

IDSA Reaction to the Union Budget 2012-13

Budget announced and presented by our Hon'ble Finance Minister, Shri Pranab Mukherjee in the mist of political turmoil focused on five key areas:

- a) Objectives relating to growth,
- b) Investment,
- c) Supply bottlenecks,
- d) Governance,
- e) Removing malnutrition

With an expectation of India's GDP growth in 2012-13 to be 7.6 per cent (+/-) 0.25 percent. There is not much for FMCG companies in the kitty.

The major tax reforms decisions which will have a direct impact on direct selling industry are the following:

- The direct selling industry will be benefited by GST. However the drafting of the same is still underway and is expected by August 2012. If the Government achieve its target by implementing the same by the said duration it will be the biggest achievement for the FY 2012-13.
- The efforts to reach broadbased consensus on FDI in multi-brand retail. If the current Government accomplish its goal to get the consensus on it, this will add to its second biggest success for the year 2012-13.
- The increase in 2% in the peak excise duty was very much expected. However we are thankful that the same was restricted to an increase of 2% only. Anything over and above would have adversely affected the industrial growth. However it will have some side effects on the industry pricing policies but at the same time it will yield over some revenue for the Government, which is the need of the hour.

- The Manufacturing sector was already having tough time in making the ends meet. However with the hike in excise duty it will only add to their problems, making the cost of producing goods more expensive.

However the infrastructure and Agriculture sector remains a vital sector for India's growth story. Hence doubling the Infra tax free bonds to Rs 60,000 Crores and awarding contracts to build 8,800 km of roads in 2012- 13 will boost the growth of infrastructure.

With the enhanced allocation of funds to agriculture in the various schemes, the budget proposes to raise agricultural credit target in 2012-13 to Rs. 5, 75,000 Crore, this reflects that Agriculture sector continues to be priority for the Government.

With raise in the tax exemption limit from Rs 1, 80,000 to Rs 2, 00,000 will help the common man to hang on to some cash in hand.

For Women self help group the introduction of interest subvention at 7% and 3 % subvention for prompt repayment of loans will facilitate the cause of women self empowerment in India.

Summing up the budget proposed in the parliament has mixed reaction from most. The Sensex has reacted positive by an increase in 101 points. But the real outcome of the same will be realised and seen after 1 week only. The Direct Selling Industry await for the implementation of GST by August 2012 and broad based consensus on FDI in Multi-brand retail as this will give a policy framework to it and to other non store retail formats.

