

BUDGET 2016, OPINION

Varun Mirchandani, ONICRA ED | Budget well balanced, focuses on SMEs

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on growth of SMEs via self-employment, encouraging start ups, promoting farm and

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The Union Budget aims to promote skill development in India leading to innovation and self employment. This shall have a significant impact on the number of new SMEs / start ups that are set up every year.

A record Rs. 34,699 cr has been allocated to the MNREGA scheme, highest ever and an additional Rs. 5000 cr has been proposed to be enhanced during the year to promote rural employment. About 60% of the employment generated under the scheme is related to agriculture and allied sector.

Rs. 1804 cr has been allocated for skill development. 1500 Multi Skill Training Institutes to be set-up. National Board for Skill Development Certification is proposed to be setup in partnership with the industry and academia. Government aims to skill 1 crore youths in the next 3 years. 100 Model career centres have been proposed to be operational by FY16-17 under National Career Service.

Government has specially emphasized the social segments that always had the capability but lacked support. To promote the funding in the SMEs,

- launched 'StandUp India' scheme to facilitate at-least two projects per bank branch. This will benefit at-least 2.5 lakh entrepreneurs. The project also aims to stimulate innovation and start up activity by women entrepreneurs.
- 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India.
- 25,000 cr to be allocated for recapitalization of banks.

In order to make the small business more lucrative, taxation has been eased on the new set ups and corporate tax rate and the excise duty rate has been lowered:

- Corporate Tax rate lowered for relatively small enterprises i.e. companies not exceeding a turnover of Rs. 5 cr in FY15 to 29% + surcharge + Cess.
- 100% deduction of profits for 3 out of 5 years for start ups set up during 2016-2019. MAT will apply to such units
- Changes to be proposed in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.

Since 62% of the small businesses are owned by SC/ST/OBC, to support the new class of small entrepreneurs, National SC and ST hub is proposed to be set up in partnership with industry associations (Dalit Indian Chamber of Commerce and Industry). The role of Mudra Bank has been re-emphasized in the Budget 2016 to refinance the much needed credit facilities to micro, small and medium enterprises, especially the SC/ ST enterprises.

Overall this budget is path-breaking in terms of its fine balance between meeting the fiscal prudence limits and adequate and targeted spending. It is a pivotal budget helping India transition from a pure agrarian economy into a manufacturing and services economy.