

# BUDGET

## What are your Expectations from the Budget 2017–18?

*The Union Budget 2017–18 is going to be unprecedented in many aspects. For the first time the budget will be announced a month ahead of schedule on 1st February which otherwise is passed around the last week of February. The overall expectations from the upcoming budget is to provide a transparent taxation policy announcements to sustain the momentum, attempt 100% India manufacturing, promote cashless economy, boost digitalization, among many other things*

### Boost to the Digital India

As the country is advancing towards becoming a knowledge economy under the Digital India initiative with technology as the pivot, many think that the upcoming budget is a perfect opportunity to reinstate the blue-print for sustained growth and showcase 'e-economy'.

Anirudh Dhoot, Director, Videocon says, with the implementation of GST, we are looking forward to a budget that can help the economy to grow further. We are expecting the upcoming budget to not only address and encourage alternative ways to



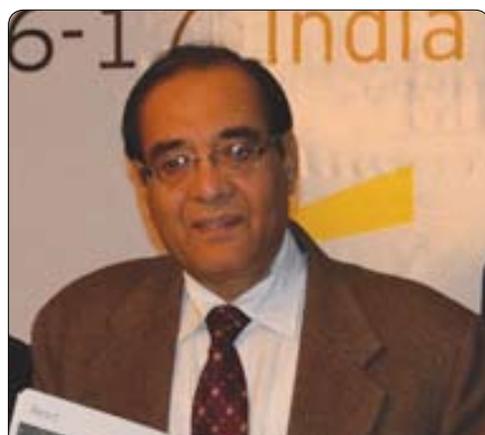
**Anirudh Dhoot**  
Director, Videocon

carry out transactions in order to bring an upsurge in the purchase of goods but also empower the consumer to boost the demand. However, the proposed GST rate of 28% for the CEHA industry will have a great impact on the product price leading to an unexpected hike. Going forward, we hope that the budget will be in favour of the manufacturing industry and encourage Government initiatives such as Make in India and Startup India.

At the same time, as we are moving swiftly towards digitization, cyber security has become one of the biggest

concerns of enterprises and Government. Nitin Bhatt, EY India's Risk Advisory Leader, "Disruptive innovations and the digital transformation of businesses and governments are exponentially enhancing cyber-risks. What is worrisome is that the response gap - which is the difference between the abilities of the attackers and the capabilities of organizations is increasing as well, leading to this lack of confidence in the cyber security function."

Further added, outdated information security architecture and controls has most increased risk exposure for India Inc over



**Dr. Gulshan Rai**  
National Cybersecurity Coordinator, National Security Council, PMO, Government of India



**Nitin Bhatt**  
Risk Advisory Leader  
EY India



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HP Inc India

the last 12 months, with as many as 61% of the respondents citing this aspect as their topmost vulnerability. Careless or unaware employees is their second-most important concern (58%), while vulnerabilities related to mobile computing, social media and cloud computing also feature prominently as contributing to enhanced risk exposure for corporate India. Among threats, the majority (54%) believe that cyber-attacks are primarily targeted at defacing/disrupting organizations or towards stealing intellectual property or data (51%), followed by fraud (48%). The need of the hour is for organizations to review if their security governance and architecture is adequate to protect their crown jewels. Since cyber resilience cannot be achieved by buying “security-in-a-box,” organizations need to focus on gathering periodic threat intelligence, enhancing their threat-hunting and breach-detection capabilities, and institutionalizing a robust incident-response framework, says Nitin.

Dr. Gulshan Rai, National Cybersecurity Coordinator, National Security Council, PMO, Government of India. Explains, we are at the cusp of a cyber security paradigm shift and it is imperative that for the overall national security we join hands to share, evaluate and acquire threat intelligence and develop a robust operational framework to use this with security technologies. We will need immense focus to encourage technological innovations in cyber security to secure national critical infrastructure from cyber criminals.”

