



India: Redefining its growth path

August 2019

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Urbanisation and infrastructure push

Municipal cadres and decentralisation,
Amalgamate urban and rural development,
Urban mobility

Global manufacturing hub

- Upgrade infrastructure enablers
- Enabling policy for high-end manufacturing



Promotion of the start-up ecosystem and MSMEs

- Integration in GVCs
- Establish R&D linkages
- Vocational trainings



Social uplift

- Predictive analytics for monitoring and interventions in welfare programmes
- Integrate public and private healthcare delivery systems



Taxation

- Mechanism for mitigating tax litigation
- Certainty of tax rates
- Inter-agency co-operation and alignment



Sustainable development

- Climate resilience in project planning
- Stricter monitoring and control against pollution
- Improving water efficiency

Agriculture

- Digital farming
- Modernise agri-marketing infra and create direct farmer to consumer market infra
- Clusters for agri. and processed food exports



Healthcare

- Infrastructure investments for increased healthcare penetration
- Home care to drive growth
- Digital healthcare solutions

Education

- Education policy
- Vocational education
- Entrepreneurship enablers

Power and energy

- Structural solution for the bankruptcy situation
- Sustainable energy
- Reduce dependence on oil imports

Tourism

- Village-based tourism model
- Encourage travel and tourism start-ups
- Region-based customised tourism plan
- Develop tourism-trails by linking locations with common themes

USD5
trillion by
2025

Financial services

- Continue to incubate fintech ecosystem
- Liquidity for NBFCs

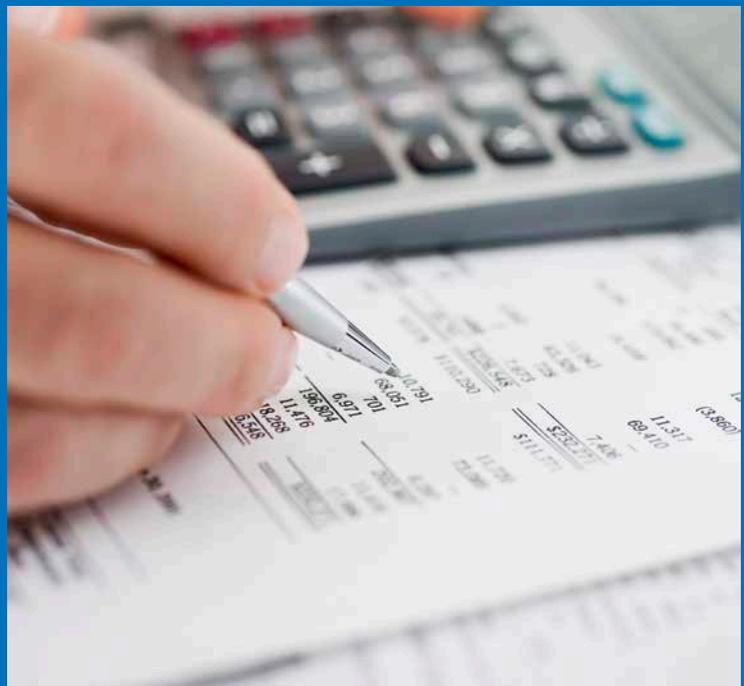
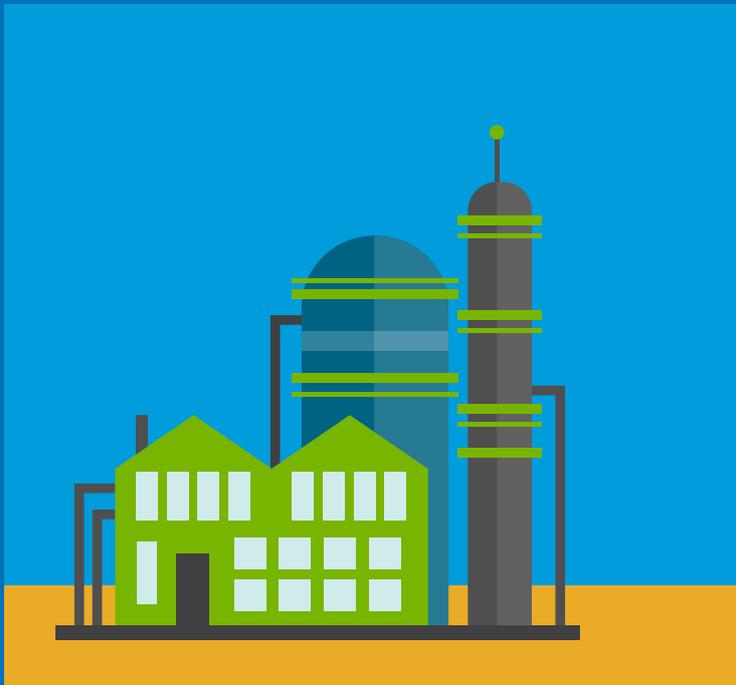
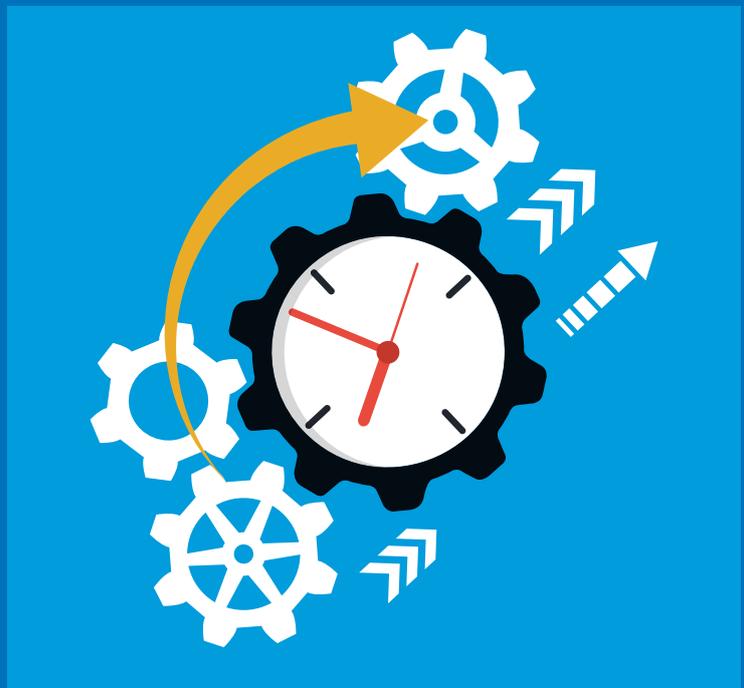


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Foreword

Globally, economic volatility is on an upswing amid rising trends of inward looking policies and trade wars. Increased exports and foreign direct investments are critical for GDP growth and employment. Hence, India's focus on facilitating policies with reference to trade and investments in India must continue to increase, even in the face of protectionist tendencies in other economies. The country is at an inflection point as political stability, supportive demographics, technological leaps and enlightened policymaking converge to create a conducive climate for growth.

In the last five years, the Government of India has provided a sustained policy impetus. India has thus embarked on a path of structural reforms and pivotal legislation in investments, taxation and infrastructure, helping the economy to maintain healthy growth. The country has to travel further on the path to unravel its true potential. The recently presented Budget underlines the government's intent of India embarking on a path to become a USD5 trillion economy by 2025.

A young India's pulsating aspirations are setting the bar high for the government, making the youth the centre of focus of policymaking.

The next five years could have momentous significance, bridging the urban-rural divide, catalysing consumer consumption and fuelling growth in agriculture, healthcare, education and infrastructure, among others. As technology seeps into all aspects of the country's milieu, a future of converging digital technologies beckons.

While the focus is on bringing structural changes through targeted policy interventions to enhance India's global competitiveness, bilateral and multilateral initiatives across regions are expected to play a defining role in shaping the success of reforms.

Opportunities – including cross-border collaborations – are blooming even as business models shift and technological undercurrents sweep across the ecosystem. Further, with trade deficit under the government's scanner, the potential for recalibrating trade by growing in existing trade regions and building new trade partnerships is vast.

This report analyses the key facets of six themes – infrastructure, manufacturing, MSMEs and the start-up ecosystem, business-friendly policies, social uplift and taxation – across agriculture, healthcare, energy, financial services, tourism and education.



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Introduction

The global economy is largely under stress, with several countries grappling with the impact of the on-going trade wars and domestic political pressures. According to IMF, the global economy is expected to grow at 3.2 per cent in 2019 due to headwinds such as weak trade prospects, slow investments, falling fiscal stimulus, ongoing policy normalisation and rising disinflationary pressures.

While India's recent decisive election mandate helps ensure political stability and continuity, the country is suffering domestic sluggishness. While these economic challenges cannot be ignored and do impact the short-term health of the economy, they also present long-term opportunities for India to undertake structural changes which could facilitate its emergence as a global powerhouse.

The country's economy is currently under stress given the consumption slowdown, decelerated growth across many sectors, and liquidity stress in the non-banking financial sector. While addressing these challenges, it has also become imperative for the government and private sector to focus on its country's long-term goals to unlock its full potential. To achieve its target of emerging as a

global manufacturing hub, efforts have to be focussed on strengthening infrastructure, building a digital ecosystem and integrating into global supply chains.

India also needs to adopt agility in its policy and regulatory framework to introduce reforms across land, labour and administration, while also ensuring access to funds for MSMEs and start-ups and managing farm distress and fiscal deficit. Hence, India's long-term growth leans on structural changes. Moreover, since the government is pursuing a fiscal consolidation path, the private sector is likely to drive growth in all major sectors. At the same time, public investments in roads, highways and affordable housing is expected to continue to boost infrastructure development.

Over the last five years, the government had made continuous efforts to drive stability in new systems and enable the ease of doing business. It is now imperative for the government and industry to work together to boost private consumption and investments and pave the path for long-term stability and growth.





01



The path
for India to
become a
USD5 trillion
economy

Union Budget 2019-20 articulated the ambition of a \$5 trillion economy

Post elections this year, the ruling government returned to power with a decisive mandate, paving way for continuity of policy and an impetus to progressive reforms, good governance and competitive federalism. With a stable government back at the helm, India may continue to strengthen its position as the world's growth engine. This is further reflected in the recently presented Union Budget 2019 where the focus has been on furthering growth.

India is witnessing a rapid economic ascent as the geo-political and economic compass gradually shifts to Asia. Even against an uncertain macroeconomic backdrop globally, India's influence is spreading beyond its traditional sphere in the Asia-Pacific.

India is one of the few large economies where economic growth and sustainable development are moving in complementary directions. The country's rapid strides reflect in its improved rankings on indices such as the World Bank's Ease of Doing Business (EoDB) Index, Global Innovation Index, Global Competitiveness Index, Global Healthcare Access and Quality index and Climate Change Performance Index.

