5	**Manufacturing sector**	Abolishment of Foreign Investment Promotion Board (FIPB) in 2017-18	Abolition of FIPB would attract foreign investors vis-à-vis removed roadblocks to foreign investment and a boost to manufacturing and Make in India program.
		Exemption from Basic Customs duty (BCD), Excise/Countervailing (CV) duty and Special Additional Duty (SAD) for Miniaturized POS card reader for m-POS (not including mobile phones or tablet computer), Micro Automated Teller Machine (ATM) as per standards version 1.5.1, Finger Print Reader / Scanner, and Iris Scanner. In addition, exemption is also available for parts and components for manufacture of such devices.	It will boost domestic manufacturing of POS card reader, micro ATMs, fingerprint reader/scanner and iris scanner and reduce costs of building digital payments infrastructure.
		For creating an eco-system to make India a global hub for electronics manufacturing a provision of Rs. 745 crores in 2017-18 in incentive schemes like Modified Special Incentive Package Scheme (M-SIPS) and Electronics Development Fund (EDF) has been allocated	This will enhance the manufacturing of electronic products and make them competitive in the global market.
6	**Business Enterprises**	MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present	There is no change in MAT and corporate tax rates in general. Corporate tax was expected to reduce to the level of 25% to increase India's competitiveness in global market as most of the economies have less than 23% effective rate of corporate tax which is significantly lower than India's effective rate of more than 30%.
		A new and restructured Central scheme, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.	This will strengthen export infrastructure and expected to enhance exports from the country.
		Government will launch two new schemes to promote the usage of BHIM app- Referral Bonus Scheme for individuals and a Cashback Scheme for merchants	This will encourage usage of digital platform by the business and enhance digital transactions
		Threshold limit increased for audit of business entities who opt for presumptive income scheme from Rs. 1 crore to Rs. 2 crores	This will improve the ease of doing business for entrepreneurs.

Source: PHD Research Bureau

Impact of Changes in excise duties/basic custom duties and cess on key sectors:

S.No	Parameter	Announcement	Impact
1	**Automobiles**	BCD reduced from 7.5% to 5% on Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors	This move is expected to decrease the cost of manufacturing of catalytic convertors
2	**Textiles**	BCD reduced from 7.5% to 5% on Nylon mono filament yarn for use in monofilament long line system for Tuna fishing	It will lead to decline in cost of production of varied textile products leading to enhanced competitiveness of domestic textile sector.
3	**Leather**	BCD on Vegetable tanning extracts, namely, Wattle extract and Myrobalan fruit extract reduced from 7.5% to 2.5%	This will encourage manufacturing of finished leather.
		Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export increased to 5% of FOB from 3% of FOB value of said goods exported during the preceding financial year	This will increase the cost of manufacturing of leather products.
4	**Capital goods**	BCD on Ball screws, linear motion guides and Computer Numeric Control (CNC) systems for use in the manufacture of CNC machine tools reduced from 7.5% in case of Ball screws and liner motion guides and 10% for CNC systems to 2.5% for all products.	This will encourage manufacturing of CNC machine tools, Ball screws and linear motion guides
5	**Jewellery**	CVD raised to 12.5% from Nil on Silver medallion, silver coins, having silver content not below 99.9%, semi-manufactured form of silver and articles of silver	This will likely to make silver jewellery expensive in the country
6	**Mineral fuels, mineral oils and Gas**	BCD on Liquefied Natural Gas reduced from 5% to 2.5%. Propose to create an integrated public sector 'oil major'	This will make LNG more affordable for industrial category users. This will also help in improving performance of domestic oil and gas companies and bring them on par with international standards
		Export duty on Other aluminium ores, including laterite raised to 15% from Nil.	Imposition of export duty is a move to conserve domestic resources
		Government has decided to set up Strategic Crude Oil Reserves. In the second phase, it is proposed to set up caverns at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. In the first phase, 3 such Reserves facilities have been set up.	This will strengthen our energy sector and enhance our reserve capacity to meet industrial needs.

7	**Tobacco and tobacco products**	Excise duty on Cigar and cheroots, Cigarillos, Cigarillos of tobacco substitutes and Others of tobacco substitutes increased from 12.5% or Rs.3755 per thousand, whichever is higher to 12.5% or Rs.4006 per thousand, whichever is higher.	Price hike burden of tobacco based products will be passed on to the consumers and therefore, leaves less impact on manufactures.
		Additional duty on Pan Masala raised to 9% from 6%	This will make Pan Masala products costlier
		Additional duty on unmanufactured tobacco increased to 8.3% from 4.2%	This will make production of tobacco costlier
		Additional duty on Chewing tobacco (including filter khaini), Jarda scented tobacco and Pan Masala containing Tobacco (Gutkha) increased to 12% from 6%.	This will enhance the manufacturing cost of Chewing tobacco, scented tobacco and pan masala.
8	**Food processing**	BCD on cashew nut, roasted, salted or roasted and salted increased from 30% to 45%	This will increase the cost of cashew nuts
9	**Metals**	Basic Custom Duty (BCD) on Nickel reduced from 2.5% to NIL	This will reduce the cost of nickel for industry users.
		BCD increased to 10% from Nil on Co-polymer coated MS tapes / stainless steel tapes for manufacture of specified telecommunication grade optical fibres or optical fibre cables	This will increase the cost of manufacturing of telecommunication grade optical fibres or optical fibre cables
		BCD reduced from 12.5% to 10% on Hot Rolled Coils [7208]	This will encourage manufacturing of welded tubes and pipes
10	**Renewable Energy**	Basic Custom Duty (BCD) and Countervailing Duty (CVD) on all items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes have been declined. BCD has been reduced from 10% /7.5% to 5% and CVD reduced from 12.5% to 6%.	This move will encourage production of fuel cell based power generating systems
		BCD and CVD on all items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen have been reduced to 5% from 10% /7.5% and to 6% from 12.5% respectively	This move will encourage the usage of biogas/ bio-methane/ by-product hydrogen
		BCD on Solar tempered glass for use in the manufacture of solar cells/panels/modules reduced from 5% to NIL	This will boost manufacturing of solar cells/panels/modules
		Countervailing Duty (CVD) on parts/raw materials for use in the manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating	This will encourage manufacturing of solar tempered glass

		equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications has been reduced from 12.5% to 6%	
11	**LED lights or lamps**	BCD at 5% and CVD at 6% are proposed as compared to earlier applicable rates on all parts for use in the manufacture of light-emitting diode (LED) lights or fixtures, including LED lamps.	This will make manufacturing of LED lights or fixtures, including LED lamps costlier
12	**Electronics / Hardware**	Special addition duty (SAD) on Populated Printed Circuit Boards (PCBs) for use in the manufacture of mobile phones increased from Nil to 2%	This move will increase the cost of production of Printed Circuit Boards and prices of mobile phones
13	**Chemicals & Petrochemicals**	BCD on Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA) reduced from 7.5% to 5%. BCD on o-Xylene redcued from 2.5% to Nil. BCD on Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether Reduced from 10% to 7.5%	This will reduce manufacturing cost of Chemicals & Petrochemicals
14	**Service industry**	One time upfront amount payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units has been exempted from service tax as compared to earlier rate of 14%. Under the Regional Connectivity Scheme (RCS), exemption from service tax as compared to earlier rate of 14% is being provided in respect of the amount of viability gap funding (VGF) payable to the airline operator for providing the services of transport of passengers by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport as notified by Ministry of Civil Aviation. The exemption in respect of services tax rate as compared to earlier rate of 14% provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIMs, is being extended to include non-	This will encourage development of industrial plots. This is expected to boost travelling through air and make travelling costs cheaper and enhance the productivity of aviation industry. This will provide a boost for the development of potential workforce for the industry.

		residential programmes.	
15	**Service industry**	One time upfront amount payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units has been exempted from service tax as compared to earlier rate of 14%.	This will encourage development of industrial plots.
		Under the Regional Connectivity Scheme (RCS), exemption from service tax as compared to earlier rate of 14% is being provided in respect of the amount of viability gap funding (VGF) payable to the airline operator for providing the services of transport of passengers by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport as notified by Ministry of Civil Aviation.	This is expected to boost travelling through air and make travelling costs cheaper and enhance the productivity of aviation industry.
		The exemption in respect of services tax rate as compared to earlier rate of 14% provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIMs, is being extended to include non-residential programmes.	This will provide a boost for the development of potential workforce for the industry.

Source: PHD Research Bureau

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7. IMPACT ON INFRASTRUCTURE

Economic development depends on the availability of adequate and quality infrastructure. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints to accelerate growth. The total outlay for infrastructure stands at Rs. 3,96,135 crores for 2017-18, registering an increase from Rs. 3,48,952 crores in 2016-17. The budget rightly focuses on creation of state of the art infrastructure which is essential for propelling manufacturing growth and economic growth in the coming times.

Impact on Indian infrastructure

S.No	Parameter	Announcement	Impact
1	**Railways**	Sharp increase in outlays of railways. Total outlay has increased from Rs. 2, 16,268 crores in 2016-17 to Rs. 2, 41,387 crores in 2017-18 in the Budget for Roads Railways and Shipping. For 2017-18, the total capital and development expenditure of Railways has been pegged at Rs. 1,31,000 crores. This includes Rs. 55,000 crores provided by the Government. Railway lines of 3500kms will be commissioned. Proposal for a new Metro Rail Act	Increased outlays for railway will further help in development of rail transportation in our country. This will improve railway infrastructure and facilitate better movement of goods and services and increase tourism. This will facilitate better transportation of goods thus reducing costs for industry. This will facilitate greater private participation and investment in construction and operation. This will also open up new job opportunities.
2	**Roads**	The Budget allocation for highways from Rs. 57,976 crores in BE 2016-17 to Rs. 64,900crores in 2017-18.	This will facilitate better connectivity of roads in the remote areas.
3	**Ports**	2,000 kms of coastal connectivity roads have been identified for construction and development.	This will propel better connectivity for industries to the ports leading to enhancement in competitiveness based on lower transport cost of Indian merchandize across the globe.
4	**Airport**	Thrust on PPP in operations and maintenance of airport in Tier II cities.	These steps will revive public private partnerships and improve the connectivity and the quality of the airports.
5	**Energy**	Budgetary allocation up to Rs. 5473crore per annum.	This will increase investments in the sector and generate more power to meet the energy requirements of industry

		Solar Development Park	This will increase the reserve capacity of the country.
		To set up Strategic Crude Oil Reserves	Increased allocation for oil reserves would improve the energy security.
		100% village electrification by 1st May 2018	Electrification of villages will help in development of rural areas of the country.
6	**Affordable Housing**	The holding period for considering gain from immoveable property to be long term is 2 years from 3 years.	This will reduce the capital gain tax liability and encourage the mobility of assets.
		Certain changes have been proposed in the scheme, instead of built up area of 30 and 60 sq.mtr., the carpet area of 30 and 60 sq.mtr. will be counted. Also the 30 sq.mtr. Limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply, and this scheme has been proposed to extend up to a period of 5 years.	This will encourage participation of developers in the affordable housing segment. Further, will increase the supply of affordable houses in the market.
7	**Telecom**	Spectrum auctions have removed spectrum scarcity.	This will offer a major boost to the mobile broadband and Digital India and benefit the people living in the rural areas.

Source: PHD Research Bureau

Budget Viewing Session 2017-18

Wednesday, 1st February 2017, PHD House, New Delhi

The Economic Affairs Committee of PHD Chamber of Commerce and Industry organized the Budget viewing session on Wednesday, 1st February 2017, PHD House, New Delhi. The eminent speakers in the Session were **Shri Ajay Shankar**, Chairman Expert Committee on Regulatory Approvals and Former Secretary, DIPP, Ministry of Commerce and Industry, & Member Secretary, National Manufacturing Competitiveness Council, **Dr. Ajay Dua**, IAS (Rtd.) , Former Secretary , DIPP, Ministry of Commerce and Industry, Government of India, **Ms. Sudha Pillai**, Former Member Secretary Planning Commission, **Dr. Indira Rajaraman**, Former, Reserve Bank of India Chair & Former Member of the Thirteenth Finance Commission, **Shri Atul Kumar**, Former Chief General Manager, National Highways Authority of India (NHAI), **Shri Narinder Wadhwa**, Chairman, Association of National Exchanges Members of India (ANMI) and Founder and Managing Director of SKI Group. **Shri Gopal Jiwarajka**, President, PHD Chamber, **Shri Anil Khaitan**, Senior Vice President, PHD Chamber, **Shri Rajeev Talwar**, Vice President, PHD Chamber, **Dr. Mahesh Gupta**, Immediate Former President, PHD Chamber, **Shri Vijay Mehta**, Chairman, Economic Affairs Committee, PHD Chamber, **Shri Sanjeev Shriya**, Founder and Managing Director, Smart Chip Private Limited, **Shri Akhil Bansal**, Co-Chairman, Economic Affairs Committee, PHD Chamber and **Shri Saurabh Sanyal**, Secretary General, PHD Chamber were the other panellists.

