ANALYSIS OF BUDGET 2017-18

Sectors Covered

Taxation Regime

Real Estate

Financial Services

Healthcare

Education

Introduction

Pre-budget Scenario and Expectations

After winning the election in 2014, the NDA Government has continuously strived for grass root level development including financial inclusion, infrastructure and tax reforms and has proceeded with the same in 2016. However, the demonetization drive in November 2016 and the GST roll back expected have further increased expectations from the Union Budget 2017-18. The Union Budget 2017-18 is therefore expected to be special as it has provided the Government an opportunity to overcome the short-term effects of demonetization. Further, the budget is also expected to consider the impact of slowdown of the world economy.

Short-term effects of demonetization

The immediate impact of demonetization was a sharp decline in private consumption expenditure leading to a corresponding fall in retail prices due to lack of demand. Accordingly, several agencies have scaled down there for domestic GDP growth estimates as shown in the table below.

Agency	Before Demonetization	Post Demonetization
World Bank	Growth for FY17	
	7.6%	7%
CMIE	Growth for next five years	
	7.5 – 8%	6 – 7%

Accordingly, the decline in consumption has led to a negative month-on-month Wholesale Price Inflation (WPI). Sale from Automobiles have dipped 18% in December when compared to y-o-y basis, the steepest fall since 2000 when it fell 22%. Further, Real estate has slumped further as home sales and launches hit a six-year low in CY 2016 on the back of demonetisation. Residential sales across top eight cities dropped by 44% in the October-December quarter even as new launches fell by over 60%. About two-thirds of the small businesses have seen a decline in business during this period. Also, the All India Manufacturers' Organisation, which represents over 3 lakh MSMEs has revealed that there have been about 35% job losses and about 50% dip in revenue in the 34 days since the announcement for demonetisation was made. Similarly, the NBFC and Microfinance sectors have been severely impacted as collections have seen a dip since November 2016.

Long-term impact of demonetization

Though the demonetization has effected consumer confidence in the short run, it has pushed the economy towards the banking channel. As more and more income is accounted for, the tax collections are expected to soar as more people are expected to fall under the tax brackets. In a country where only 1% of the overall population pays direct tax, this becomes exceedingly necessary. Higher tax collections and system liquidity are expected to lower fiscal deficit. Consequently, interest rates may fall more than expected further spurring economic growth.

Expectations from Budget 2017-18

While the demonetization drive is expected to ensure growth on the supply side by instilling liquidity with the Government and the banking system, the Government still has to ensure end consumer demand without which economic growth will be stalled. In efforts to do the same, the current budget is expected to focus on the following:

1. Consumer Confidence – The demonetization drive has had a huge impact on consumer spending which has naturally dampened consumer confidence. The Government thus has to focus on instilling this confidence by changing tax regime and allowing for greater spending. Moreover, as the number of tax payers are expected to increase, the additional income earned will allow the Government certain liberty to reduce direct taxes charged to its tax payers. The reduction in direct tax will leave the consumers with additional disposable income which will prompt further spending. The budget is expected to have minimum reforms in the indirect tax regime with the implementation of GST expected in the next few months.
2. Industry Confidence – The lack of demand has hampered industry confidence as many of the small businesses have seen a decline in business which has also resulted in loss of jobs and dip in overall revenue. The budget will have to instil confidence in these small businesses by providing them incentives and initiating certain schemes which will help them survive the short-term effects of demonetization. Fortunately, CY2016 has seen a normal monsoon with good spatial distribution of rain providing some comfort to the agricultural sector which formed about 14% of the GDP in FY2015.

The following portion of the report presents XMPUS' views on budgetary allocations and alterations in certain sectors based on Mr. Arun Jaitley's budget announcement on February 1, 2017.

Overall Budget Analysis:

Budget Proposal 2017-2018 was novel in a sense that for the first-time consolidated budget was presented, covering all ministries and departments including railways. Further, the Budget eliminated the bifurcation of Planned and Non-planned expenditure and continued with the Revenue and Capital expenditure bifurcation.

The Government maintained fiscal deficit target at 3.2% of GDP for FY17-18 and targeted 3% for FY18-19. Besides, allocation towards capital expenditures increased by 25% as compared to last year. This will augur well for overall investment cycle. To further boost the investment scenario, Government has taken various initiatives to ease-out business activity including providing exemption from indirect transfer provision to Foreign Portfolio Investor (FPI) Category I & II and doing away with FIPB Board.