Over the last five years, various policy reforms have been

introduced such as Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), single-window clearance, digital applications and clearances, and relaxation of FDI norms, leading to an uptick in economic growth and raising the country's EoDB rank by 65 places to 77, globally. Some of these policies can be streamlined further to catapult India into the top 50 EoDB rankings⁰¹.

India is expected to be the third-largest economy in the world by 2030, driven by favourable trends.⁰² The country's economic transformation is likely to continue to be led by a rising middle class and rapid urbanisation, which can further fuel consumption.

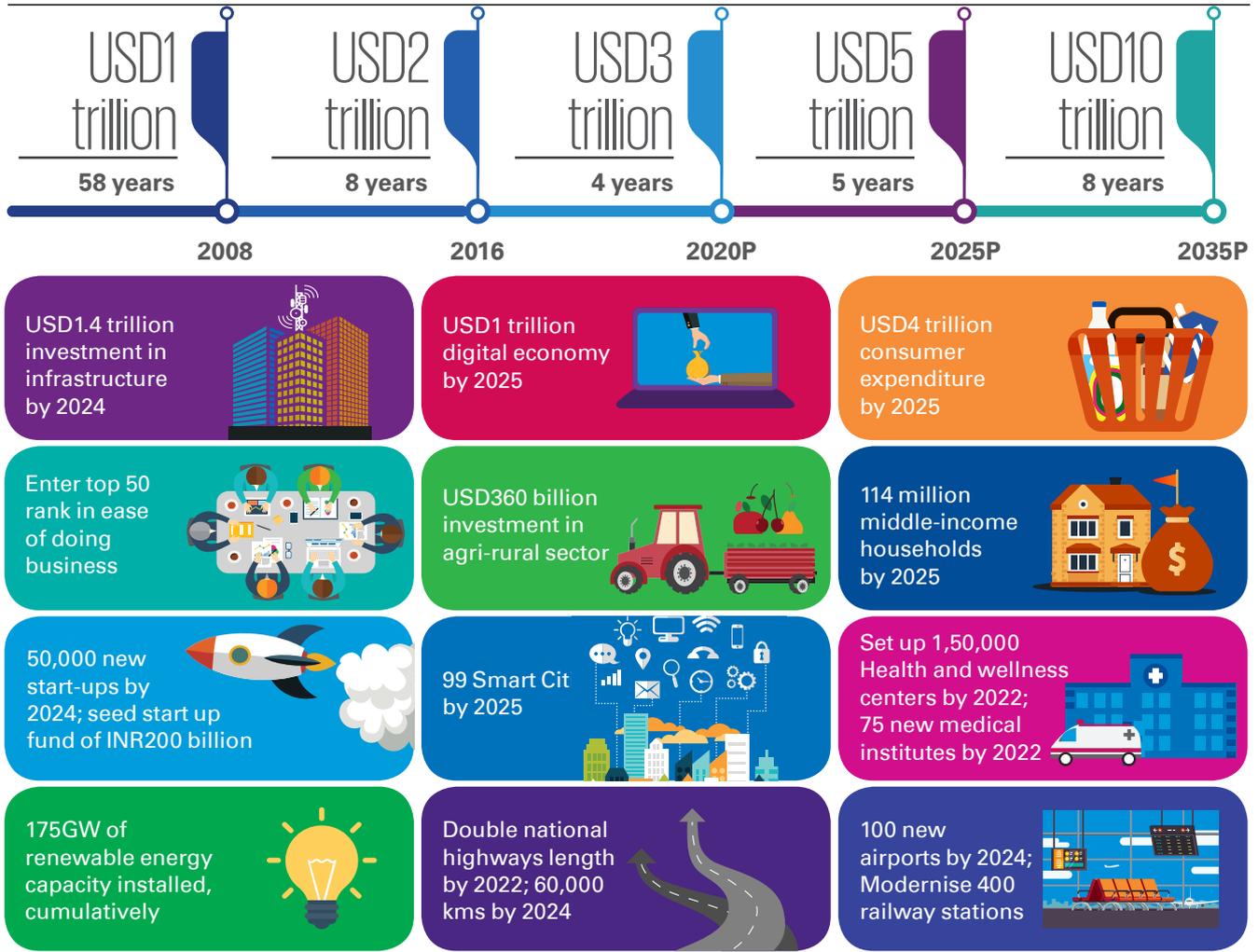
Although, India's economy witnessed a downturn during the second half of FY19, political certainty coupled with favourable interest rates and income support to the farmers, is pegged to push the capacity utilisation and private consumption in the country. With a smooth runway laid down over the last few years, India is set to take off to become a USD5 trillion economy by 2025.⁰³

This is reflective from KPMG in India's survey which states that around 94 per cent CEOs in India are confident in the growth prospects of their company⁰⁴.

Budget 2019 levies significant importance on building the momentum for investments, especially private investments, providing necessary push for increasing and creating jobs, improving the demand and boosting exports. For instance, the government has announced investments worth USD715 billion across railway infrastructure by 2030⁰⁵ and expansion of corporate tax of 25 per cent to companies with INR400 crore from currently INR250 crore⁰⁶. A social stock exchange enabling easy funding for social enterprises will give a push to several welfare schemes.⁰⁷

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India – A USD5 trillion economy by 2025^{08,09,10,11,12,13,14,15,16,17,18}



On the other hand, the rising aspirations, ambitions and impatience of a young, growing Indian population are raising the benchmarks of performance for the central and state governments. Such aspirations are increasingly acting as catalysts for governmental policymaking and intervention.

To fulfil such aspirations, the government laid the groundwork in its last five years to usher India into a new world of strategic and economic opportunities. The government is increasingly focusing on building a collaborative, integrated ecosystem to improve the investment and business

climate for global investors. The foreign direct investment (FDI) inflow grew at a CAGR of about 13 per cent during FY15-FY18.¹⁷ The FDI inflow is expected to grow faster given the ongoing trade wars and the likely shift of some manufacturing away from China.

Additionally, India plans to expand its trade relations with emerging economies such as Africa, Latin America and ASEAN to diversify its trade partner portfolio. Further, to help enhance the proportion of value-added exports, India plans to focus on bringing in more foreign firms and increasing outbound shipments.

Despite political stability, India still has to navigate through global uncertainty. However, the government seems to be in a much better position to scale up its existing schemes such as 'Ayushman Bharat', 'Skill India', 'Make in India' and 'Digital India'.

The core themes that are expected to propel India's growth story are 1) an infrastructure push, 2) the country's emergence as a global manufacturing hub, 3) promotion of micro, small and medium enterprises (MSMEs) and the start-up ecosystem, 4) social uplift, 5) taxation and 6) sustainable development.

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Urbanisation and infrastructure push

India's urban population is estimated to reach 40 per cent of the total population by 2030. The government has undertaken an urbanisation programme that envisages 700–900 million square metres of urban space to be developed every year to accommodate this growing number.¹⁹

Given rapid urbanisation, the country has immediate investment requirements in basic services, transport infrastructure, supply chain and energy segments. Higher impetus is likely to be placed on creating municipal cadres that offer provisions of involving lateral experts across departments and decentralising local bodies with city municipal authorities to be apex bodies. Furthermore, the pace of urbanisation calls for bridging the vast urban-rural divide.

For India to bolster its infrastructure, investments worth USD4.5 trillion are required by 2040.²⁰ Despite a ramp-up in investments, there is massive scope for investments across areas such as housing, water management, transport infrastructure, and waste collection. Other potential investment areas are renewable energy, port capacity, economic corridors, information and communication technology (ICT) infrastructure, airports and smart cities.

Greater emphasis is likely to be placed on expanding the existing financing sources, creating innovative public-private partnership models and attracting investments. The other key themes can be technology sharing from foreign firms, enabling institutions dedicated to infrastructure financing and ensuring efficient project implementation.

An ambitious project worth INR5.5 trillion of the government is to link more than 60 rivers through a network of reservoirs and canals across India.²¹ The project presents massive opportunities for international firms for feasibility studies, project management, surveys and project execution. This further gets impetus from the government's recent step to form a new ministry Jal Shakti to unify all the departments related to water management.²²

Further, with projects such as the 1,300-km trilateral India-Myanmar-Thailand highway, India will increasingly become a part of the developing Regional Value Chains (RCVs). For instance, mature India-ASEAN connectivity will have cumulative gains of over 2 per cent of India's GDP.²³

KPMG's views

Establish municipal cadres and increase decentralisation at city level

- State governments should professionalise municipal cadres to improve governance and strengthen local bodies; furthermore, impetus has to be given to allow lateral entry of experts across different departments and projects.
- Decentralise city-level local bodies through greater delegation of funds and responsibilities, autonomy of revenue mobilisation and flexibility of urban planning; this will support the government's smart city mission.

Amalgamate urban and rural development

- Villages that are classified as 'large' and 'very large' due to their population threshold or non-agriculture population mix miss out on infrastructure, housing or employment policies that are planned for urban areas; therefore, development of towns/villages should be planned as urban clusters/hubs to bridge the rural-urban divide.

Dedicated missions

- Augment municipal revenues, both tax and non-tax, through dedicated missions.
- Consolidated urban mission with a single funding line linked to urban reforms as compared to projects and utilisation.



Given that India is one of the most rapidly urbanising countries in the world, there is a pressing need to redefine policies, regulations, and incentives to foster the creation of essential urban infrastructure for enhancing the quality of living. Partnerships between the government and the private sector need to be recalibrated, particularly in terms of the sharing of risk and access to funding. The advent of fourth-generation technologies like AI and the innovative utilisation of big data are expected to multiply the benefits arising from investments in infrastructure.

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Global manufacturing hub

India produces about USD9.4 trillion in goods and services. Manufacturing, which accounts for around 17 per cent of the country's GDP, is estimated to contribute 25 per cent by 2025.²⁴

By improving the ease of doing business further, strengthening the Companies Act 2013 and introducing a new industrial policy, India's position as a global manufacturing hub is likely to be strengthened. India can also emerge as a research and development (R&D) hub and knowledge centre. For instance, a European firm has recently set up its global R&D centre in India.²⁵

Additionally, the government's development of industrial corridors is aimed at creating a favourable environment for industrial development. The government is bound to further invest in creating clusters or networks. The emphasis on initiatives such as 'Make in India', 'Digital India' and 'Skill India', as well as a favourable foreign investment policy will support India's position as a global manufacturing hub.

In India, 60 per cent of formal employment relies on middle-skill jobs that are prone to automation.²⁶ With Industry 4.0 and digitalisation gaining momentum, the country is expected to focus on upskilling and reskilling the workforce on emerging technologies such as artificial intelligence (AI), machine learning (ML), internet of things (IoT), big data and analytics.

