

VOICE OF FICCI

SHAPING THE AGENDA



MARCH 2018



From the
Secretary General

I am pleased to share with you a new version of our monthly publication that encapsulates FICCI's views and statements on major policy issues and initiatives of the previous month.

This is now recast in a brand new design and content format styled 'VOICE OF FICCI'. The newsletter is intended to be a value-added membership service that keeps our members updated about FICCI's recommendations on various policies of the government and other regulatory bodies like the Reserve Bank of India and statements and views of our President. This will also keep our members informed of developments in their interest areas and sectors.

This issue has snapshots on policy developments on the Monetary Policy, FICCI's survey on GST, investigation into PSU banks NPAs, privatization of public sector banks and the changes in the criteria for MSME classification.

I hope you find it useful and welcome feedback on the same.

Sanjaya Baru



FICCI ON RBI'S MONETARY POLICY

The recently released *Economic Survey of the Government* states that inflation during 2017-18 averaged the lowest in the last six years. The RBI has kept the policy rate unchanged since August 2017. In fact, there has been only one repo rate cut by the RBI of 25 basis points during the last fiscal year. *FICCI feels that an opportunity to lower interest rates significantly has been missed, which could have provided a major boost to private investments.*

Even though there are signs of recovery, the economy is yet to see a firm turnaround and private investments remain sluggish. *Going forward, FICCI hopes that the RBI will give equal consideration to the growth concerns as inflationary pressures in India are largely due to supply-side factors on the agricultural front.*

Additionally, as this year's Union Budget has laid special emphasis on strengthening agriculture-supply mechanism and *FICCI anticipates a better management of food inflation.*

7 February 2018



FICCI CONDUCTS AN INDUSTRY SURVEY ON GST

FICCI conducted a survey of enterprises after the implementation of GST, between November 2017 to January 2018, to take a reality check on issues being faced by the industry. Both MSME and large corporates participated in the survey and shared their first-hand experiences. Of the respondents, 59 per cent were MSMEs while the rest 41 per cent were large firms. Besides highlighting the key areas of concerns, the respondents also made useful suggestions to make GST simpler and effective.

'Voice of FICCI' is a service to all our members and shared with key policy makers and thought leaders. The document is a compilation of FICCI's views on macro-economic issues. These issues come to us directly from members, or through deliberations in conferences and seminars on sectoral issues, as also through Government notifications.

****This issue of 'Voice of FICCI' is a compilation of issues for the month of February 2018.**

The survey findings indicate that GST has had a positive impact on the logistics sector. More than 60 per cent respondents stated that after implementation their experience with inter-state transportation of goods has been good in terms of check-posts. More than 50 per cent respondents mentioned that goods' vehicles were no longer stopped and checked at state borders, and 59 per cent respondents cited reduction in transportation time.

While the key issues faced after GST implementation were: glitches in the GSTN portal, cumbersome procedures and documentation and cost of compliance.

17 February 2018



FICCI COMPLIMENTS FM FOR PRESENTING AN 'OUTSTANDING AND BALANCED' BUDGET

FICCI complimented FM the Finance Minister, Arun Jaitley, for presenting an 'outstanding and balanced' budget, referring in particular to the emphasis on rural economy, infrastructure, financial sector reforms, expansion of the tax base, MSMEs and provision of investment and employment-based incentives. *However, FICCI felt that the government's promise of lowering the rate of corporate tax to 25 per cent has remained 'partially unfulfilled'.*

The minister called for aggressive tapping of the non-tax revenues, hoped for reduction in litigation on the tax front and more communication on the part of the government on its tax raising efforts, particularly in bond markets.

5 February 2018



FICCI MAKES A STATEMENT ON INVESTIGATION OF PSBs NPA ACCOUNTS ABOVE RS 50 CR

FICCI states that the government's move asking the PSB (public sector banks) MDs to investigate all NPA accounts above Rs 50 crore for detection of fraud and wilful defaults will help in ensuring the much-required cleansing of the banking system and the establishment of a transparent and effective risk-management mechanism in the functioning of the state-run banks.