Given WPI is showing declining trend, the Government has taken various initiative to fuel the rural economy which in turn will drive the consumption activity to recoup the targeted GDP growth. Further, to weed out volatility of rural consumption pattern and adversity of farmers, special focus was given to interest subvention, insurance and increasing the credit limit to the farmers.

The Budget comprehensively covered proposals in line with the current government theme of Digital India and Make in India campaign. The budget proposed various programmes to promote digital payment framework like proposal to create a Payments Regulatory Board, mandating all Government receipts through digital means, beyond a prescribed limit, is under consideration, promoting Aadhar linked payment models, etc.

Moreover, with continuation of curbing the black money, the Budget provided various measures to enhance the transparency in the electoral funding like avoiding cash donations, issuance of electoral bonds, etc.

The lower interest rates, ample liquidity in banks, reduced tax burden on MSME, budgetary incentives and more tax transparency coupled with actual rollout of GST, should bring back Indian economy on the growth path in coming year.

Impact of budget on various sections is given in the following report.

Taxation Regime

Introduction:

Indian tax regime is a three-tier tax structure, clearly bifurcated across Central, State Government and local bodies. Central government levies taxes on income, custom duties, central excise and service taxes, while state government levy taxes such as stamp duty, state excise, land revenue, profession tax. Local bodies levy property tax, octroi and taxes on utilities.

India is having one of the lowest Tax to GDP ratio of 17% as compared to world average of 22% and 27% of USA, 39% of UK, and 22% of China. Low tax GDP ratio is attributed to various reasons including – tax evasion, tax compliance complications, average tax rates after adjusting the exemptions.

Indian average tax rate including all types of taxes is higher at 60% as compared to many developed countries like USA, UK, etc. Despite higher average tax rates, Tax to GDP ratio is one of the lowest.

Government of India is continuously endeavouring to coup with the Tax evasion and complication in tax compliance. To avoid the tax evasion and recover black money from the system, the Government declared demonetisation of high denomination notes. Further to curb the generation of black money and improve the transparency, the government is promoting various digital payment programmes.

To streamline the tax compliance complications, the Indian government is continuously endeavouring to introduce Goods and Service Tax (GST). In 2016, the Constitution Amendment Bill for GST was cleared in both the houses of the Parliament, ratified by the requisite number of states and has also received the President's consent. The implementation of GST will be the single biggest reform in India's history and could add 2 percentage points to India's GDP growth in the medium term. GST was initially time lined to operationalize by April 2017.

XMPUS Pre-Budget Views:

Current Indian tax regime is troubled not only by tax evasion and complication tax structures but also by circulation of fake notes in the system. Government is hardly successful in reducing the impact of fake currency in circulation.

XMPUS believes that demonetisation has helped to recover the existing black money from the system, however that has not limited the generation of black money.

Efficiency at the administration levels of the government will improve the speed at which approvals are obtained or process are followed thereby resulting in to ease of doing business and curbing the motivation to indulge in corruption.

Government has introduced various measures for avoiding the cash transactions and promoting digital payment framework. However, appropriate system or framework needs to developed which shall take care of consumer protection towards fraud, appropriate compliant redressal system, etc.

Expectations from Budget 2017-18:

- Relaxation in tax rates for Individual Tax payers
- With phasing out of exemptions and deduction available under the Act, the burden of MAT should also be gradually reduced from the current levels of 18.5% to a rate which will be commensurate with the phasing out of tax exemptions and incentives.
- To avoid triple taxation, it was expected that new levy on dividends under section 115BBDA will be abolished.
- To reduce to transaction cost and improve liquidity and volume in commodity exchanges abolition of Securities Transaction Tax and Commodities transaction tax was expected.
- With a view to prevent dumping in India, various reductions in import duties were expected on steel products, aluminium products, etc.
- As GST timeline for implementation is effective from April 01, 2017, clear road map and timelines were expected from the budget.

