

***“Amidst a muted global economic scenario, this growth is encouraging” - FICCI President Harshavardhan Neotia on Eco Survey 2015-16***

**New Delhi, 26 February 2016:** The Economic Survey 2015-16 tabled today in the Parliament has highlighted that India’s potential growth rate is in the range of 8 to 10 percent and achieving the same requires a push in three critical areas which are promoting entrepreneurship and reducing the role of the state, higher investments in health and education & greater focus on agriculture.

*“FICCI completely agrees with this prognosis and in one of our recent study we highlighted the importance of enhancing Total Factor Productivity in the economy to reach the double digit growth levels. In this context, the areas that require greater attention include skills, education, health, innovation and lower transaction costs. We hope that the forthcoming Union Budget will continue with its thrust on each of these areas”*, said **Mr. Harshavardhan Neotia, President, FICCI.**

As per the near term projections for the economy, growth in the year 2016-17 will be in the range of 7 to 7.5 percent. *“Amidst a muted global economic scenario, this growth is encouraging. While the implementation of the seventh pay commission award and normal monsoons are expected to provide some reprieve, it is critical to pursue all measures that would boost demand on a sustained basis”*, added **Mr. Neotia.**

*“FICCI would like to emphasize that the domestic capex cycle remains weak and the same has been evident in our latest surveys. Strengthening the investment cycle should be the top priority; as and when this happens we would see creation of more employment opportunities”*, said **Mr. Neotia.**

With regard to the fiscal situation, the survey suggests improving the quality of expenditure and raising more revenues by ensuring better tax compliances and tapping new resources for sustained fiscal consolidation. *“FICCI believes that given the deflationary pressures in the economy, there is a need to push for public investments in productive capital expenditure while reining in unproductive expenditure on subsidies. If this requires recalibrating the fiscal deficit target slightly, the Finance Minister must not hesitate in doing so”*, **he added.**

As a step towards building fiscal capacity, the survey recommends widening the tax base and bringing more people into the tax net via some form of direct taxation regardless of the source of income. *“FICCI has for long advocated this and we hope that the upcoming Union Budget will announce some measures in this direction. To start with, the Finance Minister could consider making filing of returns mandatory for all incomes (irrespective of source) above a certain threshold”*, **said Mr. Neotia.**

*“As the economic growth improves and capacities improve, there will be greater need for funds from financial sector for expansion. The survey acknowledges the pressing twin balance sheet concerns of the banking and corporate sector. The 4R Strategy – Recognition, Recapitalization, Resolution and Reform suggested to deal with this challenge is in line with what FICCI has been suggesting. FICCI has for long made a case for setting up of a National Asset Management Company (NAMCO) for one time resolution of stressed assets particularly in the infrastructure sector. While remedial action to deal with the current situation of NPAs is imperative, it is equally important to put in place a system with a long term perspective in mind that gives a greater push to adoption of a preventive approach”*, **said Mr. Neotia.**

To transform agriculture, the survey has suggested raising productivity by expanding the acreage under irrigation besides adopting water efficient technologies and making optimal utilization of all inputs, including fertilizers. The survey has rightly identified the need to rationalize fertilizer subsidies and has suggested a reform package to deal with the subsidy leakages and skewed mix of fertilizer use.

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