INDIA :

A 5 TRILLION DOLLAR ECONOMY BY 2024-25

Written and compiled by Sunil Kumar Gupta

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Sunil Kumar Gupta

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Mr Sunil Kumar Gupta is an entrepreneur par excellence, a philanthropist and a great visionary. He is the leader of Indo European Business Forum (IEBF), India; Founder – India Global Chamber of Businesses; Founder Chairman of SARC Associates and SARC Foundation; Life Trustee of Rashtriya Antyodaya Sangh, a Public Charitable Trust; Life Member of Delhi & District Cricket Association (DDCA) and National Sports Club of India (NSCI); Advisory Board Member at Raj Luxmi Samvid Gurukulam- Nalagarh, Himachal Pradesh; and a Member of Associated Chamber of Commerce and Industry of India (ASSOCHAM). He is also a Fellow Member of the Institute of Chartered Accountants of India (ICAI); Fellow Member of the Indian Council of Arbitration; Full Member of the Institute of Certified Public Accountants of Uganda (CPA-U). Furthermore, he holds a Certificate in International Taxation from Wien University, Vienna, Austria; and a Post Qualification Diploma in Information Systems Audit from the Institute of Chartered Accountants of India.

Mr. Sunil Kumar Gupta served as the Non-Executive Chairman of National Co-operative Bank Limited, New Delhi for a period of seven years (2000-2007). During his tenure the bank was awarded as the 'Best Co-operative Bank', in the year 2006, by the then Chief Minister of Government of Delhi.

Mr. Gupta acknowledges the concept of entrepreneurship as the strongest pillar of an empowered economy. He appeared in two highly recognized and much appreciated business shows, namely, 'Business Inside' on DD National (Doordarshan) and 'Big Business Ideas' on Zee Business in the year 2017. The shows were centered on educating the youth about the schemes/initiatives of the government as a step towards nation building with focus on the MSME sector, Make in India.

Skill India, Start-Up India, Stand-Up India, Mudra Yojana along with Credit Guarantee Fund and many more. The shows garnered more than eight crore viewership during the 104 weeks of telecast and were among the highest TRP rated shows.

As recognition of his business acumen, his analytical and policymaking skills, Mr Gupta has been a part of several international delegations. He accompanied the Hon'ble Former President of India Ms Pratibha Devi Singh Patil in the business delegations to Seychelles and South Africa to discuss bilateral issues between the two nations. He was also a part of the 21 member delegation from Institute of Chartered Accountant of India to Vienna, Austria in 2011.

In keeping with the spirit of dissemination, Mr Gupta has also authored many books to share the knowledge acquired through his experience, namely, A Practical Guide to The Prohibition of Benami Property Transactions Act ,1988; Make In India – A Compendium of Business Opportunities & Laws in India; Windows to Success- An Insight into MSME sector and North-East- The Land of Rising Opportunities. He is also the co-author of books such as BIG: Business India Guru and Business Economic I and II.

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About
IEBF

Indo European Business Forum

Established in 2007, IEBF is an independent and impartial body actively promoting to-way flow of trade and investment between India and the EU member countries. It is a non-profit, privately funded, non- governmental organization. Its aim is to encourage, nurture and promote bilateral business, mutual understanding and friendly relationship between industrial, service, and business communities of India and Europe. IEBF has taken a big step forward in the direction of achieving its mission by opening a chapter in India. The India chapter would further synergize the efforts of the UK office in order to take its activities to even greater heights.

Indo European Business forum is an open forum comprising like-minded people who believe that "India can offer strong and sustained business opportunities for European Union countries". IEBF members comprise leading business personalities and professionals, from both India and EU, having excellence in the field of business, finance, real estate, and art, to name a few. Our advisory board consists of people who are determined to create a progressive world.

Introduction

Indian economy has been on growth trajectory since the last few years and is heading towards achieving its humongous target of $5 trillion economy by 2024-25, which will make India a global economic power moving from 7th to 3rd position in terms of current dollar exchange rate. The Hon'ble Prime Minister Narendra Modi while chairing the fifth meeting of the Governing Council of Niti Aayog said "Goal to make India a 5-trillion-dollar economy by 2024, is challenging, but achievable, with the concerted efforts of States".

In the recent trend of global economic slowdown, India is moving forward towards achieving its dream target with the help of various factors like Democracy, Demography, Demand, Decisiveness, ease of doing business and ease of living among others.

We have various interacting forces like there is Democracy, Political Stability, Predictable Policy, and Independent Judiciary, and thus the confidence of Safety, Security and Growth of investment is automatically found here. India has a wide Demographic Dividend and a Young and Energetic Talent Pool. We are now one of the countries with the largest Engineering Education base and the strongest R&D facilities in the world. Due to the opportunities available to the youth of India and their innovations, India has been ranked number 3 in terms of Unicorns after America and China.

Now-a-days, the large population of India is becoming economically empowered, and the purchasing power is gradually increasing, which in turn may lead to increase in the demand in various sectors. Further, we have even started focussing on preparing Seamless, Inclusive and Transparent arrangements for the whole of India like the single Indirect Tax Regime in the form of GST and the developments in the IPR and trade mark regime. The Government is now working on new reforms to bring Laws related to Tax and Tax on Equity Investments at par with the Global Tax Regime.

In the last 5 years there has been FDI of $286 billion in India, which is half of India's total FDI Inflow in the last 20 years and about 90 Percent FDI is done by Automatic Route and 40 Percent is Greenfield Investment. 50 percent of the FDI that US has invested in India in the last decades has been invested only in the last 4 years. This data portrays the trust that the investors have placed in India and it has increased manifold. India has now become the prime business destination for the global investors.