Union Budget 2017-18 Proposals and Impact:

Budget Proposal	XMPUS view on its impact on the industry
✓ Existing rate of taxation for individual assesses between income of Rs.2.5 lakhs to Rs.5 lakhs reduced to 5% from the present rate of 10%	**Positive:** The Government is attempting to incentivize the middle-class tax taxpayers to enter in to formal tax channel by disclosing the income and filing the income tax returns. Though it did not meet with the overall expectations of tax payers.
✓ Simple one-page form to be filed as Income Tax Return for the category of individuals	

Budget Proposal	XMPUS view on its impact on the industry
having taxable income up to Rs.5 lakhs other than business income.	
✓ Carry forward of MAT up to a period of 15 years instead of 10 years at present.	**Positive:** Carry forward of MAT credit to longer period will ensure savings in tax obligations by utilizing the credit available beyond 10 years.
✓ Reducing the income tax for smaller companies with annual turnover up to Rs.50 crore to 25%.	**Positive:** Reducing the income tax burden on small companies will support MSMEs. Fraternity in making them more competitive.
✓ Surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs.1 crore.	**Negative:** Surcharge will increase tax liability for tax payers with annual taxable income beyond Rs. 50 lakhs.
✓ The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system and also preparation of IT system for GST is also on schedule.	Strong political will to implement GST augurs well for the overall reforms in the tax regime. However, implementation and effective administration will ensure its true success.
✓ Budget provided changes in customs duty, excise duty as well as service tax for various commodities and services.	Proposed modifications in the indirect tax rates would positively incentivize domestic value addition and indigenous manufacturers in the short term. However, long term impact of indirect tax regime is entirely dependent on GST Implementation and execution.

XMPUS views on Budget Proposals for change in tax regime:

Budget proposal 2017-2018 was largely focused in increasing the tax payer base and reducing the tax burden on small and medium business category. With continuous efforts, tax collections have increased by 17% during FY16 and advance tax collection is increased by 35% during

9MFY17. Budget also confirmed the on-time GST implementation schedule thereby boosting confidence across industries.

Further, tax departments have been on alert post demonetisation and observe strict vigilance on high value transactions. How the department will tackle the operating and administrative challenges post demonetisation, needs to be seen.

Real Estate Sector

Industry Scenario:

In past few years, Government of India has focused on bringing transparency in the Real estate sector, increasing funding avenues and promoting affordable housing. Various measures like passage of Real Estate Regulation Act (RERA), relaxation in FDI Norms, introduction of REIT's and InvIT's, interest rate subvention for affordable housing etc are introduced to in this regard. However, the recent demonetisation move by the government has hit the demand in short term as the buyers are in a wait and watch mode resulting in muted demand. But in long term, it will be positive for the sector as demonetisation has resulted in lower interest rates which will attract buyers and revitalise the muted demand.

XMPUS' Pre-Budget View:

As mentioned above, demonetisation will have short term impact on the sector, till the time demand picks up. In long term, demonetisation will affect the small developers who were largely dependent on cash transactions, but the large players will be benefited from the same as it will help to boost demand due to reduction in interest rates on housing loans. Announcement such as enhanced budgetary allocation for the sector, providing industry status to the sector, incentives for developers in affordable housing segments, increasing basic tax exemption limits and tax deduction limits for interest and repayment on housing loans, will help boost the purchasing power of the buyers thereby providing impetus to the sector.

Expectations from Budget 2017-18:

The Real estate sector which was already burdened with low sales and inventory pile-up from long time and demonetisation drive hitting the demand further, is expecting major steps to boost consumer confidence and in turn demand for real estate. Expected favourable policy developments for home buyers as well as developers are as follows:

- Providing Industry status to the sector so as to ease out funding hurdles
- Single Window Clearance to have speedy project approvals
- Clarity on GST rates applicable to the sector
- To boost the demand, Income tax incentive should be given to first time home buyers in this budget as well

- Increase in tax deduction limit for interest on home loans and for home loan repayment, to improve the affordability for the buyers
- Tax concessions on home insurance premiums to encourage end users to insure their homes
- Abolish capital gains tax on sale of property
- Raise house rent deduction limit under section 80GG from current Rs.5,000 per month
- To simplify tax norms of REIT's, so that it allows developers and investors to benefit from the REIT.

Union Budget 2017-18 Proposals and Impact:

Budget Proposals	**Impact on the Industry**
✓ Infrastructure Status to Affordable housing	**Positive:** It will help developers to get easy access to institutional funding with lower borrowing costs. Further, it will be eligible for several government incentives, subsidies, tax benefits etc.
✓ Reduction in rate of taxation for individual assesses between income of Rs.2.5 lakhs to Rs.5 lakhs to 5% from the present rate of 10%	**Positive:** Increase in disposable income along with reducing interest rates on home loans augurs well for real estate industry, as it will help to increase demand.
✓ Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from Rs.15,000 crores in 2016-17 to Rs.23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.	**Positive:** It will give boost to affordable housing segment in rural areas.
✓ Reduction in holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years	**Positive:** It will be positive for the buyers as it will result in lower tax burden for the buyers who intends to sell property in 2 years. It will increase supply in the market and reduce prices in some areas were prices are inflated.