According to KPMG's India CEO Outlook 2019 report, about 88 per cent of CEOs in India are personally leading the technology strategy of their companies.²⁷

Further, many global companies are looking to shift their supply chains away from China because of the ongoing trade tensions, and India is emerging as a clear choice. For instance, India and the U.S. are discussing to move capacities of around 200 U.S. companies out of China and set up an alternative base in India.²⁸

India has a rich talent pool of engineers, a young workforce, and cost-effective labour. The country also offers a huge market, supported by rising disposable income. However, key growth drivers of India's emergence as a manufacturing hub is likely to be the convergence of digitalisation and manufacturing and the subsequent productivity leap.

However, with more than 50 per cent of India's population under the age of 25, the government has to create jobs and upskill and reskill the workforce given changing requirements and emerging technologies. The government plans to augment its existing 'Skill India' initiative to provide vocational training to 400 million people by 2022.²⁹

Creating jobs and skilling youth are of utmost importance for the government to deliver on its vision of inclusive growth.

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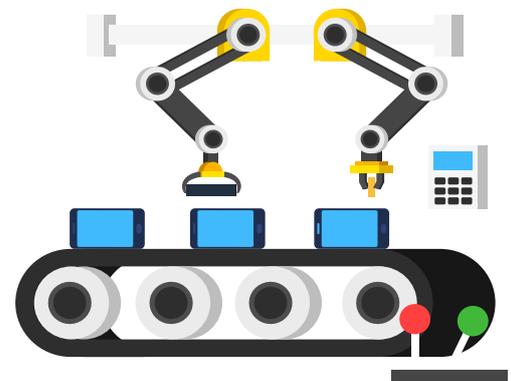
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India has the potential to benefit from the ongoing trade wars, and leverage the change that various international companies are looking to make for their manufacturing bases away from China. However, unlocking the full potential of this opportunity would depend on India's investment in upskilling and reskilling its existing workforce given the dynamic environment and emerging technologies. We should also look at investments from China where China has key advantages to build manufacturing scale in India. Additionally, India's position as a global manufacturing hub can be fortified through its emergence as an R&D hub and knowledge centre.

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KPMG's views

Adopt emerging technologies

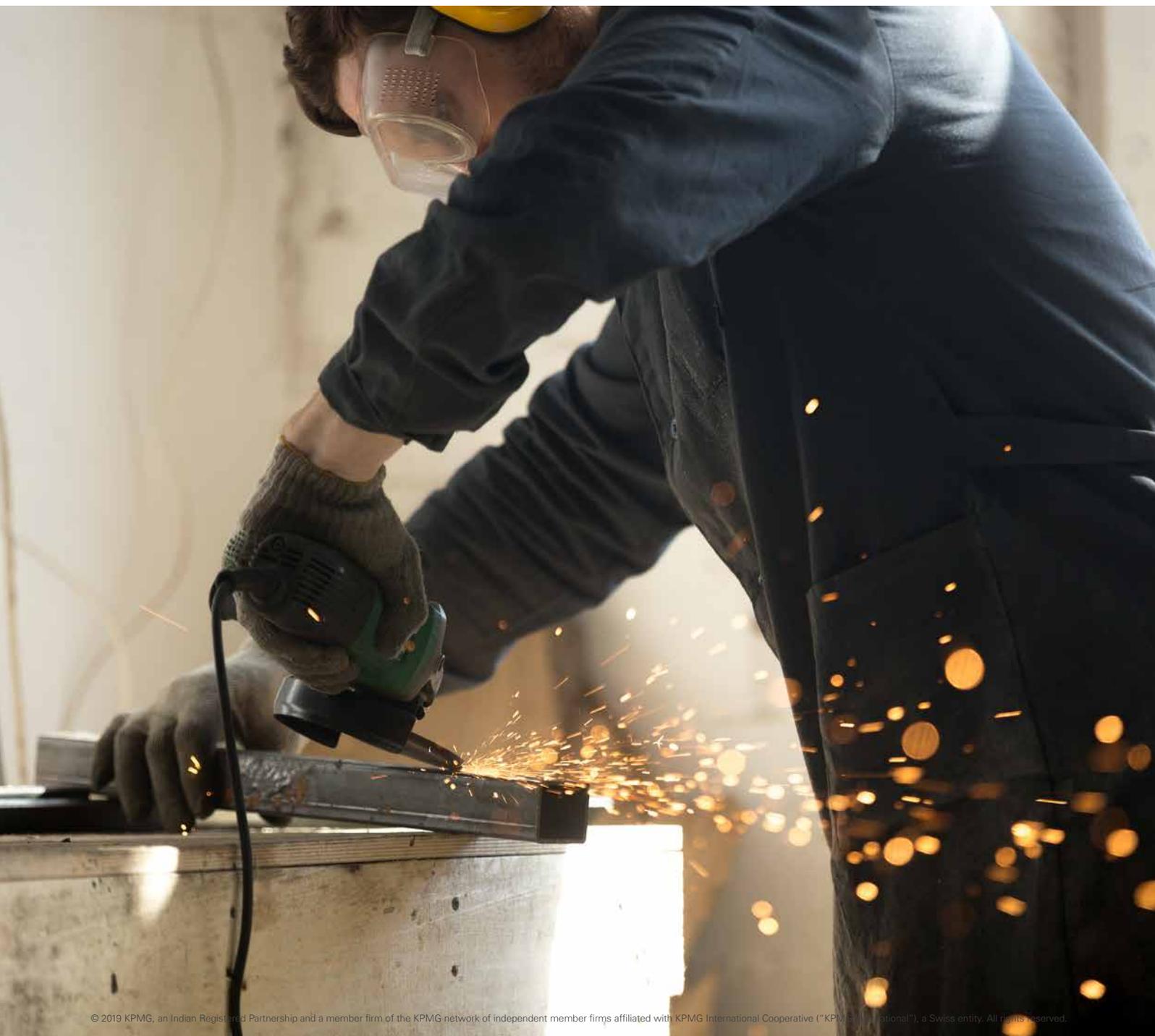
- The government has identified five sectors, i.e., infrastructure, transportation, healthcare, education and agriculture for adopting AI; infrastructure development is bound to lay the foundation for other sectors' growth, and hence, AI adoption in infrastructure will play a key role, especially for asset management.

Place higher focus on infrastructure for urban mobility

- Rapid urbanisation is exerting pressure on major cities for mobility and systemic city planning.
- Therefore, higher authority needs to be provided to city municipal bodies.

Implement direct service delivery using data and analytics (D&A)

- The government needs to increasingly leverage an evidence-based policy using D&A to strengthen the delivery of citizen services.
- Furthermore, data from GST, Aadhaar and Ayushman Bharat can be leveraged for effective service delivery.



KPMG's views**Aggressively upgrade infrastructure enablers**

- With increasing focus on the 'Make in India' initiative, the government needs to aggressively upgrade infrastructure enablers across sectors such as industrials, specifically in the automotive sector where the key megatrends are BS VI and Electric Vehicles (EVs). The country needs massive infrastructure overhaul if it needs to target 30 per cent vehicles as EVs by 2030 and 100 per cent by 2047.

Build an enabling policy to facilitate high-end manufacturing

- The need of the hour in the country is job creation, which mainly can be driven by the manufacturing sector. Additionally, with the changing technological landscape, the manufacturing sector needs to have an enabling policy that encourages high-end manufacturing in the country.
- For instance, implementing policies which will support luxury car manufacturing rather than completely knocked down (CKD) operations.
- Further impetus has to be given on improving ease of doing business and training on emerging technologies to encourage Industry 4.0 adoption.

Promotion of the start-up ecosystem and MSMEs

In recent years, the Indian start-up ecosystem has grown exponentially. India is the third-largest start-up ecosystem with an estimated start-up base of 7,500 at the end of 2018.³⁰

Driven by the adoption of emerging technologies across sectors, increasing domestic demand, availability of funding options and increasing government support, India has established a successful start-up ecosystem. Also, many Indian start-ups have grown into international businesses in the past few years, reflecting the maturity of Indian start-ups.

With a target to establish 50,000 new start-ups by 2024³¹, the Indian start-up ecosystem is getting significant thrust from the government. To achieve this, the

government has already created a seed start-up fund of USD2.85 billion. It plans to launch many new initiatives such as easing regulatory requirements, setting up 500 new incubators and accelerators, providing collateral-free credit up to INR5 million and creating 100 innovation zones.³²

Apart from that, the MSME sector is critical for India's future growth. India has the highest number of MSMEs after China, contributing around 45 per cent to manufacturing output, 40 per cent to the total exports and 8 per cent to the GDP which should reach 50 per cent of exports and 12 per cent contribution to GDP.³³ Though an organised MSME sector with a national data centre for MSMEs and skill sets seems like a way forward.



MSME's are the cornerstone for resilient economic growth. The ambition of a USD5 trillion economy will require unleashing the potential of MSMEs. It will require data driven identification of challenges and taking mid-term to long-term approach towards easing out capital availability, lowering cost of doing business, focusing on productivity enhancement, adoption of 'standards' and a concerted effort towards trade enhancement through internal and global value chain integration.

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33. What Startups Want From The New Government, Inc 42, 23 May 2019

To promote the MSME sector, the government plans to provide USD14 billion credit to MSMEs under its Credit Guarantee Scheme and create 150 technology centres by 2024.³³ These centres would provide training to MSMEs and expose them to emerging technologies such as AI, robotics, IoT, VR and blockchain.

India is on its way to become a trillion-dollar digital economy through growing consumer demand and expanding digital infrastructure, and the adoption of emerging technologies. Start-ups and MSMEs are set to play a crucial role in this development. This presents massive opportunities for strategic partnerships with international players for exchanging technologies, building and modernising infrastructure, building academic tie-ups and developing skills.

KPMG's views

Fix the inverted duty structure and promoting integration in global value chains (GVCs)

- Subsidies, industrial policies, tariff and non-tariff barriers in certain sectors distort incentives, resulting in a competitive disadvantage; this also hinders the link between GVCs, as a tariff on the full product each time it crosses a border compounds the cost of trade and is cumbersome administratively.

Implement standards and encourage reporting

- Complexities and no benchmarking of standards across regions, makes it difficult for exports.
- Transition from 'reporting less to avoid hassles' to 'reporting as required to gain benefits'.

Organise the MSME sector

- Implementation of a national rating system for ranking of MSMEs, which is accepted by both government and private buyers as well as financial institutions.
- Nationwide repository of MSMEs to enable targeted interventions; nation-wide repository of employees of MSMEs with their skill sets.

Establish R&D linkages

- Partnerships between R&D facilities/institutes and MSMEs/clusters should be promoted
- Create fund/s for R&D in new technologies for startups

Encourage adoption of MSMEs

- Large private sector companies should be encouraged to adopt MSMEs and mentor them and then integrate them within their value chains.
- Incentivise corporates to incubate startups

Promote vocational trainings

- School-level vocational training programmes to promote practical experience at an early age; students to be linked with the nearest MSME clusters for vocational trainings.

