

Demonetisation has helped change mindset of people in adopting technology: Assocham chief

There should be rate-cut of 50 bps in 2017

ABHISHEK LAW

Demonetisation seems to have served the supplementary objective of making people adapt technology, which may be good in the long

run. According to Sunil Kanoria, President, Assocham, and Vice-Chairman of Srei Infra, the infrastructure sector has remained largely unaffected by demonetisation.

In an interview to *BusinessLine*, Kanoria talks about the effects of demonetisation, challenges facing the infra sector, need for government spending in the sector, and Budget expectations. Excerpts:

How do you see the economy performing post-demonetisation?

For the infra sector, I do not see demonetisation having much impact.

The impact, if any, has been negligible. And, I think, the sector suffered heavily for four to five years. Now it has started to see some pick-up.

Whatever policy framework that the (Modi) government had put in place in the first

two years has started to yield results.

I must say roads and irrigation are the two key drivers at the moment. The Railways is a little slow at this juncture. But by the third and fourth quarters of this year (calendar 2017), it should pick up.

But there are challenges in some of the sectors.



Where do you see the challenges?

In the power sector, things are still challenging. I do not think an effective policy framework has been put in place to resolve the long-term issue. That is one (area) which will take some time, say, two-three years, to automatically resolve.

If you give support, it will resolve faster. Otherwise, it will take its own time — maybe a longer time — to find a solution. But, I think, somewhere some bold steps are required (in power).

Look at the support given to the road sector. When this government took over there were close to 125 projects that were stuck. Now, that number has come down to nine or 11.

But are private investments taking place in infra?

I think the government will push a lot of investments in the infrastructure sector. It has to drive investments in the sector. Private sector investment in infra will be slow now.

The first push has to come from the government. It

will have a multiplier effect on the economy.

The good thing is the macroeconomic framework, and the numbers are positive for India. The government has the resources to do it. It is now about the level of execution and its speed.

Are you looking at further rate cuts from the RBI?

Ideally, for the whole of 2017, there should be rate cut of around 50 basis points.

Is this rate-cut possible despite the global headwinds and challenges facing the Indian banking system?

The challenge is the US. And, I think, a call will have to be taken. Even if the rate cut doesn't happen, the Indian banking system needs to be woken up. Risk appetite has virtually vanished. It will take a cycle of three to five years.

When the government comes up with projects, capital formation will happen and non-performing assets on banks' balance sheets will reduce. Then risk appetite for banks will increase. It is a cycle. And we have no choice but to go through that cycle.

Developed economies like the US are calling for redevelopment. And the UK will invest in infra. So, won't money go there instead as safer investments?

Yes. It is one of the biggest challenges for India. We have to generate money internally. So, either you have to make yourself so attractive — facilitation, ease of doing business, and so on — that investments come in. This takes time. And, we have to market and pack-

age ourselves. In the meantime, investments by foreign funds will be slow.

In India, the risks associated with projects are high. So, foreigners are unlikely to come in at the greenfield stage.

But once the project is completed, then it is more of an annuity. At that point, you can flip the asset and get an investor. For that, your interest rates (in debt), yields (in equity returns), and so on, will have to be attractive.

Coming back to demonetisation, did it serve its objective?

Initially, black money and corruption were the issues that demonetisation was supposed to take care of. But demonetisation served something different and that is changing the mindset of the people — in terms of digitisation and adopting technology.

Once you have adopted technology, the advantages are multi-fold. The awareness has come and the cascading effect will benefit India.

So, in this context, what are your expectations from the Union Budget?

Ideally, social sector and infra are likely to be the two key areas for the Budget. At the lower level, we are also expecting a reduction in tax rates for corporates and individuals. I also think GST rates should be brought down.

From the Chambers' point of view we have said rationalise tax rates. We do not mind even if exemptions are withdrawn. Tax collections should be robust and, hence, there might be allocations to different sectors.



Social sector and infra are likely to be the two key areas for the Budget... We are also expecting a reduction in tax rates for corporates and individuals.

SUNIL KANORIA
President, Assocham, &
Vice-Chairman of Srei
Infra