Major Factors Contributing to the Growth in the Indian Economy

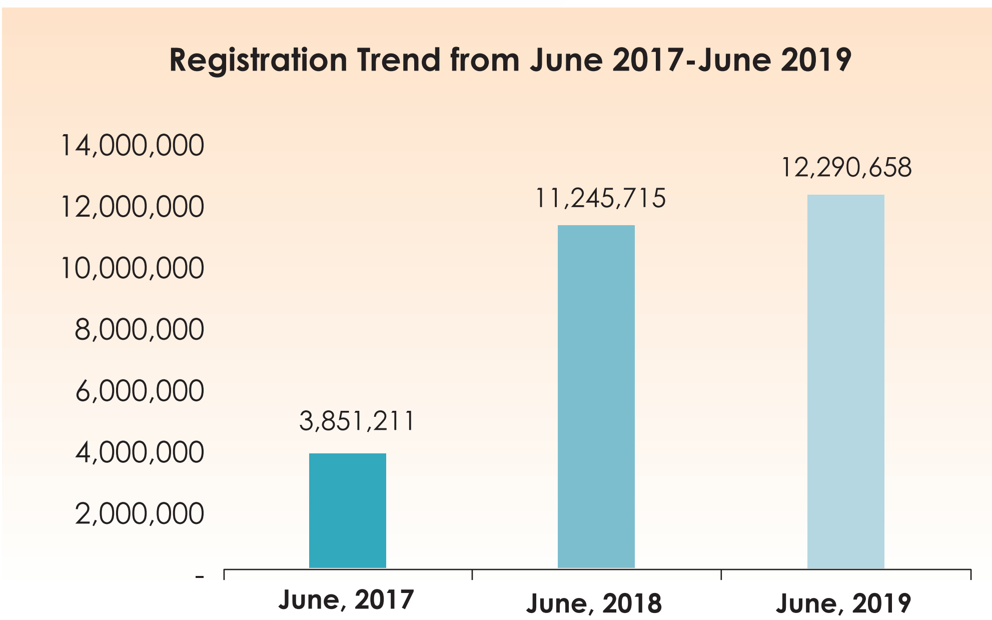
1. LAW REFORMS

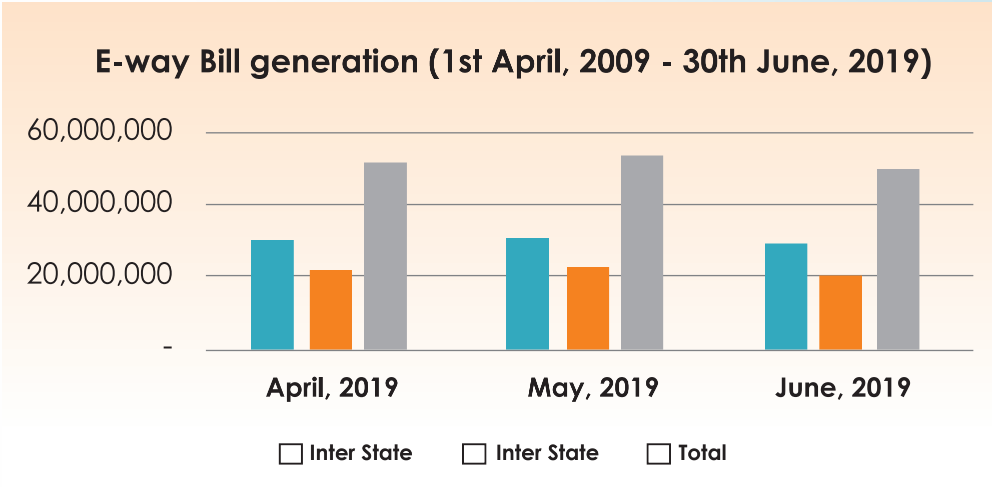
A. Tax law reforms

i) **Historic Tax reform - Introduction of a uniform and single Indirect Tax Regime through Goods and Service Tax (GST)**

India has seen the robust tax law reform in 2017 by way of introduction of the single indirect tax GST which simplified the indirect taxes in India by subsuming multiple taxes and Cesses levied by Centre and States into one single tax (GST) on goods and services across India. It has removed the hurdles of paying multiple taxes and ensured seamless and much faster movement of goods across State borders. There were various moves in favour of and against the initiative taken by the Government, but the Government by way of its constant monitoring, kept a check on the challenges that were being faced by the stakeholders and have been successful in accomplishing its objectives.

The collections in October 2019 stood at Rs 95,380 crore, which is higher than the 19-month low collection of Rs 91,916 in the previous month. Out of the total collection, the share of CGST is Rs 17,582 crore; SGST is Rs 23,674 crore; IGST is Rs 46,517 crore, and Cess is Rs 7,607 crore. The total number of GSTR 3B Returns filed for the month of September up to 31st October 2019 is 73.83 lakhs.





Month	Intra State	Inter State	Total
April, 2019	3,04,86,357	22038234	**52524591**
May, 2019	3,16,85,231	22589362	**54274593**
June, 2019	2,96,99,267	20046396	**49745663**
Total	**9,18,70,855**	**6,46,73,992**	**15,65,44,847**

Source: GST Network

ii) **Reduction in corporate tax rate**

Another worth mentioning initiative taken by the government is the reduction of corporate tax rates in order to boost the investor sentiment and encourage its 'Make-in-India' initiative. It has given an option to the domestic companies to pay tax at a concessional rate of 25.17% and 17.16% as per the criteria, inclusive of surcharge and health and education cess with effect from FY 2019-20 and such companies shall not be required to pay Minimum Alternate Tax (MAT). The decision of the Finance Ministry has put emphasis on the new domestic manufacturing companies in India to do business easily by paying a low amount of tax.

Previously before the introduction of this Ordinance, there were two tax brackets of 25% and 30% for the Indian corporates.

The lower rates are likely to push up the economic activity and increase revenue in the coming years. The stock market of the consumer product companies has also jumped up to 11 per cent on the BSE after the government announced sharp cuts in corporate tax rates. Companies like Hindustan Unilever (HUL), Nestle India, Asian Paints, Avenue Supermarts (D-Mart), Bata India, Berger Paints, Titan Company, Voltas and Colgate-Palmolive India were among the notable stocks that hit their respective fresh all-time highs on BSE. The reduced corporate tax rates in India will provide a lot of benefits to the Indian ecosystem. Companies availing benefits like R&D incentives, SEZ benefits or accelerated depreciation will now have to choose between staying in the existing direct tax regime or transitioning to the new reduced tax rate.

iii) **Reduction in MAT rate**

In its endeavour to ease of doing business, the Government has recently decided to reduce the MAT rate from 18.5% to 15%. The Ordinance seeks to amend the threshold for applicability of MAT and also provides that MAT will be payable if the total income computed as per the provisions of the Income Tax Act is less than 15% of its book profits. This decision was taken in order to boost foreign investments, particularly for investments into companies that enjoy several deductions/ exemptions under the Act.

iv) **Faceless e-assessment scheme**

In order to boost transparent tax administration, the Government has recently come up with faceless e-assessment scheme which eliminates the physical interface between the assessing officer and the assessee. The assessee whose case is under assessment can file his documents online and the system will choose an assessing officer randomly to assess the case. This scheme has been introduced for better transparency and fast disposal of the cases.

Source: Economic Times, IBEF, GST Network

B. Labour law reforms

India is now one of the fastest growing countries in the ease of doing business ranking. In order to generate employment and to facilitate ease of doing business the Government has recently taken various legislative, administrative and e-governance initiatives like:

i) **Legislative Initiatives**

- The rates of the ESI contribution has been amended by the Government recently. Now from 1st July, 2019, the employee's contribution rate is 0.75% and employer's is 3.25% of the wages paid. There is an exemption from contribution if daily average wage of an employee is upto Rs.137/-.
- Government of India has introduced a pension scheme for unorganised workers namely Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM) to ensure old age protection for Unorganised Workers. As on 7th November, 2019, 36 States/ UTs and 3,52,598 CSCs have been covered with 32,88,508 enrolments. The PM-SYM grants each subscriber a minimum assured pension of Rs 3,000/- per month after attaining the age of 60 years. During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50% of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse. In case a beneficiary has contributed regularly and died before age of 60 years, his/ her spouse will be eligible to join and continue the scheme after payment of regular contribution or may even exit the scheme as per the provisions of exit and withdrawal.
- Under Payment of Bonus Amendment Act, eligibility limit for payment of bonus enhanced from Rs 10000/- to Rs. 21000/- per month and the Calculation Ceiling from Rs. 3500/- to Rs. 7000/- or the minimum wages.