Budget Proposals	Impact on the Industry
✓ Refinancing of individual home loans of about Rs.20,000 crore in 2017-18 by National Housing Bank	**Positive:** It will be beneficial for smaller finance companies involved in affordable housing financing.
✓ Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq. mtr. will be counted. The 30 Sq. mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq. mtr. will apply	**Positive:** It will make the scheme more attractive for homebuyers as they will get value for money.
✓ For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received	**Positive:** It will be beneficial to real estate developers whose buildings are completed but sales is affected due to demonetization, as they will get one year time frame.
✓ In case of Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed	**Positive:** Beneficial for the developers as it will reduce their tax liabilities

XMPUS' views on Budget Proposals for Real Estate Sector:

Overall, budget 2017-18 was positive for the real estate sector. Government has focussed more on developing the affordable housing by way of incentives to the developers, thus progressing on achieving its mission of "Providing affordable housing for all by 2020". Further, budget also provided incentives in form of reduction is tax rates, which will increase the affordability and help to revive demand in the sector. Also, as the Banks are flooded with liquidity and corporate sector not performing good, banks and financial institutions will push housing loans to achieve their credit growth, which will be a positive for the sector. *However, XMPUS believes that easing out the approval norms for the sector which would result into speedy* *project completion would be a major impetus to the sector as a whole. The Industry would still expect GoI to come out with a mechanism to streamline the bureaucratic hurdles so that the projects do not halt for want for legible approvals.*

Banking and Non - Banking Finance

Industry scenario:

Indian banking sector has formidable share in the total credit market. India's credit to GDP ratio stood at 97% as on March 31, 2015, while the banking credit to GDP stood at 75%. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn. Further, Indian capital markets, specially equity markets, are well deepened and functioned. RBI has been able to implement various measures to control the adverse conditions in the economy in the form of corporate debt restricting scheme, SARFAESI, 5/25 scheme for infrastructure loans, Scheme for Sustainable Structuring of Stressed Asset (S4A), enough capital liquidity measures like CRR, SLR, etc.

Despite various precautionary measures taken by RBI, the banking industry is facing challenges in terms of quality of long term lending due to legacy issues related to policy paralysis resulting into delayed project clearances, archaic credit appraisal process (which rely on collateral approach rather than cash flow approach of lending), etc. Banking sector non-performing assets (NPAs) rose sharply in the financial year ended March 2016 (FY16) as a result of stricter NPA recognition standards. Gross NPA stood at 7.7% as on March 31, 2016 as compared to 4.5% as on March 31, 2015. Asset quality is expected to further deteriorate over the next 12-18 months given the banks' exposure to stressed sectors like infrastructure and Metals.

Besides, Basel III norms are expected to be implemented from March 31,2019 onwards requiring additional capital requirement of Rs.45000 crore

Weak credit appraisal system, stressed assets on books and higher capital requirement have limited the growth of Indian baking industry. Growth rate of baking credit fell to a 20-year low of 6% in FY16.

Strong growth posted by NBFC: According to a report by BCG, India's credit-to-GDP ratio stood at 97% as of FY15 versus 165% in China, 149% in Germany, 244% in the US and 447% in the UK. This implies strong credit growth prospect in India. NBFC is well positioned by its strong reach, strong credit appraisal system and value added services offered. Accordingly, NBFCs share in total credit in India, grew from 10% to 13% between 2005 and 2015. According to RBI data, the loan book of deposit-taking and systemically-important NBFCs was at ₹11 trillion as of March 2015, three times the book size of ₹4 trillion, as of March 31, 2010

Demonetisation: Government of India's (GoI) demonetisation drive in November 2016 has negatively impacted small and medium NBFC and Microfinance institutions. These NBFCs experienced considerable drop in collection ratios in the month of November and December 2016 resulting in to deterioration in asset quality and higher provisioning. XMPUS believes that turnaround of this scenario might take a quarter or two. Meanwhile, RBI has provided deferral of 60 days to banks and NBFC in recognition of non-performing asset. However, the long-term impact of demonetisation like inclusion of borrowers to formal baking channel will build long credit track record and history, enabling effective credit appraisal while lending.