Launch funds

- Impact investment fund for socially and environmentally conscious small businesses in India.

Dedicated organisation for export promotion

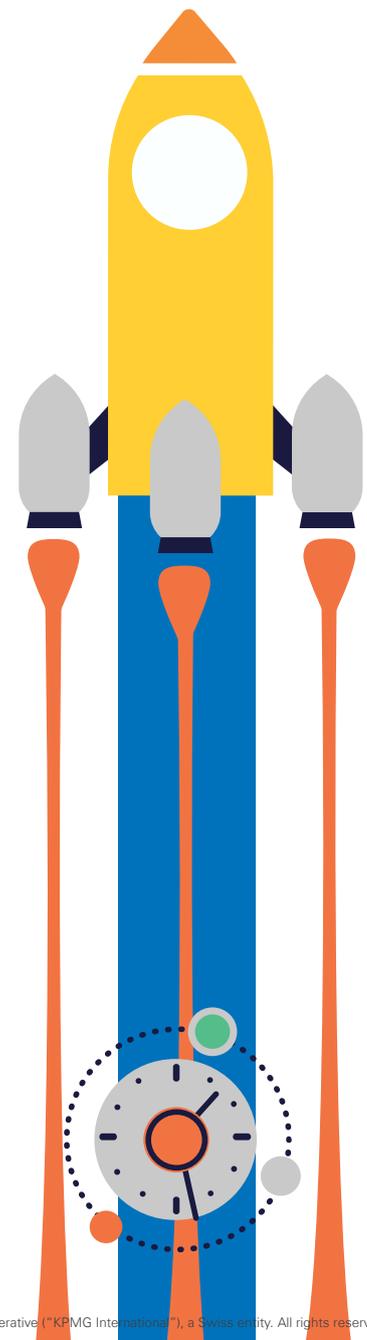
- A concerted effort and dedicated organisation should be established for export promotion. This organisation can leverage Indian Embassies and Consulates aggressively.

Introduction of Indian Commercial Service

- Create an Indian Commercial Service, similar to the Indian Foreign Service, to promote Indian exports, especially SME exports.

Startup ecosystem and academic collaboration

- Set-up more startup ecosystem hubs
- Encourage academic collaborations, providing testing hubs and access to easy funds



Social uplift

India's growth is closely tied to consumption and domestic demand. Although the country is seeing rapid urbanisation and increasing disposable income, it is imperative for the country to bridge the social divides.

A majority of the population who work in the agriculture sector and the unorganised sector are deprived of basic facilities, infrastructure and financial protection. During the last five years, the government has launched various programmes to uplift the lower income class. The programmes included Ayushman Bharat (healthcare insurance), Pradhan Mantri Kisan Samman Nidhi Yojana (INR6,000 yearly to small farmers) and Jan Dhan Yojana (bank accounts).

Over the next five years, the government plans to further bridge the social divide. It aims to offer a monthly pension of INR3,000 for farmers and workers in the unorganised sector,³⁴ extend the Pradhan Mantri Kisan Samman Nidhi Yojana to all farmers,³⁵ and reduce the malnutrition level through POSHAN Abhiyaan.³⁶ It will also ensure the availability of banking services within five kms of every individual, a pucca house for every family, electrification of all households and access to safe and potable drinking water.³⁷

KPMG's views

Use predictive analytics for monitoring and interventions in welfare programmes

- Schemes such as the Holistic Nourishment Scheme (POSHAN Abhiyaan) to make India malnutrition free by 2022 that converge with various government programmes such as Anganwadi Services, Scheme for Adolescent Girls, National Health Mission (NHM), Clean India Mission and Public Distribution System can benefit significantly from the use of predictive analytics and create evidence-based policies.

Integrate public and private healthcare delivery systems

- The ambitious scheme of the government, i.e., Ayushman Bharat (health insurance scheme) requires a significant thrust to encourage private sector participation to increase penetration.
- Government support and policies in terms of land acquisition, budgetary grants and favourable PPP policies can boost the healthcare delivery system.



India's growth story will be shaped on the basis of our ability to increase penetration of health insurance, financial inclusion, and access to basic facilities for all, regardless of their social status. This focus on bridging the rural-urban and rich-poor gap can be helped with leveraging technology to introduce innovative solutions, especially for monitoring the welfare programmes and creating evidence-based policy-making.

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Taxation

The tax changes introduced in the 2019 interim budget are expected to prevail. A full income tax rebate for those earning up to INR5 lakh per annum, an increase in the standard deduction from salaries to INR50,000, the removal of tax on notional rent on a second house and a hike in the TDS threshold limit are expected.

The government is anticipated to simplify GST by doing away with the two top rates of 18 per cent and 28 per cent. GST tax slabs could be merged into two main rates from the current four. Simplification of the GST process and lowering time spent for tax compliance to one hour per month is expected.³⁸

It is also likely that the existing Income Tax Act, 1961 would be overhauled as a new direct tax code (DTC) is under drafting stage³⁹. The new draft will seek to improve tax compliance and bring more assesseees into the tax net and make the system more equitable for different classes of taxpayers. The new draft may also try to lower the corporate tax rate and phase out the remaining tax exemptions that lead to litigation, thus making businesses more competitive.

KPMG's views

Mechanism for mitigating tax litigation

- The government may evolve a mechanism for mitigating tax litigation in India, which continues to be a sore point for both Indian and foreign companies; this could be done by allowing the taxpayer and the Tax Department to settle a tax issue, which is a norm in the western world.

Certainty of tax rates

- Following the global trend on lowering of corporate tax rates and maintaining competitiveness, India should move to a simple tax rate structure — single corporate tax rate of 25 per cent with no surcharge and cess.
- The Minimum Alternate Tax (MAT) should be withdrawn and Dividend Distribution Tax (DDT) should be replaced with withholding tax.
- The tax rate for foreign companies should also be correspondingly lowered from the current rate of 40 per cent (plus surcharge and cess).

Inter-agency co-operation and alignment

- There is a need for a formal and a closer alignment between customs/GST and transfer pricing (TP).
- India should do away with different prices (ALP) adopted for direct tax and indirect tax purposes for simple principle/rationality.



It is hoped that the remodelling of the tax structure, through further simplification of the GST structure and promulgating a new Direct Taxes Code, is likely to make the Indian tax system more equitable for all classes of taxpayers. There is also the hope that lower tax rates for all corporates and indeed, all taxpayers, along with a fair, rational and even handed tax administration will help Indian businesses become more competitive in the global space.

Hitesh Gajaria
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Sustainable development

India, with its sheer size, varied demographics and development agenda, has to continually manage the balancing of economic growth and environmental sustainability.

Though, India's focus is moving towards sustainable development such as generating 175 GW of renewable energy by 2022, smart cities, electric vehicles, energy efficiency initiatives and moving to BS VI emission norms, challenges such as gender equality, clean energy, biodiversity, pollution, water crisis and waste management remains to be resolved. The latest 2019 Sustainable Development Goals (SDG) report suggests that India slipped in the global rank from 110 to 115.⁴⁰

Additionally, China, India and the U.S. account for the largest shares of global SDG performance gaps with India representing 23.1 per cent of the total achievement gap on Zero Hunger. Hence, India's improvement across the goals can bring the world closer to the SGD targets.⁴¹

The government, therefore, is expected to emphasise on transition towards a more Circular Economy - developing new policies or enhancing existing policies, especially across mining, resources consumption, production efficiency, waste and water management and technology adoption.

With various initiatives already in place, India is committed to meeting its target of reducing the emissions intensity of its GDP by 33-35 per cent by 2030 from its 2005 level,⁴² non-fossil fuels' share to 40 per cent of the total electricity generation capacity and creating

additional carbon sink of 2.5-3 billion tonnes of CO2 equivalent through forest and tree cover.⁴³

On the other hand, according to KPMG's India CEO Outlook 2019 report, climate change has emerged as the greatest threat globally in 2019.⁴⁴

Moreover, 15 out of 20 most polluted cities in the world are in India⁴⁵ serious health risks. To tackle pollution levels, the government will launch a special National Control of Pollution programme in 102 top polluted cities of India. INR460 crore has been allocated for the same with an aim to support city civic administrations for tackling city specific pollution.⁴⁶

Overall, while development and growth remains the underlying agenda of the government over the coming years, the focus will be more towards sustainable development.

KPMG's views

Climate resilience in every project planning

- India is one of the countries that is likely to be most affected by climate change. Whether it is physical risk, health risk or food security, India will have high **exposure. Hence across all the government's planning process, there needs to be an integration of climate resilience.**

Stricter monitoring and control against pollution

- Air pollution, water pollution and land degradation due to chemicals, etc. is posing irreversible damage and hence should be attended on priority.

Improving water efficiency

- Whether it is agricultural productivity or industrial productivity, India's water usage efficiency –productivity/KL, is the lowest, thereby requiring special attention.

Public procurement to include sustainability

- In most countries, public procurement is the biggest purchaser and a defined methodology to integrate sustainability can transform most of the industry. For instance, circular economy in water and waste management can address the country's resources' problems.

Fostering gender equality

- With more inclusion of women in the workforce, India's GDP can have a positive impact.



India has to balance its economic, environmental and social agendas to achieve the next phase of sustainable growth. As the country is facing extreme climatic changes it is critical to embed climate resilience when planning government projects. Focussing on transition towards a circular economy – with policies across mining, resources consumption, production efficiency, and waste and water management. While doing so making sure of social progress by providing better living conditions would help India achieve growth in a sustainable manner.

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02

Sector opportunities

Agriculture

In India, 60 per cent of rural households depend on the agriculture sector and associated activities, but the sector contributes just 17 per cent to the country's GDP. However, with increasing focus from the government, agriculture is expected to grow at a CAGR of 12.2 per cent to USD1.26 trillion by 2023.⁰¹ A time-bound programme focused on creating well-functioning markets, improving productivity and cutting waste can support this growth.

During the last five years, the government has launched various policies and initiatives to double farmer's income by 2022, focusing extensively on increasing the minimum support price (MSP). To ensure the efficient realisation of MSP for the next five years, the government plans to strengthen the existing initiatives such as e-NAM (an online trading platform for agri. commodities), GrAMs (village agriculture markets) and Pradhan Mantri AASHA Yojana (to ensure remunerative prices to farmers).⁰²

The government has recently adopted the route of direct cash transfers to farmers. For instance, in interim budget 2019, the government launched a scheme Pradhan Mantri Kisan Samman Nidhi Yojana to directly credit INR6,000 a year into the accounts of farmers with up to 2 hectares of land.⁰³ This will be further extended to all the farmers. Additionally, small and marginal farmers will be offered pensions post 60 years of age⁰⁴.