Glimpses of Budget Viewing Session 2017-18 organised by PHD Chamber

Wednesday, 1st February 2017, PHD House, New Delhi

8. IMPACT ON BANKING AND FINANCIAL SECTOR

Amid a dormant credit demand scenario, the Union Budget 2017-18 delivered some quality and dynamic reform measures that will strengthen the fundamentals of Indian banking and financial sector in the coming times. The focus has been laid on developing a vibrant financial sector, which is of critical importance to the growth of the economy. Although, compared to other sectors in the economy, the budget announcements directly associated with the banking and financial sector remained low, the other budget announcements will surely have domino effect on the aforementioned sectors. For e.g., the announcements pertaining to increase in allocation to Pradhan Mantri Awaas Yojana (PMAY) to Rs. 23,000 crore in 2017-18 and targeting 1 crore houses by 2019 coupled with 'Infra' status to affordable housing would certainly enhance the finance portfolios of banks and financial institutions.

Key announcements made for financial and banking sectors are recapitalisation of public sector banks with an amount of Rs. 10,000 crore; abolition of Foreign Investment Promotion Board (FIPB); integration of Primary Agriculture Credit Societies with Core Banking System of District Central Cooperative Banks; listing of Central Public Sector Enterprises (CPSEs) in the stock exchanges; strategically the curbing the Non-Performing Assets of Banks; categorization of Non-Banking Financial Corporations regulated by RBI under Qualified Institutional Buyers (QIBs); and doubling the lending amount under Pradhan Mantri Mudra Yojana (PMMY) in 2017-18.

Impact on Indian Banking and Financial Sector

S.No	Parameter	Announcement	Impact
1	**Recapitalisation of Public Sector Banks**	Amount of Rs 10,000 crore allocated for recapitalisation of Public Sector Banks, in tune with the 'Indradhanush' roadmap; additional allocation to be given, if required.	In the remonetization phase with surge in deposits, this will provide relief to the public sector banks suffering with non-performing assets or bad debts.
2	**Foreign Investment Promotion Board (FIPB)**	To abolish the Foreign Investment Promotion Board (FIPB) in 2017-18	This will propel the foreign inflows to a higher extent with the ease in investing norms.
3	**Core Banking System**	Computerization and integration of all 63,000 functional Primary Agriculture Credit Societies with Core Banking System of District Central Cooperative Banks. The implementation will be done in 3 years at Rs. 1,900 crores.	This will ensure seamless flow of credit to small and marginal farmers, who were earlier eluded from the benefits of banking system, located at the remote areas of the country.
4	**Refinancing home loans**	National Housing Bank will refinance individual housing loans of about Rs. 20,000 crore in 2017-18.	This will have a dual effect on the economy. On consumer's front, this will assist in reduction of interest rates in the medium to long run and on Banking front, this will help in astute assessment of the underlying mortgage asset so as to reduce the probability of becoming an NPA.
5	**Aadhar based Point**	To target additional 10 lakh new PoS	This will tremendously enhance the

	of Sale (PoS)	terminals by March 2017. Further, introduction of 20 lakh new Aadhar based PoS by September 2017.	business activity and digitization in the system.
6	**Establishment of Payments Regulatory Board**	To create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.	With digitization on rise, this will create a robust monitoring mechanism to ensure curbing of illicit transactions and streamline flow of payments and transactions.
7	**Non-Performing Assets of Banks**	To enhance the allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks.	This will reduce the effective tax rate and alter the landscape of banking sector to an extent.
8	**Electoral Bonds**	Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard. Under the scheme, a donor could purchase bonds from authorised banks against cheque and digital payments only. They shall be redeemable only in the designated account of a registered political party. These bonds will be redeemable within the prescribed time limit from issuance of bond.	This will increase the degree of transparency in the funding of campaign financing. The move will act as a detox mechanism in cleansing the campaign financing system.
9	**Commodities and Securities Market**	The commodities and securities derivative markets will be further integrated by integrating the participants, brokers, and operational frameworks.	This will facilitate integrated data aggregation and analysis in the financial sector. The move will assist in attaining an equitable and fair price realization.
10	**Financial market Intermediaries**	The process of registration of financial market intermediaries like mutual funds, brokers, portfolio managers, etc. will be made fully online by SEBI.	This will improve ease of doing business. This will significantly increase the FDI towards the financial segment of the country in the coming times.
11	**Foreign Portfolio Investors**	A common application form for registration, opening of bank and demat accounts, and issue of PAN will be introduced for Foreign Portfolio Investors (FPIs). SEBI, RBI and CBDT will jointly put in place the necessary systems and procedures.	This will greatly enhance operational flexibility and ease of access to Indian capital markets.
12	**Demat Accounts**	Steps to be taken for linking of individual demat accounts with Aadhar.	This will reduce the occurrence of illicit transactions and streamline the payment mechanism in the stock markets.

13	**Qualified Institutional Buyers (QIBs)**	Proposed to allow systemically important Non-Banking Financial Corporations regulated by RBI and above a certain net worth, to be categorised as QIBs; presently only Banks and Insurance Companies are categorized as Qualified Institutional Buyers	This will strengthen the IPO market and channelize more investments.
14	**SARFAESI Act**	Listing and trading of Security Receipts issued by a securitisation company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges.	This will enhance capital flows in to the securitisation industry and will particularly be helpful to deal with bank NPAs.
15	**CENVAT Credit Rules, 2004**	To exclude banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances from the ambit of CENVAT Credit rules.	This will lower the mounting burden on the banking sector to an extent. Further, the opportunity cost will be restored and could be invested in profitable areas.
16	**Resolution of Financial Firms**	The bill relating to resolution of financial firms will be tabled in the Parliament.	This will contribute to stability and resilience of our financial system. It will also protect the consumers of various financial institutions. Together with the Insolvency and Bankruptcy Code, a resolution mechanism for financial firms will ensure comprehensiveness of the resolution system in our country.
17	**Capital Gains Taxation Provision**	To extend the basket of financial instruments in which the capital gains from Land and building can be invested without payment of tax.	This will act as a catalyst for growth of financial market on the back of accentuation in investments in financial markets.
18	**Cyber Security of Financial Sector**	A Computer Emergency Response Team for the Financial Sector (CERT-Fin) will be established. The entity will work in close coordination with all financial sector regulators and other stakeholders.	The team will securely monitory and will act as a robust safeguarding mechanism for maintaining integrity and stability of the financial sector.
19	**External Commercial Borrowings, Masala Bonds and Government securities**	To extend the concession, where a concessional with-holding rate of 5% is being charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities to 30.6.2020. The benefit has also been extended to Rupee Denominated (Masala) Bonds.	This will facilitate expansion of bond market and provide a major boost to the development of the bond market in India. The move provide surge in flows from across the world.
20	**Pradhan Mantri Mudra Yojana (PMMY)**	The lending amount sanctioned under PMMY has been doubled from 2015-16 figures to set at Rs. 2.44 lakh crores. Priority has been given to Dalits, Tribals, Backward Classes, Minorities and Women.	The move holds tremendous benefits for low and medium level businesses and entrepreneurs. In addition, it will generate immense self-employment opportunities.