- Payment of Wages (Amendment) Act, 2017 enabling payment of Wages to employees by Cash or Cheque or crediting it to their bank account.
- Child Labour (Prohibition and Regulation) Amendment Act, 2016 provides for complete ban on employment of children below 14 years in any occupation or process.
- Maternity Benefit Amendment Act, 2017, increases the paid maternity leave from 12 weeks to 26 weeks.
- The Employee Compensation (Amendment) Act, seeks to rationalize penalties and strengthen the rights of the workers under the Act.
- The Payment Of Gratuity (Amendment) Act, 2018, provides flexibility to the Central Government firstly to increase the ceiling limit of gratuity to such amount as may be notified from time to time and secondly to enhance the calculation of continuous service for the purpose of gratuity for the female employees applying for the maternity leave for such period as may be notified from time to time. The ceiling limit of gratuity has been increased from Rs. 10 lakh to 20 lakh and period of maternity leaves has been increased from 12 weeks to 26 weeks vide notification dated 29.03.2018.

ii) **Governance Reforms**

- Ministry has notified "Ease of Compliance to maintain Registers under various Labour Laws Rules, 2017" on 21st February 2017 which has in effect replaced the 56 Registers/Forms under 9 Central Labour Laws and Rules made there under in to 5 common Registers/ Forms which will save costs, efforts and the compliance burden by various establishments.
- A Model Shops and Establishments (RE&CS) Bill, 2016 has been circulated to all States/UTs for adoption with appropriate modification. The said Bill inter alia provides freedom to an Establishment to operate for the entire year without any restriction on opening/closing time. This also enables employment of women during night shifts if adequate safety provisions exist.
- Under Industrial Employment (Standing Orders) Act, 1946, the category i.e. Fixed Term Employment, with all Statutory Benefits, has been introduced for all the Sectors for imparting flexibility to an establishment to generate employment to meet the fluctuating demands, vide the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018.
- Ministry has also notified Rationalization of Forms and Reports under Certain Labour Laws Rules, 2017 on 28.03.2017 for reduction of number of Forms / Returns under 3 Central Acts / Rules from 36 to 12 by reviewing redundant and overlapping fields.
- UNIFIED ANNUAL RETURN - "Unified Annual Return returns have been made mandatory in respect of the these Central Labour Acts [the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Maternity Benefit Act, 1961, the Payment of Bonus Act, 1965, the Industrial Disputes Act, 1947] on the Shram Suvidha Portal".

Source: Ministry of Labour and Employment, Employees' State Insurance Corporation

C. Business law reforms

a) The Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016 (IBC), introduced in 2016 for reconciling the existing framework by creating a single law for all the insolvency and bankruptcy matters. The objective of the code is time bound reorganisation and insolvency resolution of firms/ companies for maximisation of the value of assets of the firm/ company concerned, to promote entrepreneurship and with the introduction of the code, interests of small investors are now protected. The code has transformed the debtor-creditor relationship. Although upon constitution of the NCLT and the implementation of IBC its functionality had revealed the need for improvements in the law.

As per the recent data, presently there are 27 benches of NCLT, 2800 IPs, 3 insolvency professional agencies, 54 insolvency professional entities, 1 information utility, 2300 registered valuers and 11 registered valuer organisations.

Table: Corporate Insolvency Resolution Processes **(Number)**

Quarter	CIRPs at the beginning of the Quater	Admitted	Closure by				CIRPs at the end of the Quarter
			Appeal/ Review/ Settled	Withdrawal under Section 12A	Approval of Resolution Plan*	Commence-ment of Liquidation	
Jan-Mar, 2017	0	37	1	0	0	0	36
Apr-Jun, 2017	36	129	8	0	0	0	157
July-Sept, 2017	157	233	18	0	2	8	362
Oct-Dec, 2017	362	147	38	0	7	24	440
Jan-Mar, 2018	440	195	20	0	11	59	545
Apr-Jun, 2018	545	247	20	1	14	52	705
Jul-Sept, 2018	705	241	29	27	31	86	773
Oct-Dec, 2018	773	275	8	36	16	78	910
Jan-Mar, 2019	910	372	20	19	17	81	1145
Apr-Jun, 2019	1145	286	12	18	22	87	1292
Total	**NA**	**2162**	**174**	**101**	**120**	**475**	**1292**

* These exclude 3 resolutions which have since yielded into liquidation

Source: Insolvency and Bankruptcy Board of India

b) The Companies Act, 2013 and amendments thereof

The Companies Act, 2013 was introduced on 12th September, 2013 in order to encourage entrepreneurship, create transparency and high standard of Corporate Governance, facilitate ease of doing business, enforcing strict action against fraud, setting up separate watch dog authorities for separate operations etc. Certain new concepts like One person Company, Corporate Social Responsibility etc. were introduced for the first time for the benefit of the society and easy operation of the business in the country.

Further, on 2 November 2018, the Ministry of Law and Justice issued the Companies (Amendment) Ordinance, 2018 (ordinance) and made certain amendments to the provisions of the Companies Act, 2013 (2013 Act) on the basis of the report of the committee formed to review the framework dealing with offences under the 2013 Act. On 26 July 2019, after much deliberations, the Lok Sabha passed the Companies (Amendment) Bill, 2019 and on 27 July 2019 it was passed by the Rajya Sabha. On 31 July 2019, the Companies (Amendment) Act, 2019 received the assent of the President of India.

Penalty provisions have been made more stringent along with constitution of National Financial Regulatory Authority (NFRA), investigation into the affairs of the Company by Serious Fraud Investigation Office (SFIO) etc. through the Companies (Amendment) Act 2019.

The Ministry of Corporate Affairs (MCA) has recently introduced new version of SPICe (one day – one step) Company Registration which has revamped the existing process and establishment of Central Registration Centre to complete the government processing of incorporation application of a company in a single day. It is now possible to obtain the Directors Identification Number (DIN), name approval, incorporation certificate, Permanent Account Number (PAN) and Tax Deduction Account Number (TAN) allotment under a single process through a single form.

c) **Limited Liability Partnership Act**

Another positive development taken by the Indian Government is the introduction of the Limited Liability Partnership (LLP) Act in April, 2001. An LLP has the organisational flexibility as that of a partnership and has a number of tax exemptions and with less compliances. It is an ideal structure to run a business for start-ups and small businesses/ SMEs with less capital and minimum compliance.

LLPs have been recently gaining popularity due to the fact that foreign investment in an LLP has been permitted without any underlying conditions. In case of a LLP, after the payment of corporate tax of 30% on the total income, there is no further tax on distribution of the profits to the partners and nearly 65% of the total income of the LLP can be taken back by the partners. Hence, partners of an LLP tend to receive a higher amount of profit in comparison to that of a company where the profits suffer another level of dividend distribution tax.

d) **Micro, Small and Medium Enterprises (MSME)**

This sector has emerged as a highly vibrant sector of the economy over the last 4-5 decades. MSMEs plays a crucial role in creating large employment opportunities at a lower capital investment and encourages industrialization of rural and backward areas. This sector reduces regional imbalances and works for equitable distribution of national income and wealth.

Owing to MSME, India is expected to have the largest job-market ready for youth population in the world by 2020, the sector is sure to support India in improving its financial inclusion and mitigating the rural-urban divide. Several policy interventions along with technology and innovation will continue to play a pivotal role in creating a business- friendly atmosphere for the MSMEs.

Union Minister for MSME Nitin Gadkari recently said that his vision is to increase MSMEs contribution to India's GDP to over 50% from the current 29% and in order to achieve the $5 trillion target, the cooperation of the MSME sector will be crucial.

e) **Real Estate (Regulation & Development) Act, 2016**

The real estate sector is one of the most globally acknowledged sectors. This sector has transformed significantly over the decade. The fulcrum of this transformation is the enabling regulatory environment being created through several policy reforms such as the Real Estate (Regulation & Development) Act, 2016; Pradhan Mantri Awas Yojana; and Real Estate Investment Trusts (REITs), to name a few. This sector comprises four sub sectors - housing, retail, hospitality, and commercial. Increasing incomes, urbanisation and economic growth are leading residential and commercial real estate demands in India. Due to the increased transparency and returns, the private investment in this sector has increased and between 2009-18 it attracted institutional investments worth US $30 billion. This sector witnessed a Private Equity and Venture Capital investments of US$ 1.47 billion between Jan-Mar 2019. Institutional investments in India's real estate are anticipated to reach US$ 5.5 billion for 2018, the highest in a decade.