The use of IT in all industries is primarily



**Manish Sharma**  
President & CEO  
Panasonic India & South Asia

create conducive environment and support eco-system where we have at least one PC per family as a means to accelerate technology proliferation and migration towards a digital economy. While the relaxation of FDI and the introduction of several initiatives have helped citizens embrace economic transformation and digitization, additional initiatives to boost domestic manufacturing will also help them adopt technology in its most tangible form.”

On the business front, IT manufacturers are bracing themselves for the implementation of the much anticipated Goods and Services Tax (GST). The Government’s objective should be to enable this transition from the current taxation system as smooth and orderly as possible — both for itself and for businesses and consumers. It will be important to outline a roadmap for IT manufacturers for the implementation of the new GST policy well in time.

“The previous two budgets have systematically gone about creating frameworks and processes to give wings to the dreams of multiple sections of the society like Start-up India, Stand up India



**Alok Dubey**  
CFO  
Acer India

and shrink wrapped with a larger vision of Digital India. With the recent move of demonetization trying to shift our cash driven economy of 1.2 billion people and getting them to leap frog to the digital world is unprecedented in history. This is a significant leap towards becoming a digital economy and the budget now needs to focus on how digital can become entrenched and become a way of life, while continuing to focus on growth and providing adequate support to the various pillars of each program so that the economy is on a sustained growth path,” states Anil Valluri, President, NetApp India & SAARC.

Alok Dubey, CFO, Acer India feels that the Union Budget for the year 2017-18 is likely to be unique as many prime factors like demonetization, GST, cashless economy measures, will play a key role this year. “We are expecting favorable change in the Income Tax slabs and rates, as customer spending is still anticipated to decline for short term due to demonetization.”

Alok also expects the budget to focus



**Anil Valluri**  
President  
NetApp India & SAARC

on shaping the IT infrastructure and urges the government to provide tax deductions on purchase of PC for consumers as well as providing easy short-term loans for retailers for working capital requirement. “This is required to accompany India’s emergent IT sector and further help the industry make improved technology more accessible to Indian market to fulfill the government’s push for a digital economy, says Alok.

“In this budget the Government should take further steps to accelerate its flagship initiatives which have been structured holistically. There is a dire need for a strong and well-structured innovation agenda/policy for ‘Digital India’, ‘Make in India’ and ‘Start-up India’ to be a reality. Greater support for Digital India initiatives (in terms of allocating certain % of funds for Ministries/State Govt. departments) and enhancing access to internet connectivity in rural India should be a priority to boost economic growth and income-generating activities which in turn will boost domestic spending. To have a wider participation and deep technology penetration in rural India, a set of organizations/products are not sufficient and Government should encourage IT SMEs and start-up organizations focusing on domestic sector with innovative solutions/products,” states Debashis.

“In 2017, we expect the Government to further promote cashless transactions. That is why we await the announcements in the upcoming budget to understand the government’s move on additional SOPs



**Pratibha K Advani**  
Chief Financial Officer  
Tata Communications



**Murali Ramalingam**  
Country Head  
Ixia Technologies

for promoting cash less transactions. Regardless, this will mean an increased adoption of digital payment modes which can be vulnerable to cyber-attacks. So, at this juncture holistic security measures are the need for the hour, as a security solutions provider, our solutions enable organisations to enhance data security,” remarks Sanjai Gangadharan, Regional Director – SAARC, A10 Networks.

“Minimal IT budgets and lack of skilled resources to combat cyber security threats can ultimately cost organizations millions. The Government needs to allocate sufficient budget, time and focus to strengthening cyber security in parallel with the growing volume of digital transactions that are taking place in the country,” cautions Murali Ramalingam , Country Head- Ixia Technologies.