21	**SIDBI**	Government to encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.	On increased digital transactions will enable small and micro enterprises to access formal credit.
22	**Amendment to Arbitration and Conciliation Act, 1996**	An amendment Bill will be introduced to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility 21 contracts.	This will target a speedy, cost effective and confidential delivery of dispute results. It will eliminate conflicts of jurisdiction between tribunals as well as general matters of conflicts of laws. Thus, offering great security compared to recourses to courts.
23	**Listing of Central Public Sector Enterprise (CPSE)**	The Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.	This will foster greater public accountability and unlock the true value of these companies. Further, it will enhance the footprint of CPSEs across the globe.
24	**ETF for Diversified CPSE stocks**	A new Electronic Traded Fund (ETF) with diversified Central Public Sector Enterprises (CPSE) stocks and other Government holdings will be launched in 2017-18.	This will encourage retail investors' participation in CPSE securities. It will enhance trading flexibility, operational transparency, and tax benefits.

Source: PHD Research Bureau

9. IMPACT ON AGRICULTURE

The Government has proposed various initiatives in the Union Budget 2017-18 to enhance farmer's income and increase farm productivity. These include higher investments in irrigation, increased coverage under crop-insurance, a fund to develop dairies, wider access to credit and expansion of agri-markets by de-notifying fruits and vegetables. The total allocation for the rural, agriculture and allied sectors in 2017-18 is Rs. 1,87,223 crores, which is 24% higher than the previous year 2016-17.

Impact on Agriculture

S. No	Parameter	Announcement	Impact
1	**Agriculture and farmers' welfare**	The budget provision for agriculture and allied sector increased to Rs. 58,663 crore in the year 2017-18 with an increased allocation of Rs. 10,091 crores in the budget estimates of Rs. 48,572 in the previous year 2016-17.	The budget allocation of Rs. 58,663 crore will ease credit flow to farmers, expand crop insurance and increase disposable income of the farmers.
2	**Agricultural credit**	The target proposed for agricultural credit has been fixed at a record level of Rs. 10 lakh crores in 2017-18 with an increase of Rs.1 lakh crore from the previous year's budget estimate of Rs. 9 lakh crore. Special efforts to ensure adequate flow of credit to the under serviced areas, the Eastern States and Jammu & Kashmir be undertaken. The farmers will also benefit from 60 days' interest waiver announced by Honourable Prime Minister in respect of their loans from the cooperative credit structure.	This will ensure seamless flow of credit to small and marginal farmers. This will help farmers in making investments in creating assets to generate output and income.
3	**Digitization of Functional Primary Agriculture Credit Societies**	Support will be provided to NABARD for computerisation and integration of all 63,000 functional PACS[1] with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of Rs. 1,900 crores.	This will ensure a linkage of the agricultural credit societies with district banks and all scheduled banks, aiding in the Government's efforts to make credit available to farmers.
4	**Prime Minister Fasal Bima Yojana**	An amount of Rs. 9,000 crore has been allocated under Prime Minister Fasal Bima Yojana in 2017-18 with an increased allocation of Rs.3,500 in the previous year's budget estimates of Rs.5,500. The coverage of this scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19.	This enhanced focus of crop insurance will bring more farmers under the ambit of the scheme and will hedge farmers' cash flows against various natural calamities that can affect their crop.

[1]Primary Agriculture Credit Societies

5	**Soil Health Card Scheme**	Government will set up new mini labs in Krishi Vigyan Kendras (KVKs) and ensure 100% coverage of all 648 KVKs in the country for soil sample testing. In addition, 1000 mini labs will be set up by qualified local entrepreneurs. Government will provide credit linked subsidy to these entrepreneurs.	This will increase the accessibility of soil testing facilities in the rural areas. These labs will help farmers to assess the actual nutritional requirements for their farmland and will limit unnecessary expenditure on fertilizer.
6	**Long Term Irrigation Fund**	Long Term Irrigation Fund created in National Bank for Agriculture and Rural Development (NABARD) will have an addition of Rs. 20,000 crores to its initial corpus of Rs. 20,000. This will take the total corpus of this Fund to Rs. 40,000 crores.	This will cover more area under assured irrigation and will reduce dependence on monsoons, thus providing a boost to agricultural production.
7	**Micro Irrigation Fund**	A dedicated Micro Irrigation Fund will be set up in NABARD to achieve the goal, 'per drop more crop' with an initial corpus of Rs. 5,000 crores.	This will build stronger irrigation facilities for agricultural and will facilitate in increasing agricultural productivity.
8	**National Agricultural Market (e- NAM)**	The coverage of electronic-National Agricultural Market (e-NAM) will be expanded from the current 250 markets to 585 Agricultural Produce Marketing Committees (APMCs). Assistance up to a ceiling of Rs. 75 lakhs will be provided to every e-NAM market for establishment of cleaning, grading and packaging facilities. An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for agriculture sector. e-NAM would be an integral part of such framework.	This will bring transparency in transactions and will reduce transit losses since the produce will go directly from the farmers to the end buyers. Also, it will promote accessibility of markets to farmers, thereby boosting farmers' income. Post harvesting facilities will enhance the value addition of the farmers' produce. This will help farmers in improving their post-harvest risk by hedging on the commodity exchanges and improving their realizations.
9	**Agricultural Marketing**	Market reforms will be undertaken and the States would be urged to denotify perishables from Agricultural Produce Market Committees (APMCs). Farmers (who grow fruits and vegetables) will be integrated with agro processing units for better price realisation and reduction of post-harvest losses. A model law on contract farming will be prepared and circulated among the States for adoption.	This will give opportunity to farmers to sell their produce and get better prices. This will reduce supply chain, leading to post-harvest losses.
10	**Dairy Processing and Infrastructure Development Fund**	Dairy Processing and Infrastructure Development Fund will be set up in NABARD with an initial corpus of Rs. 2,000 crores and will be increased to Rs. 8,000 crores over 3 years.	This will provide a boost to dairy processing sector. This will enhance farmer's income with increased availability of milk processing facilities.

