

Indian Budget 2016-17

An Economic Perspective

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Discussion Points

- ❖ Global Macroeconomic Landscape
- ❖ Current State of Indian Economy
- ❖ Key Challenges for India
- ❖ 9 Growth Pillars to Transform India
- ❖ Notable Initiatives from Economic Perspective
- ❖ Future Outlook

Global Macroeconomic Landscape

It is currently going through a rough and uncertain trajectory due to global slowdown as visible from following factors:

1. Declining prices of a number of commodities with major impact of reduction in crude oil prices
2. Turbulent financial markets particularly equity markets
3. Volatile exchange rates across the globe

These conditions reflect:

1. Extreme risk-aversion behavior of global investors
2. Economies heavily dependent on commodities export are under tremendous stress

Current State of Indian Economy

Despite global slowdown and a weak monsoon, India registered robust growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16 on the strength of domestic absorption and thus becoming the fastest growing major economy in the world

Positive key macroeconomic parameters:

1. Inflation (CP inflation has come down to 5.4% from 9.4% last year)
2. Fiscal Deficit (Currently hovering 3.9% from 4.1% in 2014)
3. Current Account Deficit (Narrowed to USD 8.2 billion in the third quarter of 2015 from a USD 10.9 billion a year earlier)
4. Forex reserves (At highest levels of USD 350 billion)

Current State of Indian Economy....Contd.

Constraints:

1. Weak growth in advanced and emerging economies has badly affected India's exports. (Exports in January 16 fell 13.6% from a year earlier)
2. Growth in agriculture has declined due to back to back less than-normal monsoon rains, in last two years
3. The rupee has depreciated vis-à-vis the US dollar like most other currencies in the world.

However, given the fact that Government is committed to take the reform process forward and the prevailing macroeconomic stability, it is expected to achieve GDP growth rate of 8 per cent or higher in the next couple of years

Key Challenges for India

- ❖ Poverty (Sizeable population of India are below poverty line)
- ❖ Unemployment (Rate of unemployment is still high)
- ❖ Poor Infrastructure (Transportation, Energy, Social)
- ❖ Fiscal Discipline (Inflation, Fiscal Deficit, Current Account Deficit)
- ❖ Rural Economy (High proportion of rural population)
- ❖ Structural Reforms (GST, Bankruptcy Law etc.)
- ❖ Share of India in Global Trade (Meager)
- ❖ Good GDP growth rate (Sustainable and Inclusive)

Nine Pillars of Growth to Transform India

1. Agriculture and farmer welfare
2. Rural sector
3. Social sector
4. Education, skills and job creation
5. Infrastructure investment
6. Financial sector reforms
7. Governance reforms and ease of doing business
8. Fiscal discipline
9. Tax reforms to reduce compliance burden

- Good basis to look broader picture of economy at a glance
- A tool for measuring and monitoring progress of economy
- Mechanism to review Government performance

Notable Initiatives from Economic Perspective

The budget seems to have a clear reflection of Government's firm commitment to substantially boost investment in agriculture, social sector, infrastructure and employment generation by measures like:

- ❖ Pushing irrigation coverage which is currently as low as 46% of cultivable area by following initiatives:
 - i. Pradhan Mantri Krishi Sinchai Yojana' to be implemented as mission
 - ii. Fast track implementation of 89 irrigation projects to increase cultivable land
 - iii. Rs 20,000 crores dedicated to irrigation funds in NABARD
- ❖ Reviving Rural Economy by way of giving Rs 2.87 lakh crore grant to Gram Panchayats and Municipal Corporations as per the recommendations of the 14th Finance Commission

Notable Initiatives from Economic Perspective...Contd.

- ❖ Boosting social sector including education and health care by allocating Rs 1.51 lakh crore
- ❖ Rs 1,700 crores allocated for setting up 1,500 skill training institutes to support skill development mission
- ❖ Re-structuring infrastructure sector which is the backbone of all economic activities in country, by initiatives:
 - i. Arrangement for resolution of disputes in infrastructure related contracts
 - ii. Guidelines for renegotiation of public private partnership ('PPP') agreements
 - iii. Introduction of new credit rating system for infrastructure projects

Notable Initiatives from Economic Perspective...Contd.

- ❖ 100% FDI allowed under approval route in marketing of food products produced in India with a view to boost the agriculture sector as well as Make in India mission
- ❖ Target of amount sanctioned under Pradhan Mantri Mudra Yojana increased to Rs 1.8 lakh crore to support entrepreneurship
- ❖ Amendments to be done in Companies Act to improve enabling environment for start-ups
- ❖ Ease in Tax Administration by introducing Direct and Indirect Taxes Disputes Resolution Scheme, Rationalizing income tax penalties and Curtailing powers of arrest by Service tax officials
- ❖ Lower Dependence on Borrowings and Other Liabilities (From 24% in last year 15-16 to 21% in this year)

Future Outlook

- ❖ Come out from Saving Mode to Investment Mode
(Government/ Corporates/ Public)
- ❖ Keep Fiscal Deficit in control (2016 3.9%, 2017 3.5%, 2018 3%)
(Pressure of 7th Pay Commission and OROP)
(Expenditure rationalization and Revenue augmentation)
- ❖ Focus on Growth of Exports (Competitiveness on global basis)
(Risk of further global slowdown)
- ❖ Promote Entrepreneurship (More Incentives and Resources)
- ❖ Make Private Investment More Attractive (Hybrid PPP Model)

To sum up, this is an inclusive growth oriented budget to balance the key priorities of investment, growth, jobs creation and entrepreneurship. How far the Finance Minister succeeds in balancing these priorities, it would be known in coming months.

Thanks!

About CMA Pankaj Jain

Seasoned CMA with spirit of entrepreneurship and having over 26 years of diversified experience across wide spectrum of industries while working at India and overseas with proven track record of aligning strategies with business and building trust based relationships globally.

Have managed numerous strategic business initiatives involving Venture Formation, Business Modelling, Strategic Financial Planning, Corporate Alliances, Demergers, Divestments, Cost Optimization, Business Restructuring, Capital Structuring, Corporate Governance and Corporate Financing for successful businesses with global foot prints and hold distinction of turning around the financial position of company through dynamic initiatives.

A post graduate in commerce from CCS University and has affiliations with leading professional bodies such as Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Institute of Management, Calcutta, Institute of Directors, All India Management Association, Institute of Internal Auditors, Computer Society of India and he is also founder of Young Entrepreneurs Network and Indian Society of Management Accountants.