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TABLA!

Indian Finance and Defence Minister, Arun Jaitley.

SINGAPORE - With nearly $28 billion of Singapore investments in India and over $29 billion of Indian foreign direct investment (FDI) in Singapore, the first Budget to be presented by the newly-elected BJP government in India on July 10 will be watched with keen interest here in Singapore. In recent years Singapore and India rank among each other's top 10 global trading partners with bilateral trade in the $25 billion to $30 billion range. Furthermore, over 6,000 Indian companies in Singapore form the single largest foreign business community in Singapore. So tabla! spoke to a cross section of business leaders who are actively involved in Singapore-India business for their views on the forthcoming Indian Budget.

Encourage FDI

Given the scale of two-way investments and trade, it is only to be expected that making India an investor and business-friendly destination was on top of the minds of most of the people we spoke to. Executive director and CEO of Ascendas India Trust Jonathan Yap wants the new government to remove restrictions such as project size for foreign investors and allow institutional capital across commercial assets to help improve quality of real estate assets in India.

He also wants the Indian government to "create a single window clearance for large infrastructure projects and revive public private partnerships, both of which have already been outlined by (Indian) president Pranab Mukherjee".

He is looking for more consistent policy-making and implementation from India. Said Mr Yap: "For instance, the government would regain some investor confidence by reinstating the original tax benefits for special economic zones."

Resident director ASEAN region of Tata Sons K.V. Rao also feels that "FDI should be kick-started" by rationalising tax laws to remove ambivalence and impediments. Mr Rao, who is based in Singapore, adds: "India badly needs a structural shift in infrastructure." He wants the new government to clear projects, provide incentives and a policy that supports long-term FDI in areas like roads, ports and waterways.

This is a view shared by Mr S.V. Padmanabhan, who is the chairman of the Institute of Chartered Accountants of India (ICAI), Singapore Chapter and a director of Singapore Indian Chamber of Commerce and Industry. He suggests the Indian government implement policies which will facilitate FDI in key infrastructure developments.

Providing a view from the Indian side, Mr Rashesh Shah, co-founder and chairman of Edelweiss Group, one of India's most diversified financial services groups, says "the government needs to make India an easier place to do business - in terms of regulatory clarity, reduced red tape and processes and a more business-friendly approach". He feels this is a good opportunity for the government to open up FDI in various critical sectors such as defence, insurance and pensions.

Tax clarity

Mr Shah wants the retroactive tax laws of the past to be repealed and the government to give confidence on its taxation approach. He also wants a reduction/rationalisation of commodity transaction tax, securities transaction tax, etc.

Mr Yap of Ascendas suggests that the Indian government streamline the tax regime by introducing GST to replace various taxes including excise duty, service and value-added tax. "Businesses would also benefit from consistent tax enforcement," he said.

Mr Padmanabhan also wants to see the long-awaited implementation of a uniform GST. "Simplifying the direct tax/indirect tax administration and dispute resolution procedures would make it investment friendly," he added.

Inflation

Dr Aurobindo Ghosh, assistant professor of finance and programme director, Sim Kee Boon Institute for Financial Economics at Singapore Management University, shared his concern about inflation in India. "With energy price increase, cost of transportation is possibly set to go up. However, with a pass-through costs increase will affect cost of living and consequently increased inequality", he says. "Energy prices which directly impacts food price inflation, must be controlled," he adds.

Job creation

Both Mr Yap and Mr Rao emphasised the importance of job creation. Mr Yap wants the Budget to "provide incentives for foreign direct investments across the manufacturing sector to boost long-term job creation". Mr Rao wants a "push for vocational education and recast of laws".

Education

According to a report on the Indian education sector by India Ratings & Research, a Fitch Group Company, the Indian education market size will be worth over US$109.84 billion by 2015.

Allocation for education in the Indian Budget in 2013 was about $14 billion. Co-founder and executive chairman of Global Schools Foundation (Singapore) Atul Temurnikar wants the Indian government to take on education as a major priority. He says having just "IITs and IIMs in all states doesn't help the 95 per cent majority who are deprived of good colleges in various skills and competencies".

Women

Last year, then finance minister P. Chidambaram set aside over $20 billion for programmes likely to benefit women in what is known as the "gender budget". Dr Tanvi Gautam, programme director, women and leadership (executive education) at Singapore Management University, commented on a possible gender budget allocation for the forthcoming Budget. She said: "I think that the gender budget should be used for starting inclusion and diversity training in schools and colleges. I think that corporate programmes on these topics are too little too late. The awareness lens and a mindset of transformation should start while they are still young. If the education is robust it will cascade over into the social fabric as well as work places."

Social programmes

According to Mr Shah, in a country like India with so much income and social inequalities the government cannot do away with the social programmes. He, however, calls for "spending rationalisation". On a similar note, Mr Padmanabhan wants "tightening the public assistance/subsidy regime to ensure it reaches the real needy" by minimising the systemic leakages.

Other areas

On the energy front, Mr Rao - who is also a managing director of Trust Energy Resources, a Tata Power subsidiary - wants the Modi government to have a national power policy, based on "realism and pragmatism". He says energy holds the key to any industrial development in addition to being a basic necessity of which the people of India have been deprived.

Regarding fiscal deficit, Mr Shah wants to see the road map for the next three years in terms of where the government wants the fiscal deficit to be.

Professor Ghosh of SMU says that as agriculture still forms a major part of the Indian economy, support of agriculture is critical for India to be on a path of inclusive growth.

Mr Shah is looking for disinvestment and autonomy structure for public sector units especially government-owned banks. While Mr Padmanabhan wants measures to improve their productivity and results (including divestments/encouraging private-public partnerships).

Many of those we spoke to could not help a last word on FDI but with their pet twists. Mr Rao wanted the Modi government to reboot foreign relations to build confidence in India and encourage long- term investment.

Mr Padmanabhan wanted India to take a page or two from Singapore's practices to attract FDI. He says "similar to Singapore, steps can be taken to focus on creating regional headquarters of MNCs to promote India as a Nerve Hub of Asia".

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