Source: PHD Research Bureau

10. IMPACT ON RURAL SECTOR

The budget has unveiled a big focus on development of rural sector, revival of rural demand and elimination of rural poverty in the coming times which would go a long way to generate demand in the economy and give a push to overall growth and development of the country. Some of the key areas focused in the budget are increased allocation in MNREGA, skill development initiatives, development of rural infrastructure etc.

Impact on rural sector

S.No	Parameter	Announcement	Impact
1	**Rural Development**	An amount of Rs. 1,28,560 crore allocated for rural development in 2017-18 with an increased allocation of Rs. 26,017 in the budget estimates of Rs. 1,02,543 in the previous year 2016-17. High speed broadband connectivity on optical fiber will be available in more than 1,50,000 gram panchayats, with wifi hot spots and access to digital services at low tariffs. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.	This will help in improving the quality of life and economic well-being of people living in rural areas. The focus to bring households out of poverty, development of rural infrastructure and generation of employment opportunities will increase demand and consumption in rural areas and will stimulate economic growth. This will enhance capabilities of the people living in the Panchayat areas. This will promote digitization in rural areas. It will help in growth and development at the grassroots of villages
2	**Mission Antyodaya**	Aim to bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019. A composite index for poverty free gram panchayats would be developed to monitor the progress from the baseline.	This mission will help in elimination of rural poverty, minimise rural distress and will help in up-liftment of the gram panchayats
3	**Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**	The budget provision of Rs. 38,500 crores under MGNREGA in 2016-17 has been increased to Rs. 48,000 crores in 2017-18. Against target of 5 lakh farm ponds under MGNREGA, 10 lakh farm ponds will be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up.	This will facilitate employment generation in the rural areas and will create productive assets to improve farm productivity and incomes. Higher allocation for MNREGA which is linked to creation of assets like farm ponds for irrigation will have multiple benefits including more employment opportunities in rural areas and rise in crop yields.
4	**Pradhan Mantri Gram Sadak Yojana (PMGSY)**	Government has taken up the task of connecting habitations with more than 100 persons in left wing extremism affected Blocks under PMGSY. All such habitations are expected to be covered by 2019 and the allocation for PMGSY (including	This provision and construction of roads and road links will bring multiple socio-economic benefits to the rural areas and will result in forming a strong backbone for the agro-based economy. Also, it will

		the State's Share) increased to Rs. 27,000 crores in 2017-18 from Rs. 19,000 crores in the year 2016-17.	generate employment opportunities in the road construction sector.
5	**Pradhan Mantri Awaas Yojana – Gramin**	Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from Rs. 15,000 crores in 2016-17 to Rs. 23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.	This will ensure financial assistance at affordable rates to all houseless and households living in kuchha houses for construction of pucca house in the rural areas.
6	**Deendayal Upadhyaya Gram Jyoti Yojana**	The budget provision for 100% village electrification by 2018 under the Deendayal Upadhyaya Gram Jyoti Yojana in 2017-18 increased to Rs. 13,314 from Rs. 8,500 crore in 2016-17 with an increased allocation of Rs. 4,814 crores.	This will improve energy infrastructure and standards of living in the rural areas.
7	**Deendayal Antyodaya Yojana- National Rural Livelihood Mission**	The budget allocated Deendayal Antyodaya Yojana- National Rural Livelihood Mission will be Rs. 4,500 during the year 2017-18.	This will promote skill development and will provide livelihood opportunities for people in rural areas.
8	**Prime Minister's Employment Generation Programme (PMEGP)**	Allocation for Prime Minister's Employment Generation Program and Credit Support Schemes has been increased three fold.	This will generate employment opportunities in the rural areas and will promote sustainable livelihoods.
9	**Swachh Bharat Abhiyan**	Swachh Bharat Mission (Gramin) has made tremendous progress in promoting safe sanitation and ending open defecation. Sanitation coverage in rural India has gone up from 42% in October 2014 to about 60%. Open Defecation Free villages will be given priority for piped water supply in the year 2017-18.	This will promote safe sanitation, end open defecation and cleanliness in rural India
10	**National Rural Drinking Water Programme (NRDWP)**	As part of a sub mission of the National Rural Drinking Water Programme (NRDWP), it is proposed to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next 4 years.	This will ensure accessibility of safe drinking water to the arsenic and fluoride affected habitation and will safeguard the habitants from the hazards of the heavy metals on their health.
11	**Mason Training**	For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022.	This will enhance the skill sets and will help in creation of employment opportunities for the people in rural areas
12	**Human Resource Reforms for Results**	A programme of "Human Resource Reforms for results" will be launched during 2017-18 for human resources development in Panchayati Raj Institutions.	This will provide efficient human resource in the Panchayat Raj institutions and will help in effective implementation of the development programmes in the rural areas.

Source: PHD Research Bureau

11. IMPACT ON SOCIO-ECONOMIC SEGMENTS

Union Budget 2017-18 has focused on rural development, welfare of farmers, education, and welfare of women, health, skill development and generation of employment. The Budget primarily focuses on up-liftment of socio-economic segments. This would increase the domestic demand and enhance the economic growth along with all inclusive development.

Impact on socio-economic segments

S.No	Parameter	Announcement	Impact
1	**Education**	Non-residential management programmes get cheaper as service tax exemption has been extended to it.	This will promote management courses among NRI students.
		Propose to leverage information technology and launch SWAYAM platform with at least 350 online courses.	This will enable students to virtually attend the courses taught by the best faculty; access high quality reading resources; participate in discussion forums; take tests and earn academic grades.
		National Testing Agency as an autonomous and self-sustained premier testing organization to conduct all entrance examinations for higher education institutions	This would free CBSE, AICTE and other premier institutions from these administrative responsibilities so that they can focus more on academics.
		Proposed to introduce a system of measuring annual learning outcomes in our schools	This will focus on science education and flexibility in curriculum to promote creativity through local innovative content.
2	**Employment**	Employment Generation, Skill and Livelihood Rs 17273 crore	This is likely to double the income of farmers, increase demand and consumption in rural areas and will stimulate economic growth
		Employment Generation Programmes other than MGNREGS, including PM Kaushal Vikas Yojana, ATUFS, PM Mudra Yojana, PMEGP and ASPIRE has been allocated Rs. 11640 crore in 2017-18.	This will help in creating more job opportunities for the youth and will increase their standard of life.
		The budget provision of Rs 38,500 crores under Mahatma Gandhi NAITONAL Rural Employment Generation Act (MGNREGA) in 2016-17 has been increased to Rs 48,000 crores in 2017-18.	This will help in raising the standard and will provide more pay to workers. This will enhance the quality life of people.

