

President's Message

Friends,

“The budget is not just a collection of numbers, but an expression of our values and aspirations.”

The 2017-18 Union budget being a balanced and a growth-oriented one without negative surprises, makes me strongly endorse Prime Minister Narendra Modi's quote that “this budget is associated with our aspirations, our dreams and in a way depicts our future.” The integration of the railway budget into the general budget, merging of the plan and non-plan parts of the budget and bringing forward the date of the budget to February 1 are pointers towards the new way the Modi government wants to govern the economy and create conditions for faster and higher growth.

In this context, I truly appreciate this year's budget theme of TEC to “Transform, Energize and Clean India” with transparency and efficiency seemed to be the core message of the budget. Having said this, I am optimistic that the recent initiatives of digitization will facilitate India's transition to a more “formal” and “cash-less” economy, aided by measures to reduce anti-corruption, terrorist financing and non-transparent political funding. The new policy mindset is also reflected in the government's promise to induct an updated labour code, to enforce public sector reforms and to put into place new accounting norms which could eventually lead to higher GDP growth, better tax compliance and greater tax revenues.

Moving ahead, I concur that the world is seeing India as among one of the fastest growing economies, underpinned by a stable macro-economy with declining inflation and improving fiscal and external balances.

However, at this juncture, I feel that rising crude prices and a strengthening dollar could possibly affect the Indian economy. The shock of demonetization has undoubtedly impacted the economy as growth has somewhat slowed down and consumption weakened. Demonetisation has not only dampened banks' core business of lending, it has also hit loan recovery. Nonetheless, the recent structural reform of introducing the digital economy vis-à-vis remonetization has given an immense impetus to the ‘Digital India’ vision, with expected



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recovery in investment demand.

I am heartened to comment that the Finance Minister, in this year's budget singled out Medium and Small Enterprises and Start-ups as the future rung of corporate India and provided tax benefits to small taxpayers. The stage has also been set for implementation of the Goods & Services Tax (GST), which shall increase the momentum for the culmination for major tax reforms along with reduction in logistics costs for companies. I must point out here that indirect taxes have not been tinkered with, given the impending implementation of GST. However, the fiscal gains from implementing the GST and demonetization will probably take time to be fully realized and help the economy grow in the range of 8-10 percent in the medium-term.

I appreciate the budget's socio-economic focus across the segments including farmers, rural population, youth, poor and underprivileged which will have a significant impact on inclusive development of the country. The abolition of Foreign Investment Promotion Board is likely to attract foreign investors while the proposal to set up a ‘New Trade Infrastructure Export’ scheme could provide an impetus to exports. Foreign portfolio in-

vestors have been exempted from the rigours of indirect transfer provisions.

The ability of the budget to kickstart private investment cycle by allocating higher funds to the infrastructure sector would propel India's development. Affordable housing being a thrust sector of PHD Chamber has been granted an infrastructure status which would generate jobs and have a multiplier impact on cement, steel and construction industries. I also welcome the thrust on rural infrastructure with the vision of 100% electrification by May 1, 2018 that will raise the living standards of people in rural areas.

The increase in farm allocation reveals the government's focus on agriculture reforms to strengthen the rural economy. Measures like crop insurance scheme, agri credit, doubling the coverage of e-markets for agri goods, model for contract farming law, etc will go a long way in reducing poverty in a big way.

However, the budget leaves a lot to be desired as industry was waiting for corporate tax rates to be reduced to 25% by 2019 as promised by Finance Minister in budget 2015. Moreover, a 10 percent surcharge has been levied on individuals earning between Rs. 50 lakhs to Rs. 1 crore, in addition to the present surcharge which may discourage investment plans.

In continuation of the Chamber's drive to encourage our members in investing overseas, I led a business delegation to Singapore in December wherein the Chamber organized a ‘India-Singapore Investment Summit – Reconnecting Businesses with Opportunities’ which was attended by more than 90 esteemed delegates from Singapore, with Mr. Jawed Ashraf, High Commissioner of India as the Chief Guest.

Further, on the international front, US President, Mr. Donald Trump's increasing protectionist and restrictive immigration policies are likely to have a detrimental impact on the Indian IT sector and exports. I think it is time, Indian industry starts exploring alternative export markets under the Trump administration.

The Indian economy holds immense growth potential to shine in the times to come. Let us all work together to fulfil the mission of bringing a massive transformative shift in the way our country is governed and build a prosperous and brighter India.