

## **UNION BUDGET MUST ADDRESS CONTRACTING PMI AND CHALLENGING BUSINESS ENVIRONMENT WITH TAX FRIENDLY MEASURES**

The PMI numbers for the month of December 2016 show contraction to 49.3 in manufacturing activities. This decline in the index is sharpest since November 2008. The unexpected demonetization in November and challenging business environment continues to play spoilsport to India's economy.

The continued cash shortage in the last quarter coupled with lower workplace movement resulted in job shedding and a sharp fall in buying levels especially in consumer and intermediary goods. There is a marked slowdown in new investments in corporate sector.

CMIE has observed slowdown in investments. The proposals for new investments are nearly halved to Rs. 1.25 lakh crore in the last quarter as compared to an average of Rs. 2.36 lakh crore per quarter in the preceding nine quarters. In the current financial year, the gross bank credit has shrunk 0.8% led by decline of 5.5% in credit demand from industries. Bank deposits have risen to 13.6% to Rs. 105.6 lakh crore.

Central Government and RBI are aggressively pushing for cut in lending rate to improve availability of loans at affordable rates. The enhancement of credit guarantee limit will also improve credit liquidity to the stressed MSMEs. However small businesses are in the midst of adjustments since large businesses are in wait-and-watch mode.

Various government measures would take time in providing boost to corporate sector and a much needed impetus to the declining economy post demonetization.

Against this backdrop, we request you to take necessary steps to address concerns over bleak business scenario in his forthcoming budget. The Budget should provide taxation relief and further incentivize businesses in this challenging environment to avoid irritants coming in the way of tax payers and also to do away with various discretionary power in regard with taxation laws to bring in uniformity.

The businesses are looking forward to ease of doing business by having minimum laws and better governance.