While for banks, demonetisation has shored up liquidity, it remains a challenge as to how the liquidity is put to use to fund the investment cycle given stressed economic scenario.

XMPUS' Pre-Budget Views:

Indian financial system is currently experiencing lower interest rates and surplus liquidity. Surplus liquidity is caused due to demonetisation measure by GoI. XMPUS believes that surplus liquidity and lower interest rates will boost the investment activity in the country majorly driven by public sector company's investment activity.

With large NPA and stressed assets, XMPUS believes that financial market needs more innovative and clear policies and rule to recover its bad debts. During previous budget, the Government introduced various favourable measures such as additional capital infusion, passing of bankruptcy code, amendment to SARFAESI Act for faster disposal of repossessed assets, etc.

XMPUS believes that the weak banking credit growth is expected to boost the secondary debt market and non-bank financing credit.

Expectations from Budget 2017-18:

- To comply with the Basel III guidelines, it was expected that the Government will propose measures to infuse additional funds in the public-sector banks.
- Banking industry expected strong measures to be proposed for recovery of assets.
- To increase digital penetration, the government may consider tax exemption for a) customers conducting transactions digitally/electronically over a certain limit, b) vendors/merchants exceeding a certain threshold in value of digital transactions.

- Clear roadmap for disinvestment in PSU banks was expected. Government has set up Bank Board Bureau to help banks raise capital, however, nothing concreate has been announced so far.
- Specific exemption be granted from the applicability of MAT provision on conversion by foreign banks of their branches in to Indian subsidiary companies.

Union Budget 2017-18 Proposal and Impact:

Budget Proposal	XMPUS view on its impact on the industry
✓ In line with the 'Indradhanush' roadmap, ` 10,000 crores for recapitalization of Banks provided in 2017-18.	**Positive:** Capitalization of PSU banks will facilitate in complying with Basel III guidelines.
✓ The bills relating to resolution of financial firms and to curtail illicit public deposits will be introduced in the current Budget Session of Parliament.	**Positive:** This bills together with the Insolvency and Bankruptcy Code, will ensure stability and resilience in entire financial system in the long term. This would support the future credit growth in the financial system.
✓ Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges.	**Positive:** This will not only enhance the liquidity and volume but also the capital flows into the securitization industry. Eventually, it will help banks to liquidate its NPA assets in a much faster manner.
✓ Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.	**Moderate:** Refinancing options available by SIDBI will boost the small finances to individuals. However, credit appraisal system at credit institutions while lending to individuals will continue to remain imperative.
✓ Government is considering the option of amending the Negotiable Instruments Act to ensure that the payees of dishonoured cheques are able to realise the payments.	**Moderate:** Amending the Act in the future will ensure legal means to recover the funds, However, the efficient redressal

Budget Proposal	XMPUS view on its impact on the industry
	system will be imperative for its real success.
✓ Budget announced various proposals to promote digital payment framework as follows: • Proposed to set up a mission with target of 2500 crore digital transactions for 2017-18. • A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration. • Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems • A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established. This entity will work in close coordination with all financial sector regulators and other stakeholders.	**Positive:** This budget has proposed various programmes for digital payment framework – - to motivate the people to go digital, - providing safeguards during entire transaction flow, Digital payments will increase the transactions done through formal banking channel thereby facilitating higher transaction charges to the banks.

Conclusion:

Budget 2017-18 has proposed various programmes having positive impact on the overall financial system of India. Broadly, the objective of the government is to promote digital transactions, safeguard the interest of individual consumers, promoting the credit growth to farmers, MSMEs and small individual borrowers and supporting the banks for future growth prospect. Further, budget provided infrastructure status to (affordable) real estate sector opening the credit options for the sector. True success of banking sector reforms depends on the speed of implementation and efficient execution of such reforms.

Banks have funded long term PPP projects resulting in to unfavourable asset liability management (ALM). ALM positioned worsened further on account of weak economic scenario for such infrastructure projects. The Budget did not provide any highlights with respect to streamlining asset liability mismatch. Besides, it did not provide any option of refinancing or investment schemes from long term institutional investors like insurance companies, pension funds. etc.

Education Sector

Industry scenario:

The Education sector in India is poised for tremendous growth in the years to come as India will have the world's largest tertiary age population and second largest graduate talent pipeline by the end of 2020. Further, growth is backed by huge opportunity in the sector given low gross enrolment ratio of 20% in higher education against targeted 30% by 2020. In FY16, the education market was worth about USD 100 billion and is expected to have reached USD 116.4 billion in FY17.