On the investment side, there are plans to attract investments worth INR25 lakh crore in the agri-rural sector and enable the creation of 10,000 new Farmer Producer Organisations (FPOs).⁰⁵ Additionally, short-term interest-free loans of up to INR1 lakh will be facilitated. The sector will also get a boost from its recent agri-export policy, which is estimated to increase the agriculture export to increase to USD60 billion in the next five years and USD10 billion in the next 10 years.⁰⁶

The advent of technology and its adoption across the agriculture value chain provide the necessary thrust to the government's initiatives. Opportunities exist across areas such as farm mechanisation, soil management and crop forecasting techniques, biotechnology to increase crop yields, farming-as-a-service, e-mandis and usage of emerging technologies such as data analytics and AI.

The agri-tech sector is flourishing and the vibrant start-up ecosystem in India supports its growth, presenting immense opportunities for cross-border collaborations and partnerships. Further, investments in the efficient supply-chain and cold-chain infrastructure are likely to boost the country's agriculture sector.



The agricultural sector forms the base of the Indian economy and it is an opportune time to invest further in its development. While providing large scale employment opportunities, the sector also supports various allied segments, which can further the country's growth. Unlocking the full potential of the agricultural sector would depend on utilising technology, creating Farmer Producer Organisations (FPOs), strengthening infrastructure and modernising agri-marketing systems.

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KPMG's views

Digital farming

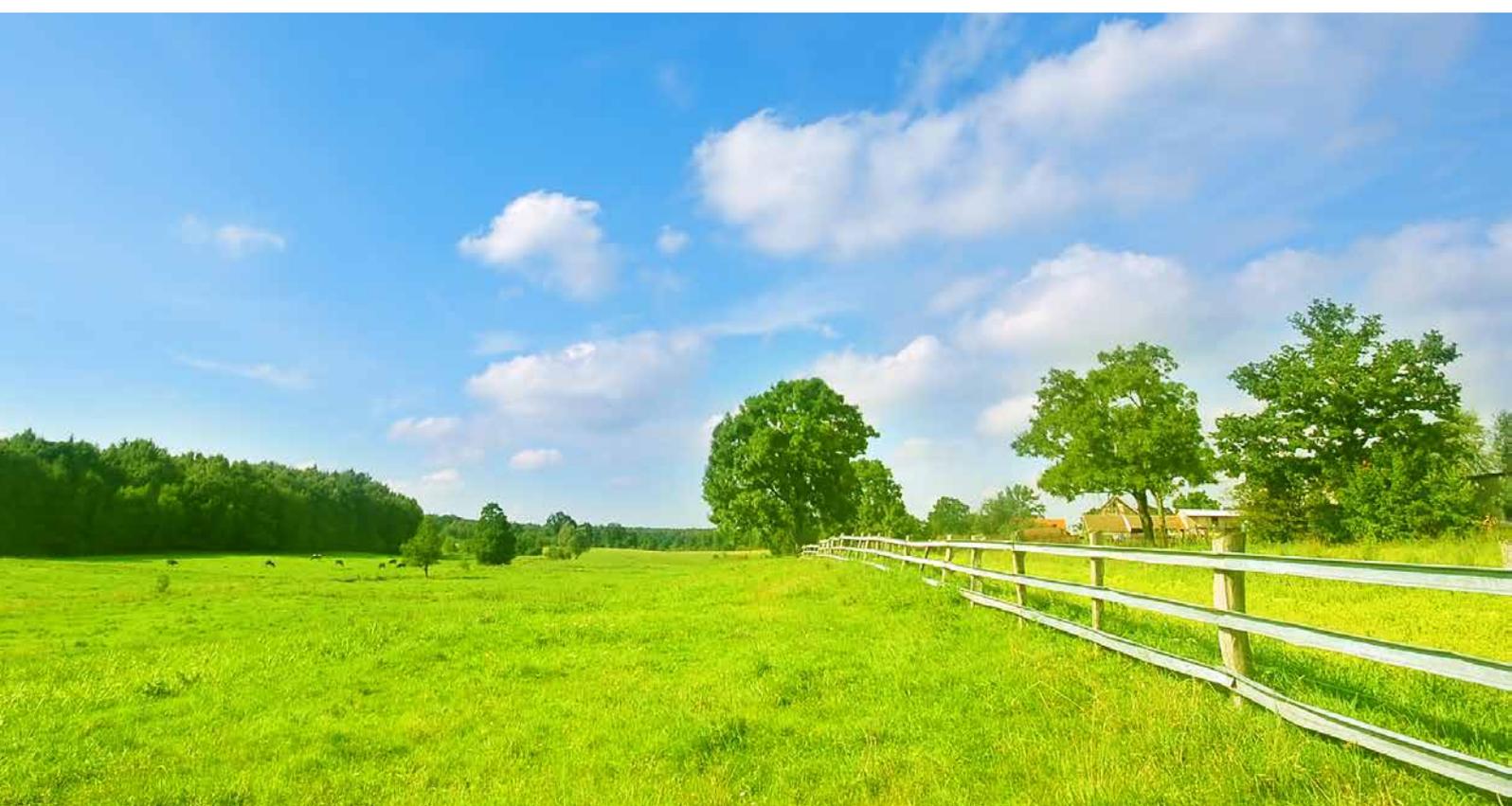
- For the government's focus to double farmer income by 2022, digital technologies will be pivotal; emerging technologies such as AI, IoT, predictive analytics and blockchain can increase productivity, effective distribution, soil management, and achieve higher yield.

Modernise agri-marketing infrastructure and create direct farmer to consumer market infrastructure

- The government recently set-up an INR2,000 crore Agri-Market Infrastructure Fund to upgrade and develop rural markets for agricultural goods; however, allocation of the funds to projects implemented through a public-private partnership mode will play an important role.
- Currently, less than 1 per cent of the farmers sell their produce directly to consumers, and hence, the need of the hour is to create infrastructure to facilitate farmers to sell directly to consumers.

Create infrastructure clusters for agriculture and processed food exports

- The government's recent agriculture export policy would require investment in creation of agri-export zones; for instance, Maharashtra announced the set-up of six clusters to boost the state's farm exports; similar initiatives need to be taken by the other states in India.



Healthcare

Recognised as the country with affordable medical procedures, low-priced drugs and cost-effective infrastructure, the Indian healthcare industry is expected to grow three-fold to USD372 billion by 2022⁰⁷, making it one of the top-three healthcare markets in the world⁰⁸.

Rapid economic growth, changing demographics, increasing incomes and a surge in lifestyle diseases will give a boost to the addressable market in the healthcare delivery segment. More hospital beds, reducing prices of medical devices, growing medical tourism and greater health awareness are some of the other drivers.

India is expected to witness significant penetration of recently launched healthcare programmes.^{09,10} The Ayushman Bharat health insurance scheme has admitted over 1.8 million beneficiaries. Meanwhile, the price control regime has brought 1,084 essential medicines under the regime with benefits worth USD1.5 billion.¹¹ The PM Bhartiya Jan Aushadhi Kendra has opened 4,300 centres,¹² and Amrit Pharmacies that provide drugs for cancer and cardiovascular diseases at a discount of 60-90 per cent.¹³

Also, there are plans to increase healthcare expenditure to 2.5 per cent of GDP by 2025¹⁴, enrol 500 million individuals onto

the Ayushman Bharat scheme and introduce public private partnerships to the sector. Such steps will be critical for reaching the last mile in healthcare.

With plans in place to upgrade or create 160 tertiary care centres, create 150,000 new primary health centres¹⁵ and a potential requirement of 1.75 million new beds by 2025, the healthcare infrastructure segment will require investments of USD200 billion by 2024¹⁶.

The increasing number of healthcare facilities translate into opportunities for the direct supply of high-technology, specialised medical equipment, products and systems. Make in India's focus on enhancing R&D efforts in medical devices can provide a further thrust to the industry.

Moreover, to achieve the ideal doctor: patient ratio of 1:1,000, the government has collaborated with Asian Research and Training Institute for Skill Transfer to add one million skilled healthcare providers to the workforce by 2022.¹⁷

As the implementation of various reforms gains momentum, India is bound to be on track to achieve its goal of making quality healthcare accessible and affordable to everyone.



Providing quality, affordable medical care across all regions and social strata is vital to sustain the growth momentum of the country, which currently struggles with adequacy of facilities. Focusing on upgrading the healthcare and wellness infrastructure in India, can translate into opportunities for the direct supply of high-technology, specialised medical equipment, new wellness products, thereby supporting the larger 'Make in India' programme. Using technology can not only improve diagnostics, but also ensure effective management of epidemics and help design precise-targeted wellness and care interventions.

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13. Government committed to providing best healthcare facilities, The Quint, 29 November 2018

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KPMG's views

Infrastructure investments for increased healthcare penetration

- India faces an acute shortage of healthcare infrastructure, especially across rural areas and Tier II and Tier III cities. The country is likely to have a potential requirement of 1.75 million new beds by the end-2025. With the government's ambitious scheme Ayushman Bharat, healthcare penetration may be driven by rural areas and private sector participation has to play a vital role in the country's healthcare infrastructure.

Home care to drive growth

- The home healthcare market in India is still at a nascent stage where currently metro and Tier I cities contribute the highest. The future growth looks promising, but it will depend upon factors such as adoption from Tier II and III cities, regulations, comprehensive insurance coverage and partnership between hospitals and home healthcare firms.

Digital healthcare solutions

- Owing to low accessibility of expertise outside larger cities, digitalisation and technology-based solutions can be the way forward. Also, for increasing penetration in rural areas, technology start-ups are likely find higher footing in the healthcare market.



Education

With more than half of the Indian population under the age of 25 years, the government has identified education as a priority sector. India has 260 million students across 800 universities and over 39,000 colleges, but the enrolment ratio is low.¹⁸ The emphasis on the sector will not only help create jobs, but also increase the country's growth potential by making the workforce educated.

The government has recently announced various schemes or initiatives for the primary and secondary education sectors such as the Prime Minister Innovative Learning Programme, establishment of National Institutes for teacher training and opening of 200 new Kendriya and Navodaya Vidyalayas by 2024.¹⁹ For higher education, India plans to have an investment of INR1 trillion through the Revitalising of Infrastructure and Systems in Education (RISE) scheme²⁰, which will focus on increasing the number of seats in premier central institutes for law, engineering, science and management by at least 50 per cent over the next five years.

Additionally, the government plans to launch a Study in India programme to make India an education hub for foreign students.²¹

Technology is gaining traction across sectors, and the education sector is no different. For instance, India is looking to provide smart classes in secondary schools. To promote research orientation among students, the National Digital Library of India, which provides access to e-books and leading journals free of cost has already been launched in higher educational institutes.²²

This push towards technology provides tremendous opportunities for collaboration with the private sector and global players, especially within the online education space. Many technology start-ups providing courses on AI, VR, Big Data have entered the market, and there is scope for partnerships across the value chain.