The construction development sector in India has recently received Foreign Direct Investment (FDI) equity inflows to the tune of US$ 25.04 billion between April 2000-March 2019.

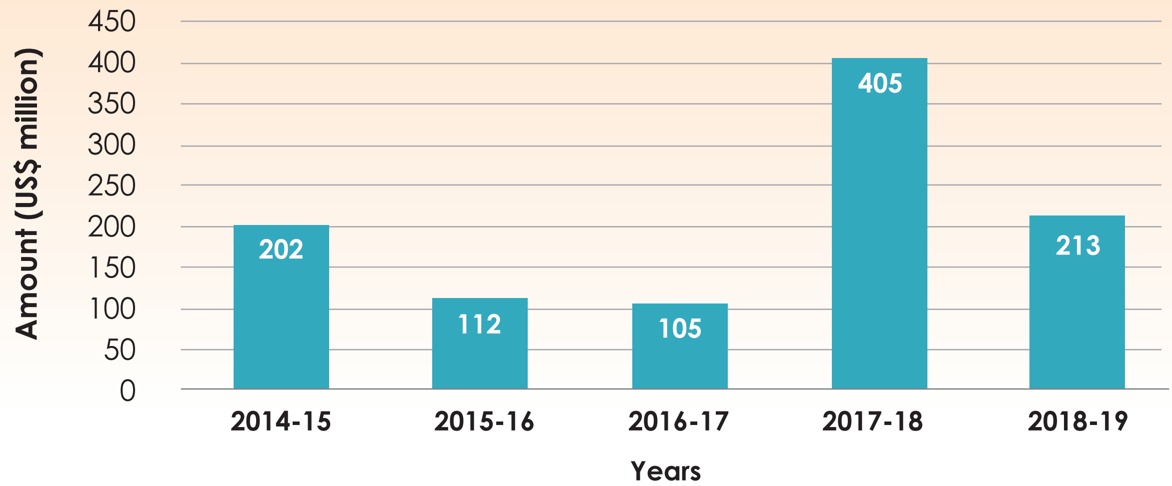
The Indian Government has taken various initiatives for the development of the real estate sector. The Smart City Project, with a plan to build 100 smart cities, is a lucrative opportunity for the real estate sector companies.

The Government has recently taken various other initiatives like:

- Introducing a Special Window named Alternative Investment Fund (AIF) with a corpus of Rs 25,000 crore for the incomplete projects registered under RERA
- Under the Pradhan Mantri Awas Yojana (PMAY) Urban, more than 8.09 million houses have been sanctioned up to May 2019 and 1,427,486 houses have been sanctioned in 2017-18
- In March 2018, construction of additional 3,21,567 affordable houses was sanctioned under the scheme
- In February 2018, creation of National Urban Housing Fund was approved with an outlay of Rs 60,000 crore (US$ 9.27 billion)

The Real Estate sector is estimated to contribute 13 per cent of the country's GDP by 2025 and is expected to reach US$ 1 trillion by 2030. Under the PMAY 8.09 million houses have been sanctioned up to May27, 2019 in urban area. This scheme will boost the entire real estate sector. In non-residential segment, the government has also announced draft guidelines for investments by Real Estate Investment Trusts (REITs).

Foreign Direct Investment Flows to India in Real Estate Sector



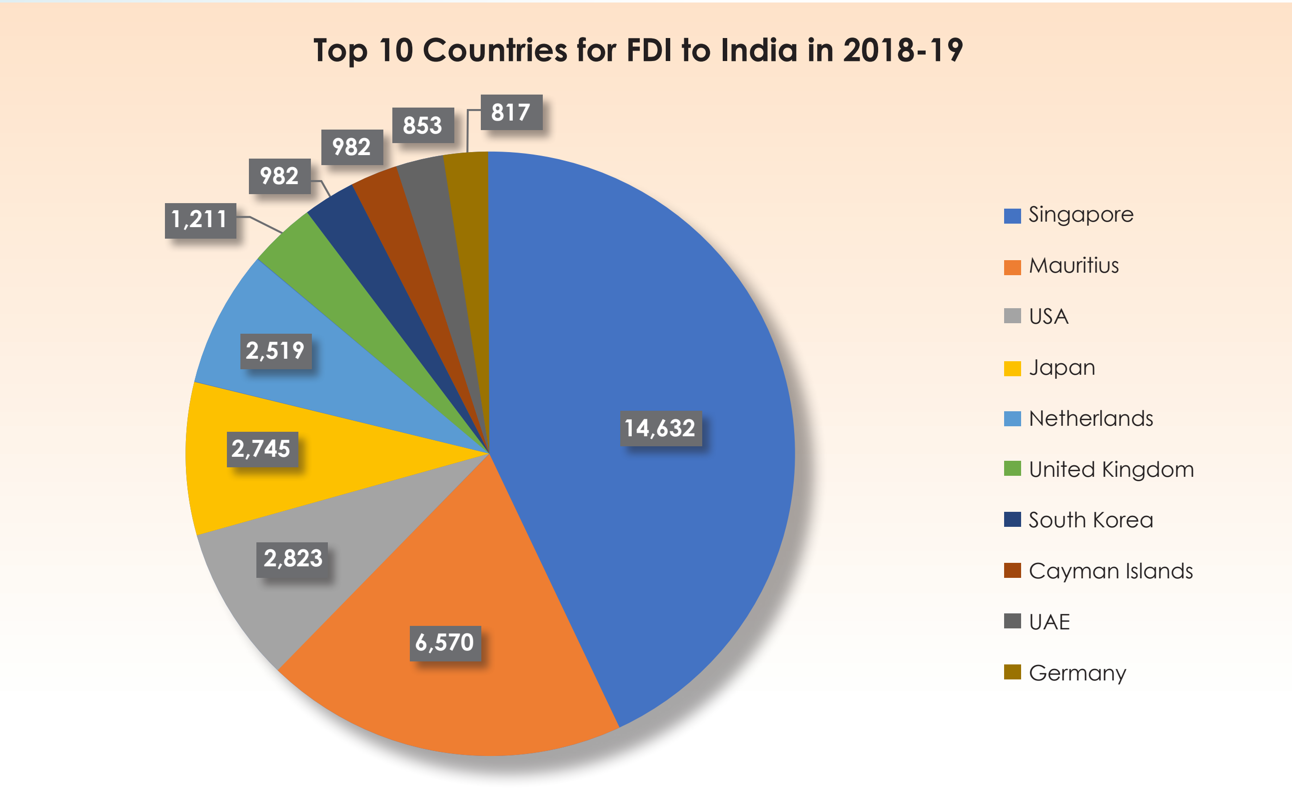
Source: Reserve Bank of India, IBEF

f) **Institutional reform – Financial Inclusion**

The recent flagship financial inclusion programme Prime Minister's Jan Dhan Yojana (PMJDY) was introduced in order to make services like banking, remittance and insurance available to every Indian at an affordable cost. Beneficiaries of the account can open a zero-balance account. As of 08 May, 2019, 356 mn new bank accounts were opened under the PMJDY out of which more than 211 mn accounts were in rural India, and around 190 mn are operated by women.

g) **FDI Policy**

Even when it comes to amending the FDI policy regime, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its approval to a number of amendments in the FDI Policy. FDI policy has been further liberalized recently in various sectors like 100% FDI under automatic route for Single Brand Retail Trading, 100% FDI under automatic route in Construction Development, 49% FDI in Foreign airlines through approval route etc. These amendments will further increase ranking in ease of doing business and will attract FDI inflows which in turn will contribute to growth of investment, income and generate employment.