3	**Health**	Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 is also targeted. Action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020. 1.5 lakh Health Sub Centres will be transformed into Health and Wellness Centers. Propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines. Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.	This will help in eliminating the diseases and will increase the quality life of people in the country. This will increase the life of a person and will reduce people suffering from MMR. This will make the visit to the health centers easy for the people living in rural areas. This will help reduce the burden on big hospitals. This will attract investment into this sector and also reduce the cost of such devices. This will make the generic medicines affordable for the poor and underprivileged. This will improve the health facilities in these two states.
4	**Skill development**	Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country. 100 India International Skills Centers will be established across the country. Skill Acquisition and Knowledge Awareness for livelihood Promotion programme (SANKALP) to be launched at a cost Rs. 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth. Next phase of Skill Strengthening for industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores. Skill India mission	This will help the economy to reap its demographic dividend This will facilitate skill development of youth and enhance employability, international. This will help in training the youth and will spread knowledge awareness among them. This will help in training the youth for industries and will generate employment opportunities for them. This will enhance the skills of the youth and will generate employment opportunities.
5	**Welfare of Women**	Under Maternity Benefit Scheme, Rs. 6,000 to be transferred to pregnant women, who undergoes institutional delivery and vaccination for their children. Mahila Shakti Kendra to set up with a budget allocation of Rs. 500 crores in 14 lakh ICDS Anganwadi Centers.	This will increase the standard of living of women and will help them raise their children properly. This will encourage the women in giving their children proper vaccinations which is necessary after the birth. This will provide support services to rural women with opportunities for skill development, employment, digital literacy, health and nutrition by empowering them.

6	**Youth**	An Innovation Fund for Secondary Education and will focus on 3479 educationally backward blocks. A scheme for creating employment in the leather and footwear industries along the lines in Textile sector to be launched. To create additional 5,000 Post Graduate seats per annum.	This will encourage local innovation for ensuring universal access, gender parity and quality improvement. This will include ICT enabled learning transformation. This will boost the textile sector and will create employment opportunities for the youth. This will boost the leather and footwear industries also. This will ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care.
7	**Poor and Underprivileged**	The National Housing Bank will refinance individual housing loans of about Rs 20,000 crore in 2017-18. To foster a conductive labour environment, legislative reforms will be undertaken to rationalize the existing labour laws.	This will help the poor and underprivileged to build their homes. This will help in taking care of wages, industrial relations, social security and welfare, safety and working conditions of the labour.
8	**All inclusive development**	The allocation for the welfare of Scheduled Castes has been stepped up from Rs 38,833 crores in BE 2016-17 to Rs 52,393 crores in 2017-18, representing an increase of about 35% and for Scheduled Tribes has been increased to Rs 31,920 crores and for Minority Affairs to Rs 4,195 crores. For senior citizens, Aadhar based Smart Cards containing their health details will be introduced. The LIC will implement a scheme for senior citizens to provide assured pension, with a guaranteed return of 8% per annum for 10 years.	This will facilitate upliftment of marginalized sections of the society and promote all inclusive growth and development. This will help the senior citizens to carry only one card for their health services and make it easy for them. This will help the senior citizens in securing their future more.

Source: PHD Research Bureau

12. IMPACT ON CONSUMERS

Union Budget 2017-18 has announced various measures to stimulate demand of rural consumers and thereby estimated to result in shifting to cash-less economy and hassle free payments, making housing affordable. Further, cigarette and tobacco products, mobile phones, silver coins and medallions, cashew nuts are likely to cost more for consumers. On the other hand items such as railway travel, POS machines and fingerprint readers, LNG (Liquefied Natural Gas), RO water purifier are likely to become cheaper on account of reduction in various duties structure. There is relief for small tax payers as there is reduction in personal tax rates for individuals in the Rs2.5-5 lakh income bracket to 5% from 10%.

Impact on Indian consumers

S.No	Parameter	Announcement	Impact
1	**Railway Travel**	With e-tickets booked through IRCTC will become cheaper as service charge on it has been withdrawn	This will increase the travelling by railways and will further boost the railway industry and promote the step towards cash-less economy.
2	**Tobacco and tobacco products**	Excise duty on filter cigarettes has been hiked by 6%. Duty on pan masala up from 6% to 9%, and on unmanufactured tobacco from 4.2% to 8.3%. Excise on beedis has increased—fourfold for machine-made ones from Rs21 per thousand pieces to Rs78 per thousand and by one-third for handmade ones to Rs28 per thousand pieces.	Cost of cigarette and tobacco products to increase and it will discourage consumption of tobacco and tobacco products
3	**POS machines card and fingerprint readers**	The Point of Sale machines and fingerprint reads will become less costly.	This will make payments a hassle free and will encourage people towards cash-less economy.
4	**LNG**	Excise duty on LNG has been reduced to 2.5% from 5%.	This will result in cheaper import of fuel, resulting in lower cost of power generation, urea and petrochemical production.
5	**Silver coins and medallions**	Increase in customs duty of silver coins and medallions by 12.5% from zero. An imported 100 gram silver bar, costing Rs 5,096, is likely to be dearer by Rs 650.	Buying silver medallions and coins, semi-manufactured forms of silver and articles of silver will become expensive due to the increase in excise duty.
6	**Cashew nuts (roasted and salted)**	Basic customs duty on cashew nuts has risen by 15% from 30% in 2016-17 to 45% in 2017-18, so a bag priced at Rs 800 will now cost at least Rs 865.	Consumers will have to pay more for cashew nuts due to the increased custom duty.
7	**LED lamp components**	Parts used for manufacturing of LED lights will attract basic customs duty 5 % and CVD of 6 % from nil earlier.	Consumers will have to pay more for LED Lights due to the increase in custom duty.