Also, with the government planning to set up National Institutes of Teacher Training, there would be massive opportunities for global players in developing training courses or certifications for classroom effectiveness.

The government's attention towards the education sector with considerable focus on digitalisation and technology adoption is a step in the right direction as the sector's growth is essential to propel India on its path to become a developed economy by 2047.²³



Reaping the benefits of its demographic dividend, would require India to invest significantly in its human capital. Enhancing the learning outcomes in schools, introducing Industry relevant courses in higher education and offering relevant vocational training for those who can't / don't pursue higher education, would enhance employment opportunities for people joining the workforce. Adoption of technology can act as a game changer in driving key structural changes in the Indian education system.

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KPMG's views

Education policy

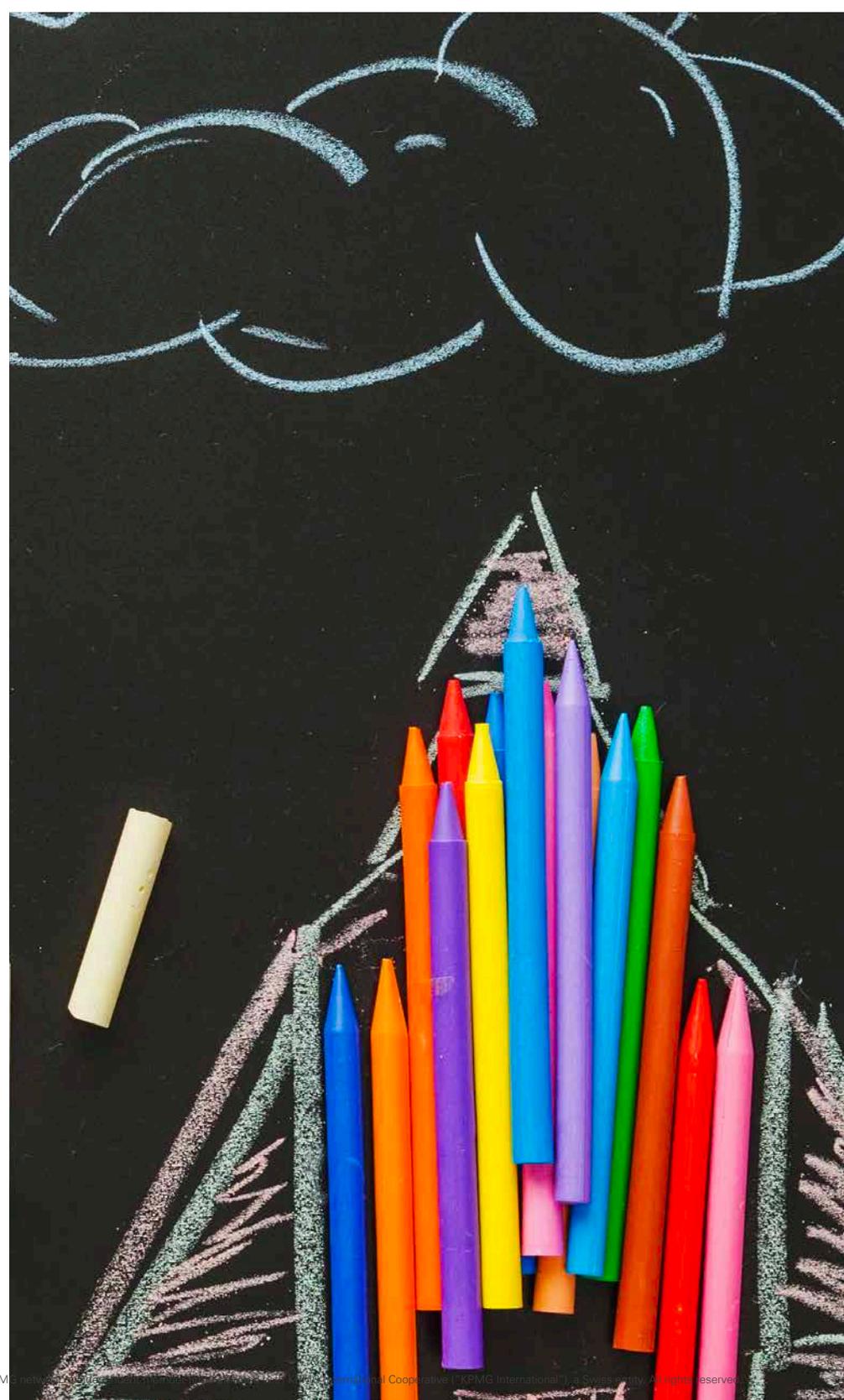
- Focus on preparing a road map for a new education policy, particularly with respect to a learning outcome-based school education programme.

Vocational education

- Industry needs to be at the core of vocational education and skill development.
- The need of the hour is to revamp the traditional vocational education and short-term courses that are aligned to industry agenda.
- Furthermore, services need to be given a thrust.

Entrepreneurship enablers

- Incubation centres need to be initiated at a large scale, particularly in rural India.
- Focus on holistic facilitation from policy interventions to creating an enabling ecosystem to handholding young entrepreneurs.



Power and energy

Demand for power is significant, especially from the manufacturing sector. Another demand driver is the government's impetus to provide 100 per cent electricity to everyone by 2022²⁴, supported by various progressive measures to increase power generation capacity and improve distribution.

India will surpass China as the world's largest energy growth market by mid-2020s.²⁵ To fulfil growing demand and reduce overdependence on fossil fuels, especially crude oil, India plans to increase renewable capacity to 175GW by FY22 and 275GW by FY27 from the current 72 GW.²⁶ Within solar energy, the recent rent-a-roof policy will aid the segment to generate 40GW power through solar rooftops projects by 2022.²⁷

India is expected to attract investments worth INR11.5 trillion until 2022 across the thermal, hydro, nuclear and renewable segments.²⁸ To achieve the targets, development and investment across areas such as smart grids, solar panels, efficient distribution and the adoption of emerging technologies such as AI, IoT, big data and machine learning is likely to gain traction.

24. 100% electrification by 2022 possible on back of solar mini grids, Capital Business, 14 May 2019

25. India to be world's largest energy growth market by mid-2020s, Business Standard, 15 February 2019

26. Power sector finally looking up, rapid demand growth spells an opportunity, The Economic Times, 5 January 2019

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Additionally, with India aiming to increase the share of electric vehicles to 30 per cent by 2030, there will be significant demand for the battery market.²⁹

The sector will further get a boost from India's focus on establishing itself as a global manufacturing hub. To address increasing demand, foreign participation is likely to increase across generation and transmission assets, equipment supply and technology partnerships, and nuclear and clean coal technologies.

KPMG's views

Structural and durable solution for bankruptcy

- To address the losses situation of power companies where 75 power companies have a debt of around INR2.2 lakh crore, the government needs to look beyond the UDAY scheme for more structured and long-term solutions.
- State governments need to enforce strict measures to curb thefts, improve collections and reduce ground-level corruption.

Sustainable energy

- Managing an orderly transition towards a sustainable energy sector is the way forward.
- Will require major structural reforms, rewriting of contracts and overhaul of energy markets, including the fuel markets.

Reduce dependence on oil imports

- India's import dependency of crude oil was 82.59 per cent during FY19 and India's oil demand is estimated to grow at a CAGR of 4 per cent during 2016–2030 as compared to the global average of 1 per cent; this is likely to increase the oil dependence.
- The government's current steps such as piped gas supply, promoting the use of CNG and increasing the share of renewables in the energy mix needs to be further strengthened.



Sustainability has become an abiding theme in the Indian energy and resources sector. The country's focus on transitioning towards renewable energy, would have a significant impact to the quality of lives for Indians. It is therefore critical to have an agile electricity system to balance the power demand and supply equation. At the same time, efforts should be made towards reforming the thermal power generation and distribution, to manage seasons when wind and hydropower generation dips.

Anish De

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Tourism

India is one of the largest tourism markets in the world, with 10.56 million foreign tourist arrivals in 2018. The number is expected to rise to 30.5 million by 2028.³⁰ The tourism industry that created 14.62 million jobs in the past four years was estimated at USD91.3 billion in 2017 and is expected to double by 2027.³¹

Various initiatives have been taken during the last few years to promote tourism, including Atithi Devo Bhava, Incredible India 2.0 and Swadesh Darshan.

In the coming years, the government will identify sites of cultural and natural importance and will focus on their comprehensive development, including developing transport, hotels, restaurants, entertainment around the sites. The government has committed to improving the facilities to an international standard in all the 37 UNESCO-designated heritage sites in India³² while developing infrastructure around these sites so that the local economies can flourish.

These initiatives present a significant opportunity for the private sector and international players to collaborate with the government to identify development issues as well as plan, build and modernise heritage sites.

Additionally, there are plans in place to use Yoga as a tool to promote tourism by expanding yoga health hubs. The medical tourism segment is also gaining traction in India, and it is expected to touch USD9 billion by 2020³³, driven by low-cost healthcare services. To further support this, the government has recently launched a medical visa category to simplify the visa application process.

Tourism offers various benefits, helping earn foreign exchange, develop infrastructure and small businesses and generate employment. Besides, a positive experience for foreign tourists helps to enhance India's image as a culturally rich, geographically diverse and thriving economy.



The Indian tourism sector has been witnessing steady growth, especially from domestic travel. To foster the next phase of growth for the sector and to boost international traffic, we must look at improving infrastructure and safety across the nation. Additionally, engaging with start-ups can help bring in innovative solutions for personalised experiences for travellers.

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KPMG's views

Village-based tourism model

- The village-based tourism model can boost tourism by USD25 billion, creating 100,000 village-level entrepreneurs in the process; initiatives need to be taken by state governments and collaborate with social organisations to identify development issues; also, public and private firms should plan, build and modernise heritage sites and monuments in villages.

Encourage travel and tourism start-ups

- Technology start-ups are key growth drivers shaping the tourism sector; various international and domestic firms are introducing innovative services and products for personalised experiences; given the growth potential, huge tie-up opportunities exist for global firms as technology partners.

Region-based customised tourism plan and outreach

- Indian states should be tagged to countries or regions where they should lead tourism promotion, including supporting policymaking and encouraging region-specific exports.