In its current form, the Indian education sector can be divided into two categories,

1. Primary Education - India has more than 14 lakh schools with more than 22.7 crore students enrolled in them. The Government has launched various schemes like mid-day meal, banning of child labour, etc. in the sector to encourage enrolment which has shown steady results over the past years. However, the overall primary education sector is still facing problems mainly due to high drop-out ratio. In urban areas, children are seen to lack interest and/or are engaging in labour to start earning at an early age to support family. As soon as the Government incentives in the form of food, books etc. are stopped these children drop out of schools. On the other hand, most rural primary educational institutions suffer due to lack of infrastructure and adequate well-trained teaching staff due to which the overall quality of education suffers. Further, there is large bias in the rural population based on economic class, gender and caste due to which majority section of the society is denied education. Besides this, the sector suffers from lack of funding as most of the funding in the Educational sector is directed towards higher education.
2. Higher Education – Higher education in India has undergone rapid expansion. Currently, India's higher education system is the largest in the world enrolling over 7 crore students while in less than two decades, India has managed to create additional capacity for over 4 crore students. At present, higher education sector witnesses spending of over Rs.46,200 crore and it is expected to grow at an average annual rate of over 18 % to reach Rs 232,500 crore in next 10 years. However, despite the high investment and enrollment in the sector, the sector still displays a demand supply gap. The National Knowledge Commission has recommended the need for about 1,500 universities against the present number of 777. This represents a nearly 50% shortfall in the number of universities needed. Further, the overall output of the sector suffers due to lack of employability. Efforts are, therefore, to be instilled

in the quality and practicality of education imparted in the sector to improve employability for improving contribution to the overall economy.

Another area lacking in the system is the insufficient allocation of funds for Research and Development which prompts brain drain as researchers flee to foreign markets to continue research and teach in foreign universities against teaching in India. This results in lack of qualified professionals to teach in post graduate and specialized professional courses.

Besides these points, the overall education system in the country lacks transparency which hampers foreign investment in the sector despite the sector being an attractive avenue with steady cash flows, recession-proof and requiring negative working capital.

While these challenges threaten the sector, the Government has been working on resolving some of these challenges through additional allocations and investments in Sarva Shiksha Abhiyan, Higher Education Financing Agency (HEFA) and for skill development in Budget 2016-17. The Government also setup the National Skill Development Corporation, several new Navodaya Vidyalayas and several online courses for Entrepreneurship Education and Training during FY17.

XMPUS Pre-Budget Views:

XMPUS believes that primary education is the building block based on which the future of an individual is built. The Government has to take additional efforts in the form of increasing the teaching staff and providing regular and adequate training to them, providing additional performance based incentives to this teaching staff, introducing various schemes to reduce existing bias based on gender, economic class and caste, improving infrastructure in rural areas, etc. to boost primary education.

At the same time, focus should mainly be on skill-based training in case of secondary educational institutions to improve employability post education. The current syllabus in most secondary educational institutions is either theoretical or archaic and does not focus on practical application. This reduces the employability of the youth after completion of their education. The academic syllabus should thus encourage job oriented training allowing internships in existing organizations.

Further, with limited funding availability from the government due to major impetus on healthcare and agriculture as well as expected reduction in direct taxes, the sector shall strive to pull in more foreign investment and propose innovative public private partnership model motivating private investments at university levels. However, this will require a certain focus on improving transparency in the sector.

Expectations from Budget 2017-18:

- Increase allocation of budget by 5-10% over the Rs.72,394 Crore proposed in Budget 2016-17
- Establish more skill based centres to improve employability of youth
- Provide additional incentives for Universities to provide Research and Development to discourage brain drain to other countries
- Incentivize vendors and partners that provide training to teaching and other educational staff

Union Budget 2017-18 Proposals and Impact:

Budget Proposal	XMPUS view on its impact on the industry
✓ Introduction of system Measuring Annual learning. Emphasis to be given on science and flexibility of curriculum to promote creativity through local innovative content	**Positive:** This will encourage practical learning while keeping track of the overall education including the practical aspects of learning which were earlier not being tracked.
✓ National Testing agency to conduct all examinations in higher education, freeing CBSE and other agencies.	**Positive:** This will ensure uniformity in testing of aptitudes. It will also reduce responsibilities of educational boards/ agencies allowing them to concentrate on the quality of learning imparted by amending syllabus.
✓ An Innovation Fund for Secondary Education will be created to encourage local innovation for ensuring universal access, gender parity and quality improvement. The 3479 educationally backward blocks will be given focus.	**Positive:** The Innovation Fund will help aid improvement of syllabus in the backward educational block which will in turn help the quality of education imparted in the region.