2. SECTORAL REFORMS

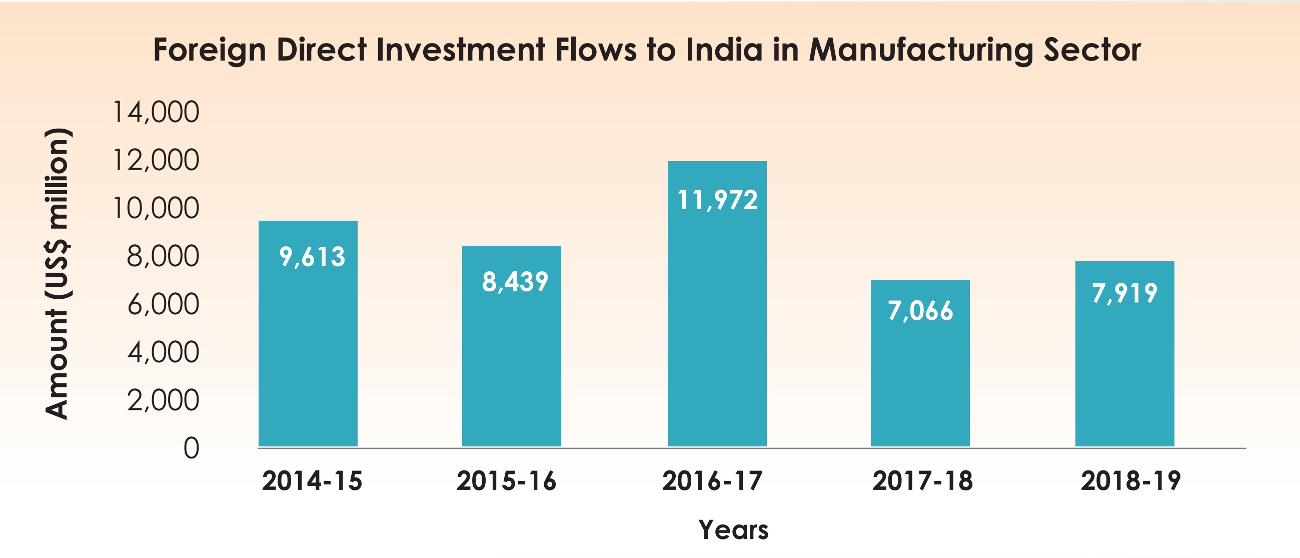
A. Manufacturing Sector:

i) **The Broad Manufacturing Sector:**

The recent years have seen significant growth in the Indian manufacturing sector. With the launch of the Make In India initiative, India has now reached a position on the global scale as a manufacturing hub and is expected to become the 5th largest manufacturing country globally by the end of year 2020. Under the Make in India initiative, the Government of India aims to increase the share of the manufacturing sector from 16 per cent to the gross domestic product (GDP) to 25 per cent by 2022, and to create 100 million new jobs by 2022. The Cumulative FDI in India's manufacturing sector stands out to US$ 76.82 billion during April 2000-June 2018.

Some of the recent major investments and developments in this sector are:

- As of December 2018, premium smartphone maker OnePlus anticipated that India will become its largest Research and Development (R&D) base within the next three years.
- India's manufacturing PMI stood at 51.7 in May 2019.The companies anticipate good growth in future prospects.
- IISC's Society of Innovation and Development (SID) and WIPRO 3D are collaborating to produce India's first industrial scale 3D printing machine.



ii) **Zero Defect - Zero Effect policy:**

In order to address the quality and ecological needs of domestic and overseas customers, society, employees, partners, regulators, and investors, India is now focusing on its Zero Defect (focus on customer)- Zero Effect (focus on society) policy which has a target of Zero non-conformance/non-compliance and Zero waste alongwith Zero air pollution/liquid discharge (ZLD)/solid waste and Zero wastage of natural resources. Moreover, the one district one product policy is required to be enhanced so that the local crowd moves forward and performs well.

Source: IBEF, Ministry of Micro, Small & Medium Enterprises

iii) **Make In India**

With the launch of the Make In India campaign in 2014 the obsolete and restrictive framework of the past have been abolished and replaced with a more transparent and user friendly system that focuses on driving growth and establishing a New India. It is intended to increase the share of manufacturing to 25% of GDP and Make in India is a critical initiative to achieve this objective. The primary intention is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India.

The four pillars:

- New Processes: With the objective of fostering business partnerships and attracting Foreign Direct Investment, the Government has introduced several reforms. Many initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. The reform is also aligned with parameters of Ease of Doing Business with focus on improving the rankings.
- New Infrastructure: Infrastructure is the backbone for the growth of any industry. The government has undertaken several projects to develop industrial corridors and build smart cities with state-of-the-art technology and high- speed communication. Research and innovation activities are supported by a online registration system and new improved infrastructure for Intellectual Property Rights (IPR) registrations.
- New Sectors: 'Make in India' has identified 25 sectors to promote the detailed information being shared through an interactive web-portal. The Government has allowed 100% FDI in Railway. Furthermore, the cap of FDI has been increased to 100% in Defence and Pharmaceutical.
- New Mindset: The Government of India had always acted as a regulator and not a facilitator. However, with the launch of this initiative, it intends to bring a paradigm shift in the way Government interacts with various industries. It focuses on acting as a partner in the economic development of the country alongside the corporate sector.

The Make in India initiative has identified 25 sectors which include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems.

The government hopes to create 100 million new jobs by 2022, thereby giving a push to the Indian manufacturing sector and to provide them with a stronger role in domestic job creation. At present, the Indian manufacturing sector contributes 16% to India's GDP. However, by 2025 it is expected to increase its GDP share to 25%. India is expected to capture the fifth position in the list of most competitive manufacturing nations in the world in the next five years.

India is now transforming itself into a prime business destination. The 25 identified sectors will transform India into a global player by 2030 by reducing and repealing unnecessary regulations, smothening processes, upgrading infrastructure, generating employment, and suggesting new sectors to FDI.

Source: Make In India

B. Agriculture Sector:

Agriculture is a pivotal important sector for the development of the Indian economy. The country has the 10 largest suitable land resources in the world. India is a land of all types of climatic conditions and various soil types. India is the largest producer of pulses, spices, milk, cashew, tea and jute; and the second largest producer of rice, wheat, fruits and sugarcane, vegetables, cotton and oilseeds. GVA by agriculture, forestry and fishing was around Rs 18.53 trillion (US$ 271.00 billion) in FY18. Production of horticulture crops is estimated at record 314.7 million tonnes (mt) in 2018-19 as per third advance estimates.

During 2017-18 crop year, food grain production is estimated at record 284.83 million tonnes. Production of horticulture crops is estimated at 314.86 million tonnes (mt) in 2019. India is among the top 15 exporters of agricultural products in the world. Agricultural exports from India reached Rs 2,67,049.69 crores (US$ 38.21 billion) in FY18 and Rs 20,687.44 crore (US$ 2.96 billion) as of April'19. The country achieved a limit of Rs 4,821.71 crore (US$ 689.80 million) in exports of ready to eat items in FY18. In December 2018 the government approved the Agriculture Export Policy, 2018. The new policy aims to increase India's agricultural exports to Rs 4,19,340 crores (US$ 60 billion) by 2022. In 2017, India ranked in 9th position as exporter of agricultural products.

