FICCI gives policy suggestions to take India to a Higher Growth Trajectory

National Executive Committee Meeting of FICCI gets concluded at Bengaluru today

Bengaluru, 24 July 2015: Country's leading industry body Federation of Indian Chambers of Commerce and Industry (FICCI) arranged its National Executive Committee Meeting (NECM) on 23rd and 24th July in the city.

FICCI is highly encouraged by various policy measures being taken by the Government to enable economic progress of our Nation. The world today sees India in a positive light. The slew of reforms undertaken by the government has left a deep imprint and investors globally are looking towards India with renewed enthusiasm. The huge thrust laid on public investments is expected to crowd in private investments in the next six to twelve months.

To further accelerate the pace of investments and energies growth FICCI suggests immediate action on some critical areas, as listed below:

1. Reduction in Lending Rates: FICCI's industry surveys show that capacity utilization levels are still below optimal levels. Consumer demand has also not taken off in a manner that could boost investments. Interest rates have a key bearing on consumption and investment demand. Finance Minister has time and again made strong statements impressing on the need to lower interest rates. RBI has taken cognizance of the situation and cut policy rates. However, carry-forward of this by banks in the form of lower lending rates has not happened completely. We look forward to deeper policy rate cuts by the central bank and equivalent transmission of the same in the form of lower lending rates by the banks for both consumers and investors.

2. Healthy Fiscal Management: The government has controlled the fiscal deficit even while giving a massive push to public investments. Productive investments should continue even as steps are taken to rein in consumptive expenditure. In context of the fisc, we would once again reiterate the need to widen the tax base – incomes above a certain threshold need to be taxed irrespective of the source. We are happy to note the developments on the GST roadmap. We look forward to its introduction from April 2016 and we do hope that the rates will be prudent (sub 20%). We hope that the one percent flexibility given to States for 2 years will be limited to that period only. It is also important to pursue the disinvestment agenda to raise resources for Government as well as to improve PSUs' performance.

3. Strengthening Trust within Bureaucracy: The government is making an effort to re-introduce Prevention of Corruption Act. This is particularly important in view of section 13 (1) (d) (iii), which criminalizes officers' acts even in absence of mens rea. Such provisions hinder the decision making ability of the bureaucracy, who are key in implementing the national development agenda.

4. Resolving Land Acquisition Issue: On the issue of Land Acquisition, FICCI completely supports the government's stand to amend the 2013 Act. Our key recommendation is to remove the private purchase of land between a willing buyer and a willing seller from the purview of the Act. Passage of the Land Acquisition (Amendment) Bill with consensus of all States is the optimal solution to enable implementation of key developmental projects that have been facing hurdles due to issues in land acquisition. Nevertheless, in the absence of any consensus, the proposition of States to enact their own land laws aligned to their development requirements could be a useful alternative mechanism, as it would facilitate actualization of investments across States that have hitherto not fructified due to apprehensions and uncertainty over the Land Acquisition Act.

5. Implementing Labour Reforms: On the subject of Labour Laws, FICCI welcomes the reform measures taken. These will support the industrial sector as well as contribute to employment generation. Since mandatory tripartite discussions on these proposals are almost complete, we hope to see respective amendment bills being introduced in the parliament at the earliest. Some of the other suggestion in this regard include: (a) consider grand-fathering existing laws for existing work force; (b) have amended contemporary laws for new entrants to the work force; (c) operationalize exit policy under national manufacturing policy; similar exit mechanism required for companies outside NIMZs; (d) workers' housing to be an integral part of all the industrial corridors, parks, investment zones and smart cities; bring suitable schemes for the same and allocate land.

6. Implementing Power Reforms: Government has set an ambitious target of 24 by 7 power for all. Given the huge NPAs accruing from the state distribution companies, there is an urgent need to build consensus with states on reforms in power distribution and draw up a common minimum program to be implemented in a time bound manner. Government may consider setting up an Energy Empowerment Committee at the State Power Ministers' level on the lines of GST Empowered Committee. This also requires massive improvement in the governance structure of the power sector at the state level. Further, given the huge impetus on solar power, rapid investments are required for project development. There is a need to create visibility on annual capacity allocations for solar projects in the next five years as well as for creating demand visibility for solar manufacturing in the country.

7. Further Boost to Entrepreneurship: The Government has taken some significant measures to boost MSMEs and entrepreneurship, especially with the creation of MUDRA bank and Self-Employment and Talent Utilisation (SETU) mechanism. Given the considerable stress the government has laid on boosting entrepreneurship, FICCI suggests introduction of a rebated income tax for small startup businesses, in essence individually owned. Basis experience in China and Singapore, the Indian scheme can be called START (Start Up Rebated Tax) wherein tax benefits should be linked to direct employment by the startup businesses and tax benefit can be for a defined rebate proportion of say up to 50 per cent and for a limited period of say 5 years. One of the key issues for small business is sanctity of contracts and steps must be taken to ensure that commercial contract can be enforced quickly.

8. Implementing Reforms Initiated in Defence: The government has accelerated pace of reform in the Defence sector by policy initiatives like De-licensing of many items of dual use nature, which were earlier licensed as defence items and providing for a level playing field for private sector with respect to taxes & duties. The challenge lies in the implementation of this environment of equal opportunity for the Indian Defence Sector. It is important that we create a second line of production in the private sector based on a transparent selection criteria based on capabilities and track record. Successful examples of such selection and handholding by the Govt. are there from countries like USA and South Korea.

9. Privatization of Ports: While massive impetus has been given to public investment, government may also consider initiating privatization of public sector ports; identify one port for privatization in the current year.

10. Level Playing Field for Domestic Industry: Make in India is a great initiative and to make it truly successful we need to create an efficient and competitive eco-system for the industrial sector. We urge the Government to look into the specific bottlenecks that have affected expansion of our manufacturing sector. We would also request for additional push to export-oriented sectors that have been reeling under stress due to slowing global demand. Additionally, existing FTAs must be reviewed and new FTAs must result in greater effective market access for Indian industry.

Apart from holding consultations and meeting at Central Government level, FICCI has been actively working with State to promote investments. In this context FICCI held its NECM in Bengaluru, Karnataka.

During its interaction with the Government of Karnataka, FICCI will be working with the State through following initiatives:

1. Invest Karnataka: FICCI is partner association in 'Global Investors Meet', happening in November 2015. In partnership with the Government of Karnataka, FICCI would be organizing road-shows, sector sessions and facilitate investments into Karnataka.

2. India-Central Europe Business Forum: The Second India-Central Europe Business Forum will be held during 5-6 October 2015 in Bengaluru. The Government of Karnataka is the Partner State, and the event would help facilitate business networking with investors from Central European Countries.

3. Karnataka Education Summit: in November / December 2015 - Education Round Tables in Belgaum and Mangalore culminating at the State-level Summit in November 2015 in Bengaluru to discuss quality of education, skill development and internationalization and prepare a roadmap for industry–government partnership in Karnataka.

4. Healthcare - International Conference and Exhibition in February 2016: To facilitate the growth of medical electronics and medical equipment industry in Karnataka, FICCI will be organizing an International Conference and Exhibition in February 2016.

5. Tourism: FICCI would facilitate implementation of the recently announced Government of Karnataka Tourism Policy. Private Sector participation is an important aspect of the new Tourism Policy and a key element of the policy is private sector adoption of Tourist destinations. FICCI would facilitate the industry participation. FICCI is also planning to organize Karnataka Travel Mart in partnership with the Tourism Department to promote Karnataka Tourism and facilitate investment.

FICCI MEDIA DIVISION