Budget Proposal	XMPUS view on its impact on the industry
✓ The government plans to reform the UGC. Good quality institutions would be enabled to have greater administrative and academic autonomy. Colleges will be identified based on accreditation and ranking, and given autonomous status. A revised framework will be put in place for outcome-based accreditation and credit-based programmes.	**Positive:** The greater administrative and academic autonomy will allow qualified universities the flexibility to design their own syllabus thereby allowing them to surpass the limitations of existing syllabus which has been designed while considering the common masses.
✓ Swayam platform will be launched with at least 350 online courses and it will be made available through DTH.	**Positive:** In line with XMPUS' beliefs, the Government has focused on improving their reach as well as improving the skillset and providing vocational training to majority to improve the overall employability of the youth through various initiatives like STRIVE, Pradhan Mantri Kaushal Kendras and SANKALP.
✓ The next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will be launched in 2017-18 at a cost of Rs. 2,200 crore. STRIVE will focus on improving the quality and market relevance of vocational training provided in ITIs and strengthen the apprenticeship programs through industry cluster approach.	
✓ The Government proposes to extend the Pradhan Mantri Kaushal Kendras to more than 600 districts across the country. 100 India International Skills Centres will be established across the country. These Centres would offer advanced training and also courses in foreign languages. This will help those of our youth who seek job opportunities outside the country.	

Budget Proposal	XMPUS view on its impact on the industry
✓ The government will launch the Skill Acquisition and Knowledge Awareness for Livelihood Promotion program (SANKALP) at a cost of Rs. 4,000 crore. SANKALP will provide market relevant training to 3.5 crore youth.	

XMPUS views on Budget Proposals for Education Sector:

The Budget 2017-18 addresses some of the XMPUS' expectations from the budget. It focuses mainly on improving employability and improving quality of education. The skill development courses and programs proposed will surely contribute to improving employability in rural areas. Besides, the budget mentioned special attention to be paid to the educationally backward blocks insisting on improving the reach of the educational sector within the country.

However, the budget fails to shed light on the efforts to improve the quality of available faculty and to contain brain drains due to lack of research and development incentives. The Government will need to take additional efforts on these fronts to establish holistic growth in the sector.

Healthcare Sector

Industry Scenario:

The Indian Healthcare industry is growing phenomenally owing to its strengthening coverage, services and increasing expenditure by public as well private players. During 2008-20, the Indian healthcare market is expected to record a CAGR of 16.5%. The total industry size is expected to touch USD 280 billion by 2020. Rising income level, increased precedence of lifestyle diseases, greater health awareness and improved access to insurance has been the key contributors to growth.

However, most of this growth has been seen only in the urban areas. The private sector has been instrumental in the development of the India's urban healthcare industry. The private players account for almost 74% of the country’s total healthcare expenditure. Telemedicine is a fast-emerging trend in India. Major hospitals have adopted telemedicine services and entered several public-private partnerships (PPP). The telemedicine market in India is valued at USD 7.5 million currently and is expected to grow at a CAGR of 20 per cent to reach USD 18.7 million by 2017.

Further, presence of world-class hospitals and skilled medical professionals has strengthened India’s position as a preferred destination for medical tourism. During January-November 2016, a total of 82 health technology companies have raised about USD 80 million in India.

However, the services are yet to reach the rural parts of the country for which the Government has been undertaking various schemes. The Government still has a long way to go as even basic sanitation coverage is absent in a considerable part of rural India. Through Swachh Bharat Mission (Gramin), the Government has been able to improve sanitation coverage of 60% of rural India as on date as against 42% in October 2014. It should be noted that sanitation is one of the major reasons for prevalent diseases in the country and is counted amongst the most basic healthcare measures that is to be implemented. Also, in rural India healthcare has been statistically proven to be the biggest reason for decline in the financial status of a family. Development of low cost healthcare facilities therefore become a must for financial upliftment of the rural population.

