

## CONSUMER

From measures to increase cash in the hands of consumers to pushing real estate growth, the government seems to have gone all out to get the stamp of approval of the masses in an election year

# Money Order to Boost Spending

## TEN ISSUES FACING THE ECONOMY

1/10

## Low Income

Strong growth has lifted average income

Per Capita Income, in ₹

■ Constant Prices

■ Current Prices

FY14 68,572

79,118

FY15 72,805

86,647

FY16 77,826

94,731

FY17 82,229

1,03,870

FY18 86,668

1,12,835

FY19 91,921

1,25,397

But overall income well below world average

Per capita income, current dollars

World Average 10,722

India 1,942

China 8,827

Brazil 9,821

US 59,531



Though adjusted for prices, income is slightly better

Per Capita Income, PPP, 2017

World Average 16,953

India 7,059

China 16,807

Brazil 15,484

US 59,531

Most of the population well below average?

The last results available are for 2011-12

Even they show low levels of expenditure

₹1,430 average monthly per capita consumer expenditure in rural India

Almost 70% of the rural population below that

Inequalities still high

Gini Coefficient

■ 2004-05 ■ 2011-12

Rural Areas

0.27 0.28

Urban Areas

0.35 0.37

Similar inequality exists in case of wealth of households

Share in Wealth, in %

51.5 17.1

Top 1% Next 4%

8.8 4.70

Next 5% Bottom 60%

## KEY TAKEAWAYS

## LOOSEN PURSE STRINGS

Demand for low-value consumer durables, 2-wheelers &amp; FMCG to rise due to additional income of ₹3,000-10,000 in the hands of consumers next fiscal.

## HOME CHEAP HOME

Registration of affordable housing projects to get tax exemption on profits extended by one year to March 31, 2020.

## DEVELOPERS' DELIGHT

Builders can claim exemption from unsold inventory tax for two years after the completion of residential projects as against the current norm of one year.

## BIGGER PICTURE

Government plans to introduce anti-camcording provision in the Cinematograph Act. Move is aimed at controlling the menace of film piracy.

4.7%

rise in govt's establishment expenditure estimated for FY20 is about half the 9.3% increase expected in the current fiscal

## IN FOCUS

Ratna Bhushan &amp; Sharmistha Mukherjee

The government's proposal to give cash to farmers and exempt lower middle class from paying income tax will boost consumption across India, driving demand for consumer goods ranging from cookies to bikes.

"Certainly, this budget is going to add to the spending power of the people. This budget has given something instead of taking away," said RC Bhargava, chairman, Maruti Suzuki, the country's biggest carmaker.

The focus on boosting rural incomes should benefit makers of mobile phones, cookies, other packaged foods, and hygiene items that still remain under-penetrated in pockets of rural and semi-urban India. Greater savings due to higher rebates for those earning up to ₹5 lakh a year should leave consumers with higher discretionary budgets.

Consumption of daily groceries increased 10.7% last calendar year, the most since 2010, underpinned by the monsoon and improving market sentiment as the trade got used to the goods and services tax (GST).

"The measures announced in the budget are consumption-oriented, and will spur spending across bottom-of-pyramid consumers as well as lower middle-class consumers, for both staples and discretionary products," said Sunil Duggal, chief executive, Dabur.

About 40% of the sales of all branded products of daily use are in rural areas, home to about 800 million people whose purchasing behaviour is often linked to farm output.

For fast moving consumer goods, rural markets grew 18.5% during the last quarter of 2018, four percentage points higher than the pace of expansion in urban India. With assured income support of ₹75,000 crore for 120 million small and marginal farmers and a 50% increase in the minimum support prices for all 22 types of crops, rural growth rates could accelerate further.

"There will be a delta shift in rural consumption since farmers will get the direct benefit of the sops, with no leakages," said Saugata Gupta, CEO, Marico.

Executives said efforts should be made to ensure that the incentives reached the intended recipients. "The timely disbursement and strong on-ground execution will be absolutely critical now to ensure the translation and real success of this road map of change to make India a '5 by 5' economy—\$5 trillion economy in five years," said Vivek Gambhir, MD, Godrej Consumer.