As per the data derived from the Department for Promotion of Industry and Internal Trade (DPIIT), Foreign Direct Investment (FDI) equity inflow of about US$ 9.08 billion was recorded by the Indian food processing industry between April 2000 and March 2019.

Some major investments and developments in agriculture sector are as follows:

- Investments worth Rs 8,500 crore (US$ 1.19 billion) have been announced in India for ethanol production.
- The first mega food park in Rajasthan was inaugurated in March 2018.
- Agrifood start-ups in India received funding of US$ 1.66 billion between 2013-17 in 558 deals.
- In 2017, agriculture sector in India witnessed 18 M&A deals worth US$ 251 million.
- Prime Minister of India, launched the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-Kisan) and transferred Rs 2,021 crore (US$ 284.48 million) to the bank accounts of more than 10 million beneficiaries on February 24, 2019.
- The Government of India has allowed 100 per cent FDI in marketing of food products and in food product e-commerce under the automatic route.

Some of the Achievements of the agriculture sector are as follows:

- Sugar production in India has reached 27.35 million tonnes (MT) in 2018-19 sugar season, as of March 15, 2019, according to the Indian Sugar Mills Association (ISMA).
- The Electronic National Agriculture Market (eNAM) was launched in April 2016 to create a unified national market for agricultural commodities by networking existing APMCs. Up to May 2018, 98 lakhs farmers, 1.09 lakhs traders were registered on the e-NAM platform. 585 mandis in India have been linked while 415 additional mandis will be linked in 2018-19 and 2019-20.
- Agriculture storage capacity in India increased at 4 per cent CAGR between 2014-17 to reach 131.8 million metric tonnes.
- Coffee exports reached record 395,000 tonnes in 2017-18.

- Between 2014-18, 10,000 clusters were approved under the Paramparagat Krishi Vikas Yojana (PKVY).
- Between 2014-15 and 2017-18 (up to December 2017), capacity of 2.3 million metric tonnes was added in godowns while steel silos with a capacity of 625,000 tonnes were also created during the same period.
- Around 100 million Soil Health Cards (SHCs) have been distributed in the country during 2015-17 and a soil health mobile app has been launched to help Indian farmers.

C. Service Sector:

The service sector is again one of the biggest sectors which has contributed 54.17 per cent of India's Gross Value Added at current price in 2018-19. It has contributed significantly to the exports along with employment generation and attracted significant foreign investment flows in the country. A number of activities may be covered under this sector like hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, trade, social and personal services, and services associated with construction.

Services sector grew at a CAGR of 6.96 per cent to Rs 94.80 lakh crore (US$ 1,356.49 billion) in FY19 from Rs 59.18 lakh crore (US$ 846.84 billion) in FY12. Growth rate of financial, real estate and professional services was estimated at 12.71 per cent (in Rs terms) in FY19. The sector is the largest recipient of FDI in India with inflows of Rs 5.18 lakh crore (US$ 74.14 billion) between April 2000 and March 2019. Net export estimate from April to June 2019 in services is Rs 3.92 lakh crore (US$ 56.18 billion) and import is US$ 37.46 billion. India is ranked as the 8th largest exporter of commercial services globally in 2017. India's earnings from medical tourism is expected to exceed US$ 9 billion by 2020 and now the healthcare companies are entering into merger and acquisitions with domestic and foreign companies to drive growth and gain new markets.

D. Transparency and good governance

i) Repeal of obsolete old and archaic Acts

India is on its refresh mode now and cleaning the unnecessary old and archaic Acts which were into existence without their present relevance. This refers to the initiative taken by the Government in repealing as many as 1,500 Acts in the last three years. For example, under the Indian Motor Vehicles Act 1914, an inspector should have had well brushed teeth, and would have been disqualified if he or she had a pigeon chest, knock knees, flatfeet or hammer toes. The Lok Sabha has even recently introduced Bill to scrap the old laws from the judiciary system.

Many such laws have already been or are set to be scrapped as they were putting up obstacles in smooth running of the administration of the country and ease of doing business. The law ministry points out that many old and irrelevant pre-Independence laws were the unfortunate part of the society and repealing them was of utmost importance in order to achieve the targeted growth of Indian economy.

The Repealing and Amending Act, 2015 has been introduced altogether, in order to regulate the act of repealing certain enactments and to amend certain other enactments.

Source: Economic Times, The Hindu Business Line, Legislative Department

ii) **Digital India:**

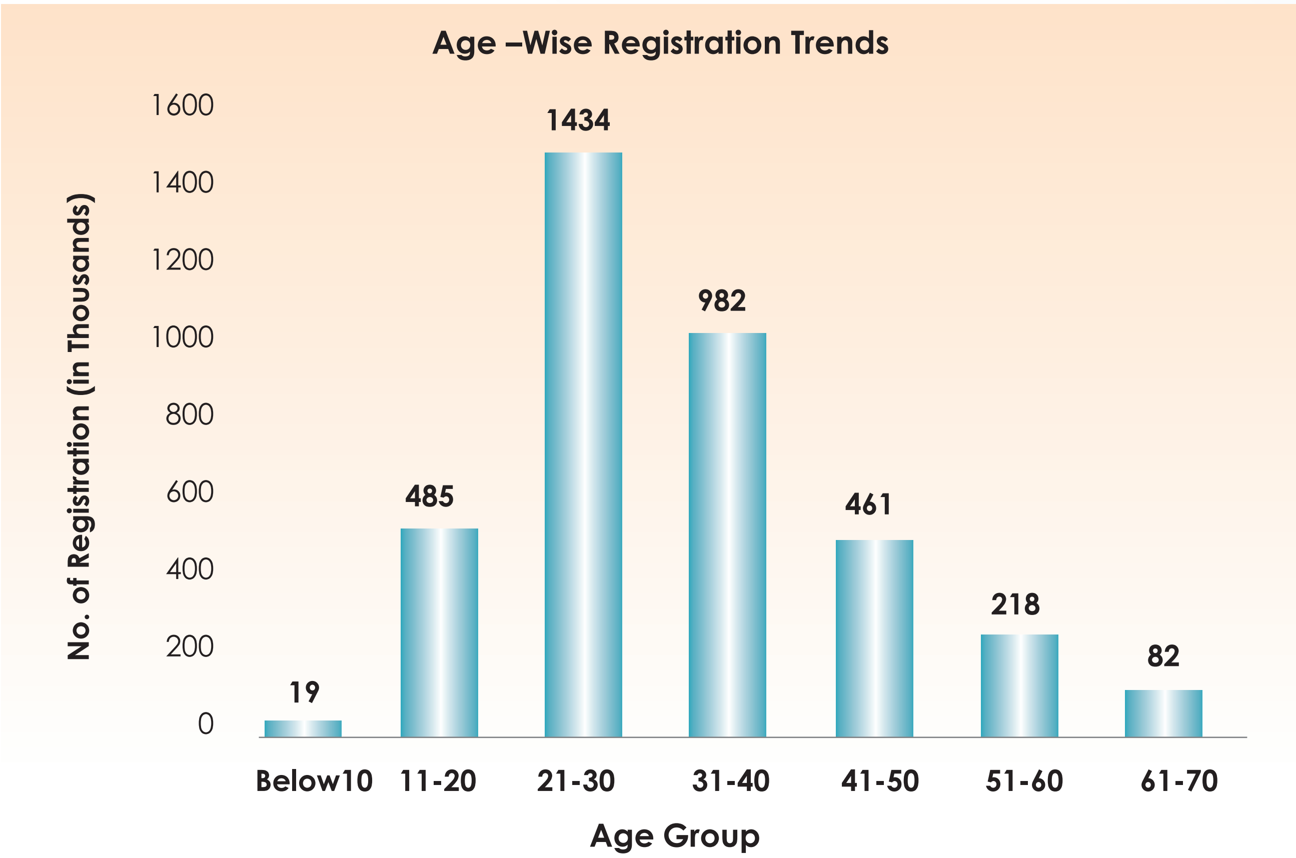
India has ushered a new path of economic development by way of use of Digital technology, in promoting social and economic equity by enhancing access for all to information, markets and public services; and in overcoming the country's infrastructure deficit. It was launched in 2015 and has now become a flagship program of the government to create a just and equitable society. This Programme of the Government aims to transform India into a knowledge-based economy and digitally empowered society by ensuring digital access, digital inclusion, digital empowerment and bridging the digital divide.