In Budget 2016-17, the Government had launched various schemes including, New Health Protection Scheme, Additional 3,000 stores under the Jan Aushadhi Yojana, National Dialysis Services Programme under the National Health Mission as well as made various tax amendments to promote and incentivize healthcare for the rural and poor population. Further implementation of telemedicine could improve the reach for providing healthcare facilities to rural India.

XMPUS' Pre-Budget view:

Though Indian Healthcare industry has been growing at a tremendous rate, most of this development is seen through private investments in urban India. Thus, rural healthcare infrastructure stands neglected. Strong reforms are needed to spread to the healthcare reforms amongst the rural population. Besides, rural healthcare institutions lack sufficient medical qualified professionals. XMPUS expects the focus of this budget to mainly be on spread of healthcare to the rural population and the poor.

Moreover, there continues to be a huge demand-supply gap in healthcare professionals and infrastructure in the country. XMPUS believes that this gap needs to be filled to increase the reach of healthcare throughout the country.

Expectations from Budget 2017-18:

India's healthcare structure lacks behind most developing countries mainly due to lack of reach of the sector to the rural and poor population. It is therefore imperative to create a conducive environment for development of this infrastructure. Some of the expectations from the budget which would help bridge the demand-supply gap in the healthcare infrastructure include,

- Greater provisioning and new initiatives under the National Health Mission programme
- Introduction of new institutions and measures to increase the supply of medical practitioners in the country
- Mandatory health insurance coverage for every employee
- Enabling long term financing option for healthcare sector
- Direct Tax incentives:
  - ✓ Tax exemption on Preventive Health check-up should be raised
  - ✓ Increase in limit for health insurance policies be enhanced to Rs 50,000
  - ✓ Further, depreciation rate for all medical/ surgical/ pathological equipment should be increased from the current 40% to 60% as the medical equipment is outdated very fast considering the current advancement in technology
- Additional initiatives to ensure infrastructure funding in healthcare sector

Union Budget 2017-18 Proposals and Impact:

Budget Proposal	XMPUS view on its impact on the industry
✓ Action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018 and Measles by 2020	**Positive:** These are diseases affiliated with the poor and rural population who do not have access to proper sanitary measures and safe drinking water and food. Elimination of these
✓ Open Defecation Free villages are now being given priority for piped water supply	**Positive:** This will discourage open defecation leading to better sanitary measures in villages.
✓ 1.5 lakh health sub-centres to be transformed to Health Wellness Centres	**Positive:** A health sub-center is the most basic structure in rural healthcare comprising a maximum staff of 3 personnel. An upgrade of the same to Health Wellness Centre will ensure better healthcare facilities to the people of the
✓ To ensure adequate availability of specialised doctors, steps to be taken to create additional 5,000 post-graduate seats per annum	**Positive:** This will help bridge the demand supply gap as there is a huge demand for medical professionals that remains unfulfilled in the country.
✓ Regulatory reform in medical sector along with push for more DNB courses in big district hospitals and medical colleges of repute	
✓ Two All India Institute of Medical Sciences (AIIMs) to be set up in Jharkhand and Gujarat.	
✓ Proposes to amend Drug and Cosmetics Rules to ensure availability of drugs at reasonable prices.	**Positive:** This will ensure easy availability of drugs for the poor at reasonable prices.

Budget Proposal	XMPUS view on its impact on the industry
✓ New rules regarding medical devices to be formulated	**Positive:** The new rules regarding medical devices are aimed towards reduction in their cost price. This will help reduce the infrastructure cost for setting up medical centers.
✓ Senior citizens will be provided Aadhar based health cards mentioning their health conditions	**Positive:** This will allow easy access to health data of the senior citizens in case of emergencies.
✓ Financial assistance of Rs.6,000 to pregnant women	**Positive:** This will help ensure provision of necessary healthcare for the pregnant women and their new born children.

XMPUS' views on Budget Proposals for Healthcare Sector:

The Government, during Budget 2017-18, has mainly focused on bridging the demand supply gap of healthcare professionals in the country. Also, measures have been proposed to increase the reach of healthcare sector in to rural India and to reduce the cost of medical infrastructure through revision of rules regarding medical devices. The Government has paid special attention to women's welfare through granting aid to pregnant women and to senior citizens who would be provided Aadhar based health cards.

However, given majority of the country's population is based in the rural areas and that about 74% of medical expenditure is accounted for by private players, there seems to be a tactical disconnect between the existing and the desired investment pattern. The Government should therefore incentivize and encourage investment by private players in rural India for upliftment of healthcare sector in the region.

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