While the consumer durable industry awaits to recover from the demonetisation phenomenon, it also anticipates to be placed in the lowest - 18% slab in the upcoming GST reforms. “The historic budget of 2017 will be a nail-biting affair. The common man can expect a revision in the lower tax slab rates indicating higher tax savings. A healthy passbook in turn will further aid in a better lifestyle as consumers will spend more on consumer durables. Moreover, imposition of a higher basic custom duty on goods will curb imports and promote local manufacturing. Further, clarity on Duty Differential for mobile handsets will give the necessary impetus to Make-in-India under the GST regime,” states Manish



**Rajeev Jain**  
CFO  
Intex Technologies

Sharma, President & CEO, Panasonic India & South Asia and Executive Officer, Panasonic Corporation.

Pratibha K Advani, Chief Financial Officer, Tata Communications observes, “The past year has been an eventful one across economies and industries, but we look to the future with optimism and some very specific expectations for our sector. With the expected increase in tax collections due to demonetisation of Rs.500 and Rs.1000 currency notes, we are looking forward to a reduction in the rate of corporate tax and the abolition of all the surcharges/cess, etc. This is in line with the Hon’ble Finance Minister’s promise in his budget speech in 2016. Additionally, we expect a write-off of loans and advances as deduction from taxable income at par with bad debts.”

“We look forward to the budget to provide positive support in terms easing of taxes on these products to make it competitive for every Indian. We expect the Government to cut the tax rates and spend more on infrastructure development, and honour its fiscal deficit commitments. Apart from offering the IT and Electronic



**Debashis Nag**  
Vice President - IT & E-Governance  
IPE Global

manufacturers of India or Make In India product as the first preference of choice for the government projects which would encourage the entrepreneurs of India to expand and create more job opportunities,” says P G Lakshminarayan, VP - Finance - eScan.

The mobile handset industry is another fast growing Industry and has become an imperative part of our everyday life. India is moving towards a digital economy and mobile banking and smartphones will play a crucial role in supporting this vision. “The entire country is looking forward towards mobile banking which shall create a new user base and fuel the growth in mobile Industry. As an industry, we expect a long-term and stable policy on mobile manufacturing in India. The industry has huge potential and can supplement government initiatives of ‘Make in India’ with highly technical product if focused. Incentives to create sufficient technical manpower will lay the foundation of a strong and robust manufacturing base in India. Further, a clearly laid out research and



**P G Lakshminarayan**  
VP - Finance  
eScan

development policy is necessary to succeed in a highly technical industry like ours and will help bring component manufacturing base in India to save precious foreign exchange. In the end, to create a truly inclusive digital economy, affordable mobile handset or consumer durable items up to certain value should be given a concessional duty treatment,” tells Rajeev Jain, CFO, Intex Technologies.

### Cashless Transactions picking up

The 8 November decision of the government to demonetise the high-denomination currency notes has impacted the working of the Indian economy. The decision is bound to have an impact on the coming budget proposals. While the impact of demonetization in the long run is yet to be completely ascertained, there is no doubt that it has led to mixed investment sentiments. With sectors adopting a wait and watch attitude (most likely till budget), the expansion plans have been put on hold. However on the positive side, the Govt. promoting a Digital and cashless economy, the investments from broadband service providers and telcos will see an upward march. Also investments from Govt in building a wide broadband infrastructure will increase.

Post demonetization, a remarkable increase in adoption of transactions through mobile wallet, payment bank, IMPS/NEFT/RTGS is observed. However, to realize the vision of a cashless economy, the government



**Ramki Gaddipati**  
CTO & Co-founder  
Zeta



**Harshvardhan Lunia**  
Co-Founder & CEO  
Lendingkart Group

should announce further measures to campaign and encourage digital payments. "There is a need for RBI to subsidize switch charges to promote cashless payments. To glide through from cash based to card based products, MDR on debit card could be kept at feasible percentage for a prolonged duration. Measures may be taken for further securing the digital payments and organise focused financial education campaigns among merchants and cardholders," says Debashis Nag, Vice President - IT & E-Governance, IPE Global.

