Media Coverage

Publication	Date	Edition	Link	Headline
Sme Futures	22 Jan 2021	Online	https://smefutures.com/union-budget-2021-job-creation-skill-development-converging-gst-and-disinvestments-will-push-growth-of-msmes/	Union Budget 2021: Job creation, skill development, converging GST, and disinvestments will push growth of MSMEs


SMEFUTURES

Quick Links: Focus News Opinion Women Videos Interviews Rethink the future

News an consumers Year-end discounts, pent up demand accelerate December's auto sales Fitch Solutions forecasts