This exercise, especially detection of frauds and wilful defaults, needs to be carried out cautiously and the government must ensure that investigations do not cripple lending and dampen business sentiment further. With continuous effort from the government and the RBI, PSBs should strengthen their risk

management practices with an immediate sense of urgency. At the same time, an effective time-bound action plan to infuse transparency and a robust risk management system in these banks is necessary.

The government's strategy towards NPA resolution through Indian Banks' Association, strict action against frauds and wilful defaults, and strengthening of PSBs, will help in dealing with the existing issues. The larger and long-term solution, however, lies in the rationalization, consolidation and selective privatization of PSBs.

28 February 2018



FICCI RECOMMENDS PRIVATIZATION OF PUBLIC SECTOR BANKS

India needs sustainable high growth for its socio-economic development, which will not be possible in the absence of support from a robust financial sector. The public sector banks, which constitute almost 70 per cent of the Indian banking system, are saddled with burgeoning stressed assets. The government has already injected over Rs 2.6 lakh crore in the public sector banks through recapitalization in the last eleven years, which has had limited impact on improving the health of public sector banks.

FICCI firmly believes that the recapitalization of public sector banks alone is not a solution and will not be effective unless the inherent issues related to governance, productivity, risk management, talent and customer service are resolved. Given the continuous pressure on government finances due to weak performance of the banks, the government should consider privatization of public sector banks. This would reduce drain on the exchequer and the money saved could be used for development schemes and programmes of the government. A dynamic banking sector is the need of the hour and we should examine if there is at all a case for public sector domination in the sector.

19 February 2018



FICCI SUPPORTS ACTION AGAINST UNETHICAL AND ILLEGAL BUSINESS PRACTICES

FICCI unequivocally condemns the illegal and unethical business practices adopted in the recent PSU bank fraud case and commends the speed with which the government agencies including Enforcement Directorate, Central Bureau of

Investigation and other agencies have moved to take the investigation forward. Fraudsters should be expeditiously punished in accordance with the law and FICCI supports the need for swift and strict action against such companies. FICCI also recommends that in order to strengthen systemic and other risk management systems within the banking ecosystem a thorough root-cause analysis should be conducted to plug the gaps and to ensure there is no repetition of any wrongdoing that impacts the rightful functioning of any banking institution while discharging its duties to its customers and stakeholders. FICCI defends the freedom of business enterprise but does not support illegal and unethical business practices.

16 February 2018



FICCI WELCOMES CHANGE IN THE CRITERIA FOR MSME CLASSIFICATION

FICCI welcomes the Central Government's decision to change the criteria of classification of Micro, Small and Medium Enterprises from 'Investment in Plant & Machinery and Equipment' to 'Annual Turnover'. The decision will scrap the long-pending MSME Amendment Bill 2015, in Lok Sabha, under which it was proposed to increase the upper ceiling of investment in plant & machinery and equipment.

FICCI has long been advocating the need to have annual turnover-based definition for MSMEs as it will align them with the universal definition and hence make it easier to create business linkages with global counterparts. Turnover-based criteria also helps bring alignment across sectors and will create a level playing field, says FICCI.

MSMEs are generally run by a single proprietor and key stakeholders including family members or relatives. There is a thin line of difference between private and business assets of MSMEs and hence they are not able to assess what is to be included or excluded while calculating their investment in assets. The change in the norms of classification will certainly improve the ease of doing business for MSMEs and bring in transparency. It will also pave the way for increased direct and indirect employment in the sector.

FICCI also hails RBI's decision to extend the NPA period up to 180 days from the existing 90 days for MSMEs registered under GST with aggregate standard exposure up to Rs 25 crore and amount overdue as on September 2017 to make payment of loans to their creditors including banks and NBFCs. FICCI pointed out that this move will help in the cash flow and may result in reducing the MSME NPAs.