8	**Housing**	The allocation under the Pradhan Mantri Aawas Yojana-Gramin was increased to Rs 23,000 crore from last year's Rs15,000 crore. To complete 10 million houses for the homeless and those who live in kachha houses by 2019	Demand in housing sector will increase and may also result in picking up demand for consumer and household goods. This will provide proper housing to all living in the rural areas and improve their standard of living.
9	**Aluminium ores and concentrates**	Duty on mineral ore has risen from 0% to 15% in 2017-18 in the domestic market.	Aluminium ores and concentrates to become costlier.
10	**RO membrane elements for household usage**	Countervailing duty (CVD) has been reduced from 12.5% to 6%.	The product will be less costly and it will increase its consumption and people will get clean water to drink.
11	**Pure water**	Drinking pure water will also be more expensive as replacement of imported RO membranes in water purifiers will get more expensive due to a 2.5% increase from 7.5% to 10% in BCD on imported RO membranes.	Consumers will have to pay more for water as excise duty on them has increased. This will boost the domestic industry.
12	**Service Tax**	A majority of items like processed foods and soaps, oil, toothpaste and other consumer goods will be taxed between 12% and 18%	Services of processed foods, soaps, oils, toothpaste and other consumer products will be costlier and the taxes have been increased.
13	**Mobile Phones**	Prices may rise as imported PCBs now face a special additional customs duty of 2%. For example, a Rs. 20,000 local phone with an imported PCB is likely to be priced approximately Rs. 120 higher.	This will help in increasing the Indian manufacturing of PCBs. This will also help to promote Make in India. Being the need, consumers will still purchase mobile phones.
14	**Personal Tax**	Reduction in personal tax rates for individuals in the Rs. 2.5-5 lakh income bracket to 5% from 10%.	This is a relief for small tax payers and this will benefit the salaried employees.
15	**Subsidy**	Subsidies on food, fertilizer and petroleum have been pegged higher by over 3 % to more than Rs 2.4 lakh crore for 2017-18. The subsidy bill on food, petroleum and fertilizers is estimated at Rs 2,40,338.6 crore for 2017-18 fiscal.	This will reduce the price of the goods and will encourage more consumption.

Source: PHD Research Bureau

13. OTHER MAJOR ANNOUNCEMENTS

S. No	Parameters	Announcements	Impact
1	**Ease of doing Business**	Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit linked deduction.	This will significantly reduce the burden of domestic transfer pricing compliance and also indicates that domestic transactions need not be entered into at arm's length.
		Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of Rs. 10 lakhs to 25 lakhs or income from Rs. 1.2 lakhs to 2.5 lakhs.	It will provide further impetus to ease of doing business including simpler laws for incorporating and functioning of a company and for raising funds etc.
		Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.	This will reduce multiplicity of taxes, associated cascading and cut the cost of collection and push FPI investments in India
		Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit	It will give boost to ease of doing business. Further, it will encourage the entrepreneurial spirit to a higher extent.
		Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter	
2	**Political Funding**	Maximum amount of cash donation a political party can receive will be Rs. 2000/- from one person.	This will bring more transparency in the Indian political system with lesser reliance on cash and more reliance on digital transactions.

		Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with scheme that the Government of India would frame in this regard. Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act	This will enhance the monitoring mechanism of Election Commission in identifying the roots of funds allocated for political elections. This will also give a boost to exchequer's balance. This will assist the Election commission to track the funds and its sources utilized by all the political parties.
3	**Fiscal Prudence**	For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents	This will result in proper allocations of funds in the budget primarily focusing upon revenue and capital classification of Government expenditure. This will enhance effective implementation and outcomes of government schemes and thus result in overall improvement of government expenditure.

Source: PHD Research Bureau

14. CONCLUSIONS

The budget for 2017-18 has rightly focused on all-inclusive development of the country with impactful announcements for small businesses, small tax payers, farmers and workers. The most important feature of this budget is that there is no negative in the announcements. The agenda “Transform, Energize and Clean India” – TEC to transform the quality of governance and quality of life of our people; energize various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential; and clean the country from the evils of corruption, black money and non-transparent political funding is inspiring and pragmatic.

The socio-economic focus across the segments including farmers, rural population, youth, poor and underprivileged will have a significant impact on the inclusive development of the country and some respite in the growing inequalities. As per the latest economic survey of government for the period 2016-17, the welfare spending in India suffers from misallocations, the districts with the most poor are the ones that suffer from the greatest shortfall of funds in social programs. The districts accounting for the poorest 40% receive 29% of the total welfare funding.

The Budget speech highlighted ten specific areas of focus (1) farmers--committed to double the income in 5 years; (2) rural population--providing employment & basic infrastructure; (3) Youth--energizing them through education, skills and jobs; (4) the poor and the underprivileged-- strengthening the systems of social security, health care and affordable housing; (5) infrastructure-- for efficiency, productivity and quality of life; (6) financial sector--growth & stability by stronger institutions; (7) digital economy--for speed, accountability and transparency; (8) public service-- effective governance and efficient service delivery through people’s participation; (9) prudent fiscal management--to ensure optimal deployment of resources and preserve fiscal stability; (10) tax administration: honouring the honest including affordable housing, the rural-agri sector and the digital economy.

Hon’ble Finance Minister has chosen fiscal prudence over political opportunism. The fiscal deficit target at 3.2% in 2017-18 and 3% in FY2018-19 given the demonetisation-remonetisation process is in line with the industry expectations. It will help in macroeconomic stability and improved growth outlook, going forward. This fiscal prudence is a welcome move, given the current slack in private investment and hence, the need for higher public spending. The revenue/expenditure numbers appear realistic and there shouldn’t be any risk of any slippage vis-à-vis budgeted 60% growth in disinvestment proceeds during 2017-18.

Coming to the taxation part, taxation reforms have focused on encouraging compliance at threshold income levels. The income-tax rate on the bottom slab has been reduced from 10% to 5% and has imposed a 10% surcharge on higher slabs of more than 50 lakhs taxable income; transferring the tax burden from the lower middle class to the upper middle class. On the other hand industry was expecting a breakthrough in the simplification and reduction of taxation but there is no change in MAT and corporate tax rates in general. Corporate tax was expected to reduce to the level of 25% to increase India’s competitiveness in global market as most of the economies have less than 23% effective rate of corporate tax which is significantly lower than India’s effective rate of more than 30%. Last year FM reduced the rate to 29% for select companies; this year cut in corporate tax to 25% is only for MSME companies with a turnover of under Rs50 crore.

Overall the government has provided a balanced and growth-oriented budget; tax benefits to small taxpayers, MSMEs and Infra status to affordable housing are encouraging and would pave the way for a higher growth trajectory in the coming times. Incentivising the backbone of businesses – the MSMEs aims to increase tax compliance and some respite in the hardship faced during demonetisation. Infra status to affordable housing would absorb semi-skilled and unskilled workforce in the housing and construction sector, generate employment opportunities and increase demand in the economy. Structural reforms in the digital economy vis-à-vis remonetization process are appreciable and help the economy to become less-cash dependent in the coming times.