a) E-commerce:

India's unique payment systems such as BHIM-UPI and BHIM-Aadhaar are getting recognized globally. Digital payment transactions have grown enormously over the past four years from 316 crore transactions in 2014-15 to 2,071 crore transactions in 2017-18. Today, BHIM app has become one of the main digital payment instruments for sending, collecting the money and to pay for various utility bills. In November, 2018, more than 173 lakh transactions of valued Rs. 7,981 crore were made using BHIM app. The e-commerce industry employs 1,50,000 to 2,00,000 population and generates $20 billions annually.

b) DigiLocker:

Another unique initiative of the Government, the DigiLocker, serves as a platform to enable free of cost unlimited digital space offered to citizens to securely store and share their documents with service providers electronically after giving due permission. So far, there are more than 31.69 Million registered users, over 142 issuer organisations, over 42 requesters. DigiLocker provides access to over 3.68 billion certificates in digital format on a single platform.



The graph signifies the maximum use of the DigiLocker facility by the youth of India aged between 21-30 years, thus signifying the increased awareness among the youth and their involvement in a developed economy. The Digital India Programme has the potential to provide incremental 20-30 percent increase in Indian GDP by 2025. This programme covers various Government Ministries and Departments.

c) Digitisation on SMB in India

The Small and Medium Businesses (SMBs) acts as a backbone in the economic development of the country making a major contribution to the economic drivers and employment generation. Although there are more SMBs working offline in India now, but recently more and more SMBs are trying to undertake the work online with a twice growth in result than their offline competitors and creating 5 times employment than the offline ones.

d) Technology Readiness

India has recorded that more than 118,000 Gram Panchayats or Village Councils have access to high-speed broadband because of the BharatNet project in 2018. It is one of the world's largest rural broadband project. As of 2018, 0.32 mn km of optical fibre cable is laid across 127,210 Gram Panchayats as part of the project. BharatNet is expected to make digital delivery of services for health, education, livelihood, skills training, e-agriculture and e-commerce available to the rural poor, in addition to generating huge employment opportunities. An impressive fact under BharatNet is that the total Data used per month in March 2019 is 0.14 mn GB. India has more than 462 mn Internet users and 1 bn mobile phone subscriptions other than BharatNet.

e) Intellectual Property Rights:

In order to encourage digitalisation, the Office of Intellectual Property Rights continued with its mission of improving the ease of doing IPR business in India by incorporating more digital initiatives.

i) The Mobile App for intellectual property rights have been launched in December 2017 which can be downloaded either from the official website www.ipindia.gov.in or from play-stores

ii) The Department has even launched the SMS alert facility in November 2017 to help the applicants in getting information and updates about successful filings, issuance of FER, scheduled hearings, disposals, oppositions and other critical events.

Some of the major achievements in this sector are:

i) India has the 2nd largest internet subscriber base in the world with approximately 580 million users. This number is projected to increase to approximately 850 million by 2025, which is more than the combined population of the G7 countries. 75 percent of the new users are expected to come from the Tier 1 and Tier 2 cities.

ii) It is projected that almost three quarters (72.6 percent) of internet users will access the web solely via their smartphones by 2025, equivalent to nearly 3.7 billion people and over 1.3 billion will access the internet via smartphone and PC by 2025.

iii) India boosts of the world's unique digital identification programme Aadhaar with 1.246 billion holders in October, 2019. It is the world's largest biometric based digital identity.

iv) About 370 million people have been linked to banking system for the first time in the last 4-5 years, being one of the world's largest financial inclusion, due to which transparency has increased and malpractices have been checked.

v) India is also the 2nd largest market for smartphones in the world, with approximately 500 million users currently which is likely to be between 650 million to 700 million by 2023.

vi) By 2025, core digital sectors like IT and business process management, digital communication services and electronic manufacturing could double their GDP level to approximately $435 billion.

vii) 60 to 65 million jobs are projected to be created by 2025 which will have a direct impact on the productivity boosting digital applications.

Source: Digital India, Economic Times, Press Information Bureau, DigiLocker, Intellectual Property India Annual Report, McKinsey, CNBC

E) Startup India:

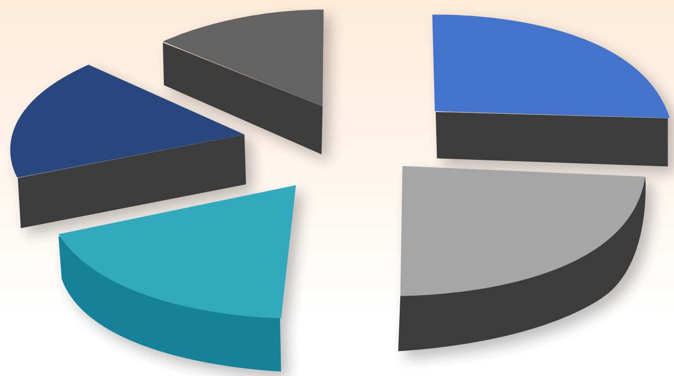
Startup India is another flagship initiative of the Indian Government launched on 16th January, 2016, which has rolled out several programs with the objective of supporting entrepreneurs, building a robust startup ecosystem and transforming India into a country of job creators rather than job seekers. A dedicated Startup India Team has been appointed to manage these programs, which reports to the Department for Industrial Policy and Promotion (DPIIT). As of now there are 356,400 users on the portal and 24,369 DPIIT startup has been recognised by DPIIT.

A startup registered under the Startup India can avail the following benefits:

- Startups shall be allowed to self-certify (through the Startup mobile app) with 9 labour and environment laws. In case of the labour laws, no inspections will be conducted for a period of 3 years.
- A DIPP recognized Startup shall be eligible to apply to the Inter-Ministerial Board for full deduction on the profits and gains from business.
- A startup has been given the benefit to put the patent application on fast track mode. A Scheme for facilitating Startups Intellectual Property Protection (SIPP) has been launched for encouraging innovation and creativity of Startups. They are provided a rebate of 80% on patent fees as compared to the fee paid by legal entity. The Government reimburses the expenditure to the facilitator who assists the startup for filing and processing the patent application to the extent of Rs.10,000/-
- Government e Marketplace (GeM) is an online procurement platform for government ministries and departments, and the most widely used channel for public procurement in India. MSMEs, DPIIT recognised startups and other private companies can register on GeM as sellers and sell their products and services directly to government entities. GeM Startup Runway is a new initiative launched by GeM to allow startups to reach out to the universe of government buyers by offering innovative products that are unique in design, process and functionality.