To be sure, the growth rate for two-wheelers and passenger vehicles slowed from 15% and 8% in FY18 to 9.5% and 4%, respectively, in the nine months of this financial year. Rural markets, which had been driving growth last year, have hit speed bumps.

"Some of the steps taken for the farming fraternity will improve the sentiment more than impacting sales of tractors or equipment," said Pawan Goenka, MD, Mahindra & Mahindra.

## Double the Homes, and Your Joy, Too

Buyers can now split capital gains in two properties; affordable housing to get a boost

Kailash Babar &amp; Sobia Khan

Mumbai | Bangalore: The interim budget for FY20 provided a major tax relief to home buyers and developers.

Prospective home buyers can buy two separate properties to avail long-term capital gains tax exemption on sale of existing property. However, this can be availed only once in their lifetime with a limit of ₹2 crore.

Now, home buyers are constrained to buy one property of a bigger value to cover up the gains received through sale of existing property to avail LTCG tax exemption. The interim FM's proposal would offer flexibility to home buyers to split the gains in two properties and still avail the capital gains tax exemption.

Home buyers keen on picking up a second property for self-usage are also in for an exemption from tax on notional rental income from this property. The move is expected to push the second home or weekend homes market.

Affordable housing is expected to receive a fillip with the interim FM's proposed extension of the benefit of 80-IBA by one more year. Builders of such projects can register their property until the end of FY20 against FY19 to gain from tax exemption.

"Budget 2019 positively surprised us with multiple amendments on real estate tax provisions. Extending the affordable housing tax holiday will reduce the approval pressure on developers and increase supply of such homes," said Bhairav Dalal, partner, real estate tax, PwC India.

Under Section 80-IBA of Income Tax Act 2016, developers of projects with houses up to 60 sq metre carpet area get deduction of 100% of profit derived from such business.

Developers can claim exemption from unsold inventory for two years after the completion of their projects as against the current norm of one year. Currently, developers are expected to pay tax on notional rent on their unsold inventory

after one year of completion of residential projects.

"Tax relief on unsold inventory will benefit builders more, especially in the backdrop of large unsold stocks and muted demand," said Shishir Bajjal, chairman & MD, Knight Frank India.

According to Niranjan Hiranandani, MD, Hiranandani Group, the aspect of tax on unsold inventory has caused a section of developers to slow down projects and the new proposal will give them more time to handle the challenge.

## Budgeting Modi's 5 Years

How economic indicators changed over this govt's 1st to 6th budget

Consumer inflation (In %)



## Local Film Producers Get Single Licence to Shoot

Single-window clearance mechanism was a long-standing demand of industry

Gaurav Laghate@timesgroup.com

Mumbai: Interim FM Piyush Goyal on Friday extended the single-window clearance mechanism to Indian film producers, meeting a long-standing demand of the industry. The mechanism was until now available only to foreign film producers while Indian film-makers had to obtain multiple permissions to shoot at local locations.

"We are delighted that the immense contribution of Indian cinema towards employment generation in the country has been acknowledged and applauded in Parliament during the presentation of the budget," said Siddharth Roy Kapur, president of Producers Guild of India. "It has the potential to play a huge role in boosting tourism, too."

The existing process to obtain various permissions from multiple authorities for film shoots is inefficient, cumbersome and counter-productive, Sunir Khetarpal, CEO of Azure Entertainment, said, adding hid-

den costs also had an adverse impact on budgeting.

"It's akin to issues that film exhibitors face due to requirement of multiple permissions. Not that the budgetary impact makes it unviable but ease of shoot permissions can have an overall positive impact on logistics and processes. That shall lead to positive economics and happy workforce," added Khetarpal.

The minister also announced that anti-camcording provisions will be introduced in the Cinematograph Act to control the menace of piracy. "The amendments to anti-camcording provision will support industry's growth by curtailing illegal recordings of films," added Kapur.

Rajesh Mishra, CEO of Indian operations at UFO Movies, said the anti-camcording provision will give teeth to the law. "This is a pragmatic step... and will ensure the reduction of losses film industry incurs."