Abolition of FIPB would attract foreign investor's vis-à-vis removed roadblocks to foreign investment and a boost to Make in India program. But over 90% of FDI proposals already go by the automatic route. FDI in strategic areas (defence, telecom) will still need clearance. Reforms in the banking sector will expedite credit growth in the coming times. But the provision of just Rs 10,000crore for public sector bank recapitalisation looks inadequate, given their rising bad debts.

The 24% increase in the agricultural allocation from Rs. 1,42,289 crore in 2016-17 to Rs. 1,87,223 crore in 2017-18 reveals government's continuous focus on agriculture reforms to strengthen the rural economy. Allocation under MNREGA increased to 48,000 crore from Rs 38,500 crore will enhance the rural consumption and help the rural economy to re-fuel demand.

To create additional 5000 Post Graduate seats per annum to ensure adequate availability of specialist doctors to strengthen secondary and tertiary levels of health care is a good start to fill the gaps in health infrastructure. 100% electrification vision of the government by May 1, 2018 will be a major boost to rural infrastructure and increase the standards of living in villages. It will boost the demand for consumer durables such as TV, fridge, washing machines, etc.

Railway lines of 3500 kms will be commissioned in 2017-18 that will fill the infrastructural gaps to an extent. Also, 2000 kms of coastal connectivity roads have been identified for construction and development purposes. Allocation of Rs. 3,93,135 crore under a New Trade Infrastructure Export scheme will help to strengthen the export growth.

Political funding reforms to enable higher level of transparency like maximum amount of cash donation at Rs. 2000 per person and mandatory filing of tax return within the time prescribed for all political parties is a good start and welcomed.

In a nutshell, the budget 2017-18 contains all features of an all –inclusive development including the small businesses, farmers, rural India and workers, among others with a focus on improving the socio-economic status of the masses with the ground touching reforms and expected fruitful outcomes.

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 (USD 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 (USD 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 (USD Bn)	183.4	190.1	138.6	137	118.46	10.37^^^^
Net invisibles USD Bn	111.6	107.5	115.0	-	107.9^^	-
Current account deficit USD 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 USD Bn	67.8	94.2	33.3^^	11.8	-	-
Overall balance of payments USD Bn	12.8	3.8	15.5^^	6.9	-	-
Foreign exchange reserves USD Bn	294.9	292.04	304.22	316.2	355.56~~	359.14~~~
External debt - Short term USD Bn	78.2	96.7	89.2``	86.4```	83.5&&&	-
External debt - Long term USD Bn	267.5	293.4	351.4``	376.4```	402.1&&&	-
External debt – USD 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/USD 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.*

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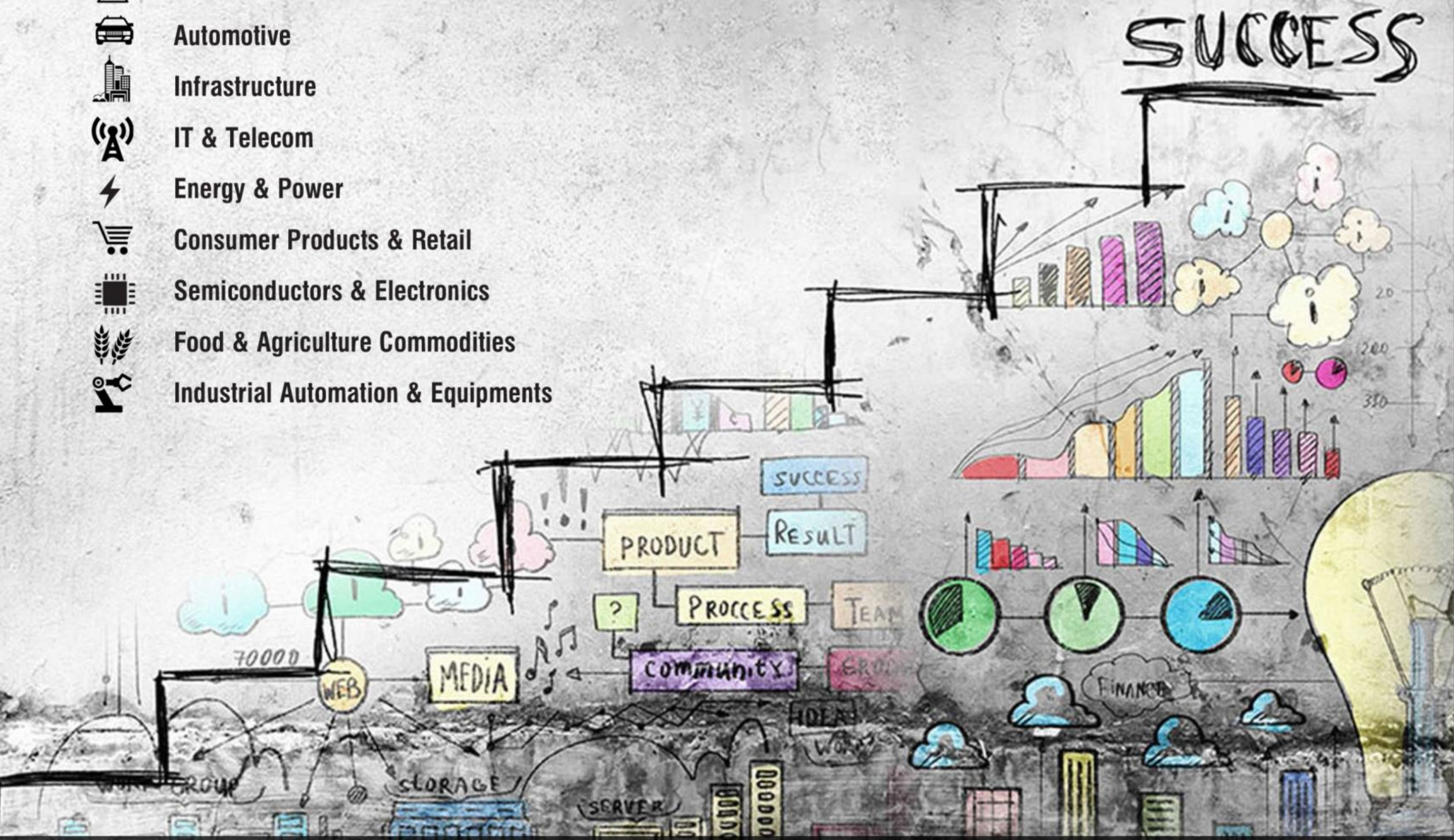

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