

Near unanimous call to cut interest rates to beef up investment activity

Current business environment not conducive to capacity expansion, say 77% of FICCI Survey respondents

NEW DELHI, February 1, 2013. A pall of gloom has enveloped India Inc. as the economy continues to be buffeted by negative global cues, flagging industrial and export growth coupled with sluggish investment sentiment, according to the latest **FICCI Survey on Current State of Economy**.

In fact, business confidence has hit a new low with as many as 77% of the respondents to the survey feeling that the current business environment in the country is not favourable for capacity expansion. The findings of the survey were unveiled by the FICCI President, Ms. Naina Lal Kidwai, while addressing a press conference here today. The survey reveals that investing outside India by Indian industry is easier and better than undertaking investments within the domestic economy. A whopping 62% of the respondent companies share this perception.

Further, 90% of the respondents believe that a cut in the interest rates is essential to give an impetus to investments. A similar sentiment was shared by the respondents of the recently released FICCI's Economic Outlook Survey.

The FICCI Survey conducted on the eve the Union Budget FY14 elicited responses over the past one week from diverse sectors serviced by FICCI such as manufacturing, agriculture, health and education, chemical and chemical products, energy and power and medical devices, representing almost 60% of FICCI's Committees.

The key expectations of responding companies from the forthcoming budget are:

- Roll out the Goods and Services Tax at the earliest
- Giving a booster shot to infrastructure sector and capital spending
- Supporting manufacturing growth through incentives and providing for suitable fund allocation to the export sector
- Moving ahead on the path of fiscal consolidation through rationalizing subsidies and bringing about some stability in direct and indirect tax (cut in excise and customs) structure
- Focus on the Agriculture and Rural sector and removing supply side bottlenecks in agriculture value chain
- Increase outlay to social sectors like health and education to take forward social inclusion agenda

The survey reveals that the main impediments affecting business performance that cry out for urgent attention are:

- Land Acquisition
- Power supply

- Contract Labor and unavailability of skilled labor
- Regulatory Uncertainty and constant intervention, excessive litigation
- Delay in getting environment clearances
- Lack of clarity and stability in taxation policies
- Weak Demand
- High cost of inputs

Weblink: <http://ficci.com/SEDocument/2022/Current-State-of-Economy-FICCI-Survey-jan-2013.pdf>

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