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MSMEs set for Budget boost

Job-creating sectors to see expenditure increase in Budget

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Housing, MSMEs, start-ups, road sector and railways in urban areas and agriculture trade on the rural side are expected to see substantial increase in expenditure in the upcoming Union Budget, as the government plans to give a strong push to job creation amid economic slowdown.

Small and medium industries will be the focus. The capital allocation for this sector is set to be enhanced upwards of Rs 1,000 crore. In addition, this sector may also see a central corpus being created to take care of their loan requirements on a regular basis. Plans are also afoot to bring MSMEs on GST platforms through interest subsidy.

"MSMEs are the biggest job creators. The budget will aim to enhance their contribution in the GDP to about 50% by 2025. This will be an important sector in realising the $5 trillion dream for the economy," an official told *DH* as the budget papers go for printing.

MSMEs employ over 11 crore people and contribute about 27% to the country's economy. Their contribution to total manufacturing output is above 40% and to exports is about 40%. There are over 6.5 crore MSMEs in India.

To boost overall consumer demand in the urban areas, the government may also increase tax rebate further on home loan interest rates.

▸ Budget, Page 5

MSMEs set for budget boost

BUDGET, FROM PAGE 1

In her first budget, Finance Minister Nirmala Sitharaman had provided a Rs 1.5 lakh tax exemption to affordable houses bought under Rs 45 lakh. Demand for housing in affordable segment has not seen any major increase.

After setting up the National Startup Advisory Council, the government is looking at simplifying tax compliance and encourage startups to come up in sectors like agriculture, education and health. This sector has the potential to solve unemployment problem in a quicker way.

The Reserve Bank of India too has asked the government to focus on this sector of young entrepreneurs as growth multipliers.

Agriculture, which supports the livelihood of about 50% of India's population and contributes 15% to the GDP, is expected to see measures for increasing farmers' incomes and agriculture trade.

The government may announce creation of agriculture export clusters to help increase shipment of foodgrains, especially pulses, fruits and vegetables.

The largest capital is allocated to transportation infrastructure in the budget. Railways accounted for close to Rs 66,000 crore, national highways, close to Rs 37,000 crore; spends on other road works was about Rs 35,000 crore and close to 18,000 crore was allocated to metro projects last year. These allocations are expected to increase further to upgrade infrastructure and provide jobs to people.

On the revenue generation side, a large cut in the food subsidy bill and allocation to states made in the previous budget is expected.

A part of the food subsidy bill is expected to be funded through the National Small Savings Fund and Food Corporation of India.

The subsidy on food is the largest among all at Rs 1.84 lakh crore.