Highlights : September 2019	
	Total Deals 553
	Total Funding $ 9 Bn +
	Mergers and Acquisitions 59
	Top Sector Fintech
	Top Hub Bengaluru
	Most Active VC Sequoia Capital

Startup sectors with highest deal counts in the first half of 2019



The Recent Stats:

- Indian startup ecosystem recorded the highest $11.3 Bn investments in 2019, being raised by unlisted startups which is a substantial jump from last year's $10.5 billion fundraise
- India witnessed an incredible start in the first half (H1) of 2019 with 60 deals, resulting to an investment of $5.85 Bn. Over 95 percent deals have been cracked by Startups in Tier 1 cities wherein Fintech (57), enterprise tech (52) and consumer services (40) were the top sectors in terms of funding deal count
- Wipro Consumer Care and Lighting has allocated $28 Mn to its venture fund and is also looking to pick up a minority stake in around three companies. The fund is likely to invest in 10 startups in the personal and homecare space.
- Other companies like Google, Walmart, Alibaba, Microsoft, Reliance, Hero Group, and Times Internet have also invested in startups.
- Earlier in July 2019, South Korean technology giant Samsung alongwith its venture capital wing, Samsung Venture Investment (SVIC), have started a new growth plan in India based on technologies that are new and innovative in its kind and are expected to act as new growth engines.
- The Government is now shifting its focus on rural entrepreneurship which will drive plenty of investments towards Tier 2 and Tier 3 startup ecosystems.

Source: Startup India, Inc42, TechCrunch

Conclusion

The recent reforms or policies taken up by the Government clearly demonstrates that the we are leaving no stone unturned to make India a better place to do business and to improve opportunities for all sections of society along with increasing prosperity to achieve the target of a $5 Trillion Indian economy by 2024. We are also collectively fighting against poverty, unemployment, drought, flood, pollution, corruption and violence and walking on the path to generate employment for every youth from every corner of the nation.

The dynamic economic conditions of India with such liberal investor friendly policies, has become a role model for various other developing countries.

1. **Trade Balance:** Foreign direct investment (FDI) is one of the major sources of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, large consumer base, special investment privileges such as tax exemptions and for the benefit of ease of doing business.

   The Government is focusing on reducing the Current Account deficit in the country by increasing the export and decreasing the import of goods. According to the report shared by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows in India in 2019-20 (till June) stood at US$ 16.33 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is giving positive results.

   The net foreign direct investment stood at US$ 7 billion in June 2019 and US$ 3.8 billion in July 2019. India recorded a US$ 4.5 billion of foreign investment in July 2019 as compared to US$ 2.8 billion in previous year.

   Instead of allowing export incentives like duty draw back,which also results in various malpractices, the government may consider devicing some alternative strategy like credit at low interest rates, processing their problems or grievances by a single point contact, facilitating technological upgradation, improving the infrastructure, providing storage facilities etc.

   In order to put a further check on the import of goods, the Government may increase the duty on import of selected consumer goods like electronic/ electrical goods, furniture, gold etc. and incentive to be given to the MSME sector in order to encourage the production of goods and increase the exports of the country. Moreover, the Liberalised Remittance Scheme needs to be rechecked which currently allows resident individuals to freely remit up to USD 250,000 per Financial Year (April-March) for any permitted current or capital account transaction or a combination of both.

   Source: IBEF, Reserve Bank of India

2. **Renewable Energy:** India holds the 5th position globally for overall installed renewable energy capacity, 4th for wind power and 5th for solar power. As of 2018, solar energy projects capable of producing 22 GW have been installed in the country. More than 100 bn units of electricity have been generated in 2017 using renewable energy. The

Government of India has set a target to install 175 GW renewable power capacity by the end of 2022. This includes 60 GW from wind power, 100 GW from solar power, 10 GW from biomass power and 5 GW from small hydropower.

3. **Manufacturing:** The average growth rate of the manufacturing industry is 5.5% and the overall GDP contribution is 29%. Out of total population of 130 cr, approx. 31 cr population is engaged in the manufacturing industry which signifies that approx. 23% of total population is engaged in this sector. Keeping in mind the present level of involvement of national resources in the manufacturing sector, India needs to encourage more population to get involved in the manufacturing sector so that the GDP contribution of this sector increases significantly. The manufacturing sector is expected to reach to the level of becoming the top three growth economies and manufacturing destination of the world by the year 2020. The government is now focussing on developing industrial corridors and smart cities, which would further assist in integrating, monitoring and developing a conducive environment for the industrial development and will promote advance practices in manufacturing. New technologies are required to be used in the cottage and rural divisions. The government incentives are required to be increased in the manufacturing sector along with easy accessibility of finance and market to the youth so that they can engage themselves in this sector and can start manufacturing without any marketing or financial difficulty. Micro, Small & Medium Enterprises (MSME); small industry to be set up by the villagers and easy finance like mudra and easy market access to be provided to the villagers along with access to low cost power.

   Source: IBEF, Ministry of Micro, Small & Medium Enterprises

4. **Agriculture sector:** The country's agriculture sector accounts for 17% contribution in the GDP and has a growth rate of 3.4%. Approx. 55 cr population of the country is engaged in the agriculture sector which tantamount to 58% employment generation. Since agriculture sector is the prime sector employing the maximum population of India, so the Government is focussing on increasing the percentage of the contribution to GDP from this sector. India has set up an ambitious goal of doubling farm income by 2022. The government targets to increase the average income of a farmer household at current prices to Rs 219,724 (US$ 3,420.21) by 2022-23 from Rs 96,703 (US$ 1,505.27) in 2015-16. The farmers should now have a direct reach to the market so that they can sell their products in the market directly and at a reasonable rate; use of new techniques and technology to be introduced to attract youth to this sector and ultimately achieve better production and exports.

5. **Service sector:** Growth rate in this sector is 7.6 per cent, creating employment to 43 crore people equivalent to approx. 33 per cent of the total population and contributing 53 per cent to the GDP of the country. The growth of this sector is governed by both domestic and global factors. The implementation of the Goods and Services Tax (GST) has created a common national market and reduced the overall tax burden on goods. It is now expected to reduce costs on account of availability of GST input credit, which will result in the reduction in prices of services in the near future.

6. **Infrastructure sector:** India has one of the largest spreading successful infrastructure sector specially if we consider the roadways and oil & gas exploration. The country has a requirement of investment of Rs 50 trillion in infrastructure sector by 2022 to have sustainable development in the country. The Government has recently announced that the country will see $100 billion investment in creating oil and gas infrastructure

over the next five years as the world's third largest energy consumer steps up spending to meet the rising demand. Efforts are also being taken to develop the roadways of the country in totality since the same will result in formation of a hub for various ancillary industries and more and more employment will be generated surrounding the same.

7. **Tourism sector:** During 2018, foreign tourist arrivals (FTAs) in India stood at 10.56 million, achieving a growth rate of 5.20 per cent year-on-year which increased to 1.10 million on January, 2019, signifying a rise of 5.30 per cent compared to 1.05 million year-on-year. During May 2019, arrivals through e-tourist visa increased by 21.70 per cent year-on-year to 1.23 million. The travel & tourism sector in India accounted for 8 per cent of the total employment opportunities generated in the country in 2017, providing employment to around 41.6 million people during the same year. It is projected that by 2028, the country will witness a 2 per cent rise in employment in the sector resulting to 52.3 million jobs. International hotel chains are increasing their presence in the country, as it will account for around 47 per cent share in the Tourism & Hospitality sector of India by 2020 & 50 per cent by 2022. Efforts are being taken for the development of the tourism and hospitality sector since India is famous worldwide for its beautiful nature and is a favourite tourist destination along with the naturopathy treatment.

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