## INTERIM BUDGET 2014-15

P Chidambaram

This budget was presented by P Chidambaram. Although he did not propose any changes in tax laws as per convention, he did announce changes in some indirect tax rates to provide an "immediate boost" to manufacturing. PC's interim budget also outlined a "vision for the future" and drew attention to the fact that India was 11th in terms of the size of its economy, hoping that in three decades it would rank third, after the US and China. The goals the then FM enumerated—including fiscal consolidation, focus on foreign investment, infrastructure and manufacturing, and targeted subsidies—were ones all governments vow to achieve, irrespective of ideology. According to Chidambaram, UPA's crowning achievement was lifting 140 million people out of poverty during its rule.

## BRIEF CASE



## Putting More Money Into Your Pockets

Two rural initiatives—PM Kisan Samman Nidhi involving a budget of ₹75,000 crore and Kisan Credit Card Scheme on subvention of interest—will drive rural disposable income. On the personal income tax front, exemption of up to ₹5 lakh provides ₹18,500 crore of additional disposable income, and changes in the standard deduction slab will give benefit of ₹4,700 crore.



Rajiv Bajaj MD, Bajaj Auto

Never watch. Have better things to do...I went to (our) R&D dept... worked the new Dominars, KTMs, Husas...FM needs me to do my job well and vice versa!



Rajeev Talwar CEO, DLF

We are pleased that the government has shown a vision for better social infrastructure and for creating a \$10-trillion economy. To provide ease of living is a well-thought-of reform



Harsh Goenka Chairman, RPG Ent

The farm package, tax relief to middle class, mega pension scheme for unorganised sector, social inclusion and a stimulus to GDP growth aimed at India emerging a "Baahubali" (superpower) in the global scenario

I'm just grateful that the reliefs to the key middle class & farmer segments were delivered in a measured way without risking bankruptcy of the economy. This was a controlled, pump-priming exercise...

@anandmahindra

India's middle class, small traders and farmers are the lifelines of its economic growth. By catering to these ambitions #Budget2019 infuses hopes for millions of dreams

@gautam\_adani

## Focus on Boosting Consumption to Help India Become a \$10-T Economy



SANJIV PURI Managing Director, ITC

An interim budget seldom provides manoeuvrability to announce big-ticket proposals. However, the interim FM must be complimented for presenting an election-year Budget that should provide a growth impetus to the Indian economy through a boost in consumption as well as an inclu-

sive framework designed to benefit agri and rural communities, unorganised sector workers as well as the middle class.

The Pradhan Mantri Kisan Samman Nidhi, with an annual outlay of about ₹75,000 crore, is expected to offer succour to around 12 crore small-and-marginal farmer families. Together with the interest subvention benefits, it will also provide enabling growth impulses to the rural sector. A holistic rural ecosystem is also being built by providing renewed focus on animal husbandry and fisheries, village infrastructure, health and sanitation.

The emphasis on the agriculture sector is critical, given the need for livelihood creation and the opportunities that arise from forward linkages to the food processing sec-

tor, which lies at the intersection of agriculture and industry.

It is rightly acknowledged that a vibrant food processing sector not only adds significant value to ag-

riculture, but is a force multiplier for farmer incomes and employment generation besides combating the chronic problem of agricultural wastage.

Vibrant food processing sector is a force multiplier for farmer incomes & employment generation



The budget rightly recognises the need to bring the benefits of modern technology to agriculture and rural communities, and therefore, it is heartening that the govern-

ment proposes to create 100,000 digital villages. ITC's e-Choupal, which empowers over four million farmers, its investments in the agri and food processing value chain and rural social programmes, will indeed support the vision enshrined in budget 2019.

This budget also balances the need for faster progress through the adoption of modern and digital technologies in tandem with the imperative need to ensure that growth is sustainable as well as inclusive.

I firmly believe that by invigorating the agri and food sectors, together with enriching the social and physical infrastructure, we can go a long way in propelling India to become a \$10-trillion economy which is both progressive and inclusive.

## A SNAPSHOT

Pradhan Mantri Kisan Samman Nidhi, interest subvention benefits to help rural sector

Budget rightly recognises need to bring benefits of modern tech to agri

ITC's e-Choupal to support vision enshrined in Budget

Faster progress to come through using tech and ensuring growth