Secondly, with demonetization significantly altering the dynamics of the entire national economy, expectations are high from the upcoming budget. Alongside countering black money practices, this move has helped the government in expanding the bracket of tax-paying population. This in-turn, equips the government to offer considerable tax rebates and SOPs focused towards societal development and growth. The ambiguities present in the modern-day service sector operations can be lessened with apt reform provisions in the budget. Lastly, for a holistic growth and development, focus on building a world-class infrastructure and real-estate industry is also critical. Both these sectors require better regularization and standardization support in order to foster an efficient business environment. I expect the upcoming budget to cater to this as well, through incentivized SOPs and other measures." says, Snehashish Bhattacharjee, Global CEO & Co-Founder, Denave

With the Govt. of India promoting Digital and cashless economy, the industry also expects benefits to be given to investments in building the IT network infrastructure. "As digital payments take off, we'd like this year's budget to focus on financial inclusion. We hope the Government of India reduces indirect taxes and charges levied on digital transactions. Further, income tax incentives should be provided to people who use digital payment options. It's also time that digital payment and documents be treated legally on par with physical instruments. We also hope that the Government increases the ceilings on employee tax benefits as they're now quite overdue. To aid merchants, the Merchant Discount Rate on card payments



**Snehashish Bhattacharjee**  
Global CEO & Co-Founder  
Denave

should be abolished. The industry can also benefit from tax incentives provided to organisations operating in the digital payments space. says, Ramki Gaddipati, CTO & Co-founder, Zeta.

With this the IT penetration in the country is yet to reach satisfactory levels and providing tax benefits to consumers purchasing IT products, at regular intervals, will help to increase the penetration levels."

### Thrust on SME Growth

There is also an expectation that the budget relooks at procurement norms to focus on quality and cost based procurement while encouraging wider participation from SMEs and Start-Up companies. "We hope that the Government will come up with some



**K Krishna Moorthy**  
Chairman  
IESA

positive announcements and tax sops to cut through the growth barriers," says Debashis. "Any thrust on growth, infrastructure, job creation and skill development is likely to have a positive impact for the IT/BPO sector. The government should also consider reducing excise duty on hardware (e.g. mobile phone, computer/laptop/Tab and other computing infrastructures) so that better technology becomes more accessible to wider populations."

"I believe most of the SMEs in India are still facing funding shortage at their 'required time' and thus, are not able to scale up to their true potential. Being part of the SME lending ecosystem, I am looking forward to get this sector supported by an efficient



**Sanjai Gangadharan**  
Regional Director – SAARC  
A10 Networks

policy framework," observes Harshvardhan Lunia, Co-Founder & CEO - Lendingkart Group. "I expect the budget to incentivize lenders to create fast, easy and reasonable loan options for SMEs across the country. Recently, the government has announced extension of credit guarantee limits of SME loans to INR 2 crores and extending the same to loans disbursed by NBFCs. It is a great step considering lot of new-age alternate SME lenders will also get covered under this scheme and increase penetration into this segment."

To attract larger institutional players and create liquidity for SME loans, the government could possibly provide an institutional framework akin to bank in a box system. SME loans, individual and pooled, could be recognized as a separate asset class and listed accordingly.

### And so...

Post demonetization, we believe, some of the above measures mentioned by different vendors would certainly help to create an ecosystem which would facilitate adoption of digital transactions and moving towards Government's vision of cashless economy.

The question however is how to make it sustainable. "The infrastructure to sustain this is still in nascent stage. The National Fiber Network is still incomplete as it was envisaged. For the Cashless and Digital economy to become the prima donna, the user experience has to be uniform, reliable and absolutely secure. At present while many wallets and other payment options have come up post demonetisation with many payment options, except that of a few banks, many still do not have a solution that is highly secure and have an 'easy to use' user interface and experience. This may need us to write a very good India specific standard, adopt international technologies like Tokenisation and OEM pay solutions if needed or still better enable the Indian start up eco system to develop India OEM pay solutions under the UPI structure. Once this becomes available the adoption will be automatic," sums up K Krishna Moorthy, Chairman, IESA. ■

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