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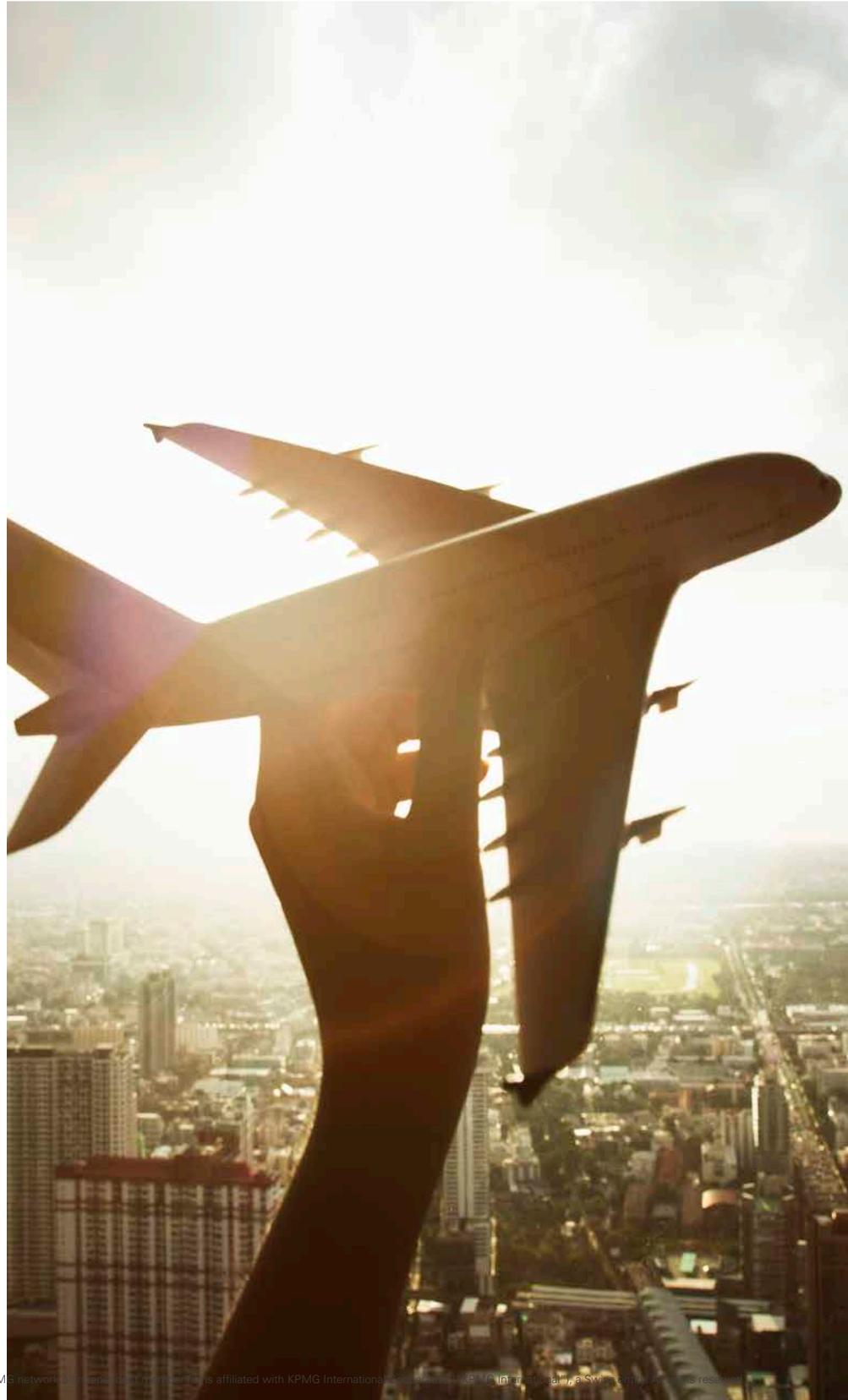
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Develop tourism-trails by linking locations with common themes

- Encourage private sector participation through the government's Swadesh Darshan Scheme i.e. integrated development of theme based tourist circuits such as eco-tourism, coastal tourism, winter tourism, wildlife tourism, desert tourism and religious and spiritual/yoga tourism. This will require the government to maintain heritage sites and build required infrastructure to facilitate a smooth and memorable experience for tourists.



Financial services

Robust economic growth and an increase in disposable incomes have led to the growth of the financial services segment in India. The total lending and deposits increased at a CAGR of 11 per cent and 12 per cent, respectively, for FY07–18.³⁴

Over the last five years, the government launched various schemes to enhance financial inclusion, resulting in an 80 per cent banked population. However, there still remains a 190 million unbanked population³⁵; therefore, the current schemes need further impetus.

The government identified infrastructure development as a key theme for economic growth while encouraging private sector participation, thereby boosting the credit requirement. Additionally, the government plans to provide USD14 billion credit to MSMEs under its Credit Guarantee Scheme by 2024.³⁶

On the other hand, the mutual fund industry and insurance industry have also shown considerable growth in recent years.

Increasing awareness along with the growth in the young middle class population could attract global insurance and mutual fund companies to enter the Indian market. Also, a favourable policy environment such as an increase in the FDI limit to 49 per cent from the earlier 26 per cent in the insurance

sector and plans to increase the FDI to 100 per cent in the insurance broking segment is expected to further attract global players to enter the Indian market.³⁷

The increase in digitisation, technology adoption and surge in mobile banking provide opportunities for global and Indian fintech companies with expertise in new age technologies such as ML, AI and cloud-based technologies as financial services firms now focus on enhancing customer experience, providing customised offerings and streamlining their operations.

KPMG's views

Continue to incubate fintech ecosystem

- Several financial institutions are collaborating with start-ups across areas such as open banking, payments, lending and wealth management; this emphasises the importance of a robust start-up ecosystem, and hence, it is imperative to provide funding support, industry collaborations, incubation centres and innovation zones.

Liquidity for NBFCs

- RBI, over the last few months, incentivised banks to lend to NBFCs and HFCs through measures such as credit enhancements to NBFCs/HFCs, reducing statutory liquidity ratio (SLR), risk-weighted bank lending and increasing banks' exposure to single NBFCs; however, the government needs to focus more on providing higher financing access to smaller NBFCs.



The momentum of financial sector reforms needs to be sustained to unlock the full potential of the Indian economy. While managing the current stress in the system, efforts should be made towards structural changes which can benefit the country in the long-term. Investments in financial awareness and technology adoption, along with policy changes would help the financial regulatory system match the pace of the financial market growth.

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34. Banking Sector in India, India Brand Equity Foundation, April 2019

35. At 190 mn, India has second largest unbanked population: World Bank, Business-Standard, 11 June 19

36. BJP manifesto highlights: The 75 promises for India, The Economic Times, 8 April 2019

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Trade

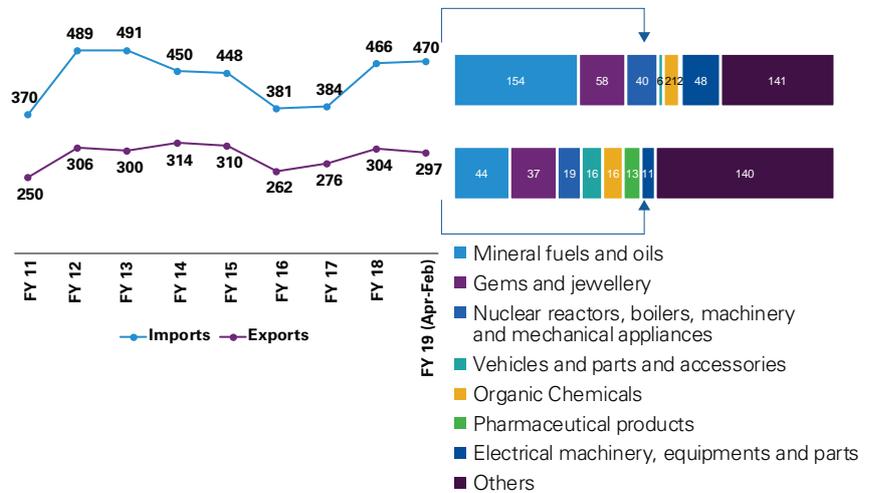
Global trade is facing a headwind, growing by around 4 per cent in 2018, down from 5.25 per cent in 2017, owing to trade tariffs, reciprocal measures resulting in trade wars, slower economic growth, and policy normalisation across developed countries.⁰¹ India too, witnessed a slowdown in its exports during this period.

The trade deficit in recent times has been a cause of concern for the government — the deficit has expanded to USD15.33 billion in April 2019 as compared to USD13.72 billion in April 2018 and USD10.89 billion in March 2019.⁰² Overall, despite exports and imports growing at the same rate of 9 per cent, the country's trade deficit reached a record high of USD176 billion in 2018–19.⁰³ Buoyancy in global trade has been the primary driver behind India's export performance, much more than other factors such as currency movements, or an increase in the country's export competitiveness.

However, India could benefit from the ongoing trade wars. Recently, India's exports to China have increased for products on which China has imposed tariffs on the U.S. Additionally, many multinational firms are looking to shift their capacities away from China and India is the frontrunner. India's emergence as a global manufacturing hub will further bolster its position. This will likely impact the outward shipments positively.

The current trade in India is mainly driven by mineral fuels and oils, gems & jewellery, machinery, vehicles, organic chemicals and pharmaceutical products. However, going forward, the government plans to promote service exports, and has approved an action plan for 12 champion services sectors, including IT, tourism, hospitality, transport and logistics while establishing an INR50 billion dedicated fund.

India's import-export dynamics⁰⁴



Further, a recently announced agri-export policy is estimated to increase agriculture exports to USD60 billion in the next five years and USD100 billion in the next 10 years.⁰⁵ To achieve this target, India is preparing a strategic road map to promote five categories i.e. plantation crops, meat, fisheries, agriculture and horticulture.⁰⁶ The government is also working towards an incentive package for labour intensive sectors such as leather.

On account of trading partners, 40 per cent of India's current exports are to China/Hong Kong, the U.S., UAE, the U.K. and Singapore. Going forward, the government plans to expand its trade relations with emerging economies such as Africa, Latin America and ASEAN to

diversify its trade partner portfolio. For instance, India is in discussions with Africa to create a free trade agreement.⁰⁷ To further underline the importance of expanding the trade relations, the Prime Minister of India had invited the leaders of BIMSTEC nations for his swearing-in ceremony in 2019. Similarly, last year, leaders from ASEAN were invited for the Republic Day parade.

Subsequently, with the focussed region-based and product-based approach, India is seriously looking to reduce its trade deficit and benefit from supply chain efficiencies. For instance, India collaborates with West Asia for food products, while diamonds with Russia.⁰⁸

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 03. India's trade deficit reaches a record high of \$176 billion in 2018-19, Business Standard, 15 April 2019
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06. India's exports performance 'extremely good', but I'm not fully satisfied: Suresh Prabhu, Livemint, 26 December 2018
 07. India's partnership with Africa is free of conditionalities, The Economic Times, 29 May 2019
 08. India's strategy is to increase exports for higher market share, The Economic Times, 25 February 2019

On the policies front, the government has recently taken measures such as setting up trade promotion bodies in 15 countries⁰⁹ and recapitalisation of Export-Import Bank of India¹⁰.

