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FM: India remains a bright point in global economy and BRICS in particular despite the slowdown in global economy in 2016

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The Union Finance Minister Shri Arun Jaitley said that India remains a bright point in global economy and BRICS in particular despite the slowdown in global economy in 2016. He said that the growth in USA is weaker than anticipated earlier and BREXIT has led to disturbing reactions in the markets. However, the Finance Minister said that Indian economy has made significant improvements as growth in India remains stable, and we are in comfortable fiscal and debt situation. He said that the present Government has taken various decisive steps in last two and a half years which have helped the economy to get-out from inflationary spiral to stable prices. He said that to further boost the growth, the Government has taken many steps such as – passing of GST Bill, Institutional reforms like UDAY, improved Ease of Doing Business, Banking reforms and focus on infrastructure among others. The Finance Minister Shri Jaitley was making his Opening Remarks at the Pre-Budget Consultative Meeting with the Economists and other economic experts in the national capital here today.

After that number of suggestions were given by Economists and other economic experts for consideration by the Government for the forthcoming Union Budget 2017-18.

Some of the major suggestions are as follows:

Some of the participating Members suggested that this time Union Budget should not be a conventional Budget as these were not the normal times. Rather the Government should make best use of the opportunity arising from demonetization to present a Budget full of out of Box ideas. Members suggested that provisions should be made in the Budget to ensure that generation of black money is curbed. Also out of Rs.15.5 lakh crore demonetized cash, all need not to be brought back in economy again and focus should be on digital transactions to reduce dependence on cash.They suggested that it should be decided by the market how much cash need to be infused in the economy. They mentioned that in terms of use of cash, our economy is worse. They said that we use much more cash than our neighbours (with almost similar culture and mindset) use for similar economic activities. Some countries with even larger informal sectors use lesser amount of cash comparatively.

Some members also expressed the need of transparency on the Government's part and wanted the Government to come out with a Statement in the Budget which should detail clearly what costs have been incurred due to demonetization. Such as – printing cost of new notes and toll charges etc.

Commenting on demonetization, members requested that it can curb black money for the moment, but can't check the generation of black money in future. So next task should be to stop generation of black money in future . For this Government should incentivize people to move from informal to formal system and maximize use e-payments.

Some members felt that even after demonetization, there is a strong case for boosting capital expenditure as public infrastructure in India is too low.

Members expressed the need to widen the tax base but to reduce the tax slabs. Lower tax rates would increase compliance and reduce the generation of black money. Suggestions were made that certain type of agriculture income should also be brought under tax net especially which is used for converting black money in to white. Also, after the Income Disclosure Scheme- 2, cases of money laundering need to be fast tracked. Also many members expressed the disapproval of abolishing the Income Tax completely as this will create a huge gap between have and have nots.

To push digitization, it was suggested that a ceiling be fixed above which only digital mode/ cheque should be used and no cash transaction permitted above that limit. Also Government can help by creating a single app for all banks and digital incentives under Section 80 C of Income Tax Act 1961 should be considered. At the same time, awareness about digitization need to be spread among masses. Keeping in view the low internet penetration in India, it was suggested that digitization can not be pushed beyond a point. Also attention was drawn to the problems of Business Correspondents and need to make it a economically viable model.

Members were of the view that fiscal deficit should remain at 3 per cent. We should not deviate much from the fiscal road map and the Government should continue with rationalization of tax exemptions. Last time target for divestment was 0.4 per cent of GDP. Members suggested that this time it should be 0.5 per cent of GDP which would amount to around Rs. 84,000 crore.

Noticing that last time, Government tried EET (Exempt Exempt Tax), some members felt that it would be better to try TEE (Tax Exempt Exempt) this time. With this, problem of implementation will be solved. And then, the cap of Rs.1 lakh can also be increased to Rs.5 lakh. This will result in increase in savings.

Another member suggested to reduce interest payments which are very large at present. It was suggested that in times of global uncertainties and demonetization at home, the Government need to reconsider its inflation targets.