8 February 2018



LEADING THE DISCUSSION AT FICCI-KAS SERIES

The First Dialogue in the FICCI-KAS series on 'Multilateralism at Crossroads' invited thought leaders and opinion shapers to discuss new paradigms in international cooperation, in achieving the Sustainable Development Goals, towards cyber security in a digitally connected world, India's priorities and the role of the industry.

The experts while discussing the future of multilateralism expressed high hope to deep despair. *FICCI led the discussions expressing 'realism' rather than pessimism or optimism and opined that it would be erroneous to think that China will dominate world affairs when we should be confident in the belief that India and Germany can make a difference.* Indian business, FICCI feels, wanted international rules for business and, it also expressed confidence, that India and like-minded countries such as Japan, Germany, Saudi Arabia and Brazil can have a big say and create a workable multilateral system.

At the same time, FICCI expressed scepticism about how multilateralism would shape the future as the rise of China is fraught with danger in bringing about a global consensus on a rule-based system. China, while professing to abide by the global system, may hold the prospect of shaking the world through its own devices.

20 February 2018



FICCI LAUNCHES ASEAN-INDIA RESEARCH TRAINING FELLOWSHIP IN PARTNERSHIP WITH DST

FICCI has entered into a partnership with the Department of Science and Technology (DST), Government of India, to implement and execute the ASEAN-India Research Training Fellowship (AIRTF). The AIRTF scheme was introduced to promote scientific cooperation between India and ASEAN member countries.

The scheme provides opportunities to 50 researchers from ASEAN member countries to undertake research and training for a period of 6 months at academic and research institutions in India. The objective is to support and facilitate mobility of young talented researchers from ASEAN member countries to conduct short-term research and training under the guidance of Indian scientists.

AIRT Fellowship will be offered in the following areas, which are in sync with the ASEAN Plan of Action on Science, Technology and Innovation (APASTI) 2016-2025:

Agricultural Sciences

Biological and Medical Sciences

Chemical Sciences & Engineering

Computer Science & Engineering

Physical Sciences and Mathematics

Ocean, Earth & Atmospheric Sciences

Engineering Sciences

Materials, Minerals and Metallurgy

Science Policy/ IPR Management/ Technology Transfer & Commercialization

Other multi-disciplinary areas of Science, Technology and Innovation in alignment with APASTI.

FICCI has been at the forefront of India-ASEAN partnership, and recently took the lead in commemorating the 25-year partnership. FICCI in partnership with the Ministry of External Affairs and Department of Science & Technology, Government of India, also gives away the CV Raman International Fellowship for African researchers to promote scientific and technological cooperation between India and Africa.

20 February 2018



FICCI SIGNS AN MOU WITH THE IRAN CHAMBER

FICCI and Iran Chambers of Commerce, Industry, Mines and Agriculture (ICCIMA) signed an MoU to further strengthen economic relations by expanding and deepening commercial, trade and investment cooperation.

FICCI stated that it was engaged in exploring new avenues to enhance two-way business relations. FICCI could partner with Iran in the area of people-to-people contact and trade and commerce. Some of the primary areas of cooperation were transit and connectivity, infrastructure, oil and gas, petrochemicals, steel and machinery and agriculture.

In terms of the MoU, FICCI and ICCIMA will exchange information on economic and commercial matters which will enhance co-operation between Indian and Iranian enterprises, in particular, for products and industrial processes, offers and requests for joint ventures and identification of possible partners.

Both organizations will support activities such as seminars, conferences, business meetings in India and Iran, respectively. The two organizations will also facilitate exchange of eminent scholars and business professionals.

The MoU envisages that as a trade promotion exercise, both organizations will facilitate and coordinate programmes for the visiting delegations in India and Iran.

17 February 2018



About FICCI

Established 90 years ago, FICCI is the largest and oldest apex business organization in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. From influencing policy

to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry, reaching out to over 2,50,000 companies. FICCI serves its members from large (domestic and global companies) and MSME sectors as well as the public sector, drawing its strength from diverse regional chambers of commerce and industry.

The Chamber with its presence in 14 states and 10 countries provides a platform for networking and consensus-building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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