With India's dedicated efforts on building bilateral or multilateral relationships, organising customised outreach, and policies/initiatives, the country stands to benefit significantly from outward shipments and FDI inflow, which is expected to reach USD100 billion by 2020.¹¹

From an import standpoint, U.S. sanctions on Iran could potentially boost oil prices and increase inflation. India should have a clear strategy to line up alternate sources to make up for the likely shortfall in supplies so that it does not create a major negative impact on its already high import bill.

The combination of external factors, i.e., the rapidly evolving global and regional geopolitical landscape as well as trade wars and internal challenges such as industry complexities ensuing trade-related issues have necessitated the need for India to take a more holistic approach to push its international trade agenda.

KPMG's views

Provide greater and more strategic market access to balance out trade issues

- There is a need to push the Indo-Pacific agenda and play a leading role in regional associations such as BIMSTEC, where the trade potential is expected to be as high as USD250 billion, compared to the current trade of USD40 billion; greater access to this market becomes even more crucial in the backdrop of growing protectionism in export destinations such as the U.S. and EU.
- To neutralise the recent announcement of GSP termination, India needs to identify additional sectors/products, where it can provide greater market access to the U.S. without large-scale negative impact on domestic employment levels; sectors such as electrical machinery and equipment, aircraft, spacecraft and parts, defence equipment, and education could be some of such sectors.

Expedite the overall infrastructural development agenda to drive greater connectivity

- Investing in connectivity projects with ASEAN countries will be crucial; additional focus towards improving infrastructure and digital connectivity in Africa through the Asia Africa Growth Corridor will help India get access to new markets and substantiate its role in international development.
- The government should define a clear policy for promoting land banks as a viable financing mechanism to aid infrastructure projects.

Leverage technology to build manufacturing excellence for driving export competitiveness

- India needs to shift from labour-intensive to capital- and technology-intensive exports.
- This necessitates the need to focus on upskilling and re-skilling the workforce through partnerships with government, industry and academia.

09. Commerce Ministry to set up trade promotion bodies in 15 countries, PIB, 19 December 2018

10. Cabinet approves recapitalisation of Export-Import Bank of India, PIB, 16 January 2019

11. Suresh Prabhu confident of meeting \$100-billion FDI target by 2020, The Economic Times, 9 March 2019

Industry expectations

With a decisive mandate, the expectations from the government are also high. The industry is pinning hopes on integrated business approval processes, land and labour reforms, up-skilling and employment, tax friendly laws and process simplification.

Higher emphasis is expected on the government's idea of 'minimum government, maximum governance'. The need of the hour is consolidated ministries for smoother policymaking and investments. For instance, within the power and energy sector, there are different ministries for coal, natural gas and renewables. A consolidated ministry of energy and environment is likely to be more effective. The consolidation can also serve the purpose of having an integrated data centre, which will help in making evidence-based policies and decisions.

However, industry leaders also need to change their approach towards data-driven decision-making. For instance, 74 per cent CEOs in India override data-driven insights because they found those to be contrary to their own experience or intuition.¹

Further, for Indian manufacturing to take off smoothly, the government has to revise arcane land and labour laws. Land reforms can help Indian

manufacturing units to acquire land and gain scale. Similarly, labour law reforms can enhance the overall productivity and competitiveness of Indian manufacturing. This becomes even more important when many firms are looking to shift their capacities away from China.

On the other hand, to support the dynamic nature of the economy, businesses and technologies across industries, human capital will be the driving force of growth. Hence, the government's 'Skill India' programme must be further expanded to facilitate academic-industry collaboration for developing enhanced skills and training modules based on industry requirements. This can be further developed by formalising it under the corporate social responsibility (CSR) rules. Also, given that private education institutions are typically less inclined towards post-graduation programmes other than management and engineering due to commercial considerations, mandating and incentivising the programmes where there is paucity of talent can help bridge the current skill gap.

Consequently, the start-up ecosystem and MSMEs in the country will get access to the required talent. To further accelerate growth, the government

should continue to support by addressing tax and compliance concerns, providing funding and increasing collaboration with foreign players. With an increasing share of FDI in the services sector, start-ups and MSMEs will play a critical role. Hence, a simplified and transparent regulatory landscape and approval process should be facilitated.

The government is also expected to reduce corporate tax, which was earlier done for small companies only. This can further provide impetus to foreign firms looking to invest and add capacities in India.

Overall, with a stable government at the helm, India is expected to accelerate its journey to realise its full economic potential.

01. Agile or irrelevant – Redefining resilience - India CEO Outlook 2019, KPMG, Accessed on 12 July 2019)

Conclusion

A strong foundation has been laid for India over the years enabling it to strengthen its position as a global powerhouse. Therefore, despite global uncertainties, the outlook for India looks positive, mainly owing to the continuity of the political scenario in the country.

The outcome of reforms is getting more pronounced and key economic parameters are likely to reflect positive changes over time. This will largely depend on the development across key sectors such as healthcare, education, agriculture and infrastructure. The continuity of policy can provide a thrust to these sectors, thereby strengthening the ecosystem and creating a healthy investment environment.

Consequently, there needs to be a focussed effort by the government to create jobs. Moreover, up-skilling and re-skilling the workforce will be extremely vital due to the dynamic nature of industries and changing technological landscape.

Therefore, digitally connecting rural India will be of paramount importance as a 10 per cent increase in broadband penetration in the country could lead to 1 per cent increase in the GDP.¹

On the international trade front, the ongoing trade tensions present an opportunity for India to reduce its trade deficit. To capitalise on this, the government plans to support MSMEs with a target of 50 per cent contribution to exports from the current 40 per cent. Additionally, a focus on 12 services sectors, including IT, tourism, hospitality, transport and logistics, along with the agriculture sector, is likely to lead the way for India's export outlook. However, higher impetus has to be placed on the quality of Indian exports and create a mechanism to standardise regional benchmarks.

Furthermore, India's increasing focus on bilateral and multilateral relations, not just across trade but on R&D, technology and skill development is expected to

usher the country in a new world of unprecedented economic and strategic possibilities and help achieve its USD5 trillion aspiration. This will further get bolstered by closer collaboration between small and medium enterprises, and entrepreneurs beyond boundaries.

India is headed in the right direction toward realising its true potential. However, for its economy to truly progress and evolve, a collaborative, flourishing and congruent ecosystem and framework has to be built as well as maintained to usher the country into a world of numerous opportunities.

Evidently, 62 per cent of Indian CEOs intend to increase investment in disruption detection and innovation processes.²

01. Broadband For All, 4 Mn Jobs By 2022: Industry Welcomes National Digital Communications Policy 2018, Inc 42, 28 September 2018

02. Agile or irrelevant – Redefining resilience - India CEO Outlook 2019, KPMG, Accessed on 12 July 2019

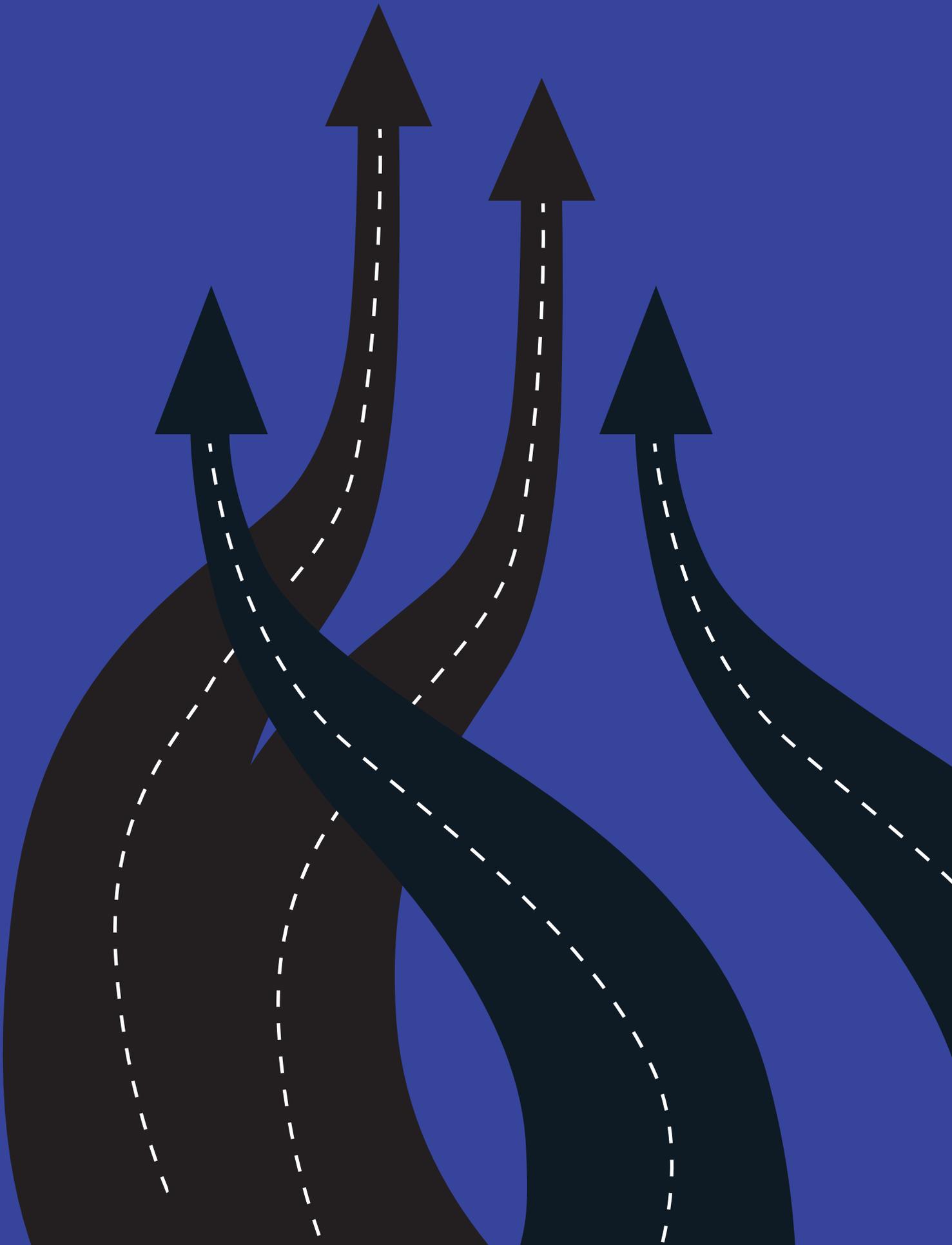




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IN OUR ABILITY TO TRIUMPH OVER ANYTHING IN OUR SPIRIT OF UNDYING ENTHUSIASM OUR DRIVE TO ACHIEVE THE EXTRAORDINARY UNMOVED BY FEAR OR CONSTRAINT WE'RE DRIVEN BY JOSH AND IT SHOWS



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