To improve financial inclusion in the country, it was suggested that more ATMs should be installed in post offices in rural areas. Further expressing concerns about elderly people in India, it was proposed that the Government should launch an Old Age Pension Scheme in which people above 65 years get Rs 500 per month. This would cost exchequer around Rs 66,000 crore but would go a long way in mitigating the plight of 11 crore old people (above 65 years) in India, majority among are women. Also, it was requested that the Government should provide at least one meal free to these elderly peoples on the lines of Mid Day Meal for children. Also nutrition security of citizens should be improved by implementing Food Safety Act effectively.

IMF and many international institutions have forecasted that India would continue to grow at a good rate. But this growth rate can further be increased if we can increase the participation of women in workforce. For this , other than changing the social mindset, some measures in Union Budget were suggested; such as – giving a 5 year tax holiday to women who join workforce. Another member suggested that right work environment needs to be created to increase women participation in workforce. He suggested that size of formal sector should be increased. And whole of informal sector should be covered by some sort of insurance scheme.

In discussions, healthcare emerged as the biggest vulnerability of the poor. A large number of people slip into poverty due to catastrophic expenditures on heath. Budget needs to pay attention to this aspect. Also suggestions were made to start some form of 'catastrophic insurance'. In this case, certain life threatening deceases like cancer can be covered.

A member said that Gross Tax Collections in last 3 years has increased by 43 per cent which is in line with our GDP growth, but Government's expenditure has increased only by 27-28 per cent only. Now task before the Government is whether to incentivize investments or consumption. It was also suggested that Government should now shift focus from fiscal deficit to Debt to GDP Ratio. It was suggested that large multi brand retail sector should be encouraged to collect better revenue from retail sector. Now money from emerging markets is flowing towards US, so cutting fiscal deficit does not make much sense.

Conceding that job creation is the biggest need of the time, members suggested that huge fiscal incentives should be given to the large employers who are export oriented. Commenting on agriculture sector, a Contract Farming Portal should be created where procurement agencies could interact with farmers. This would help farmers as they would have assurance of a fixed buyer and prefixed price. A similar portal for can be made for labour market. In this contractor who needs labourers can search them online. Even big farmers can get labour through this portal. Suggestions were also made about the creation of a National Register for Employment to track job numbers at a national level in a better way.

Some members requested to decrease discretionary powers of Government and taxmen. They also suggested independent audit of spending by political parties. Members lauded the Gold Bond Scheme but impressed upon the need to make it a regular and continuous Scheme so that anyone can join any time and asked the Government to promote this scheme in a big way.

Recognizing the importance of Science & Technology for progress of the nation, members urged to push R&D as it would be instrumental in success of Make in India and Start-Up India programmes.

In the meeting, along with the Union Finance Minister, Shri Arun Jaitley, the Minister of State for Finance and Corporate Affairs, Shri Arjun Ram Meghwal, Finance Secretary, Shri Ashok Lavasa, Secretary, Department of Economic Affairs (DEA), Shri Shaktikanta Das, Secretary, Financial Services (DFS), Mrs Anjuli Chib Duggal, Secretary, DIPAM, Shri Neeraj Kumar Gupta, Chief Economic Adviser(CEA), Dr Arvind Subramanian, and other senior officers of the Ministry of Finance also participated.

The Economists present during the meeting included Dr. Rathin Roy (Director, NIPFP), Prof. Ravindra H. Dholakia (IIM Ahmedabad), Dr. Charan Singh (IIM Bangalore), Dr. Nitin Desai, Shri Josh Felmen, Shri T.N. Ninan (Chairman, Business Standard), Shri Pulapre Balakrishnan (CDS), Shri B. N. Goldar (Institute of Economic Growth), Ms. Sonal Verma (Exec. Director & Economist, Nomura), Shri Sunil Jain (MD, Financial Express), Dr. Soumya Kanti Ghosh (Chief Eco. Advisor & GM, State Bank of India), Shri Ajit Ranade (Chief Economist, Aditya Birla Group), Ms. Pranjul Bhandari (Chief India Economist, HSBC), Prof. Bharat Ramaswami (Indian Statistical Institute), Dr. Shekhar Shah (DG, NCAER), Prof. Chetan Ghate (Indian Statistical Institute), Shri Surjit S. Bhalla (MD, O(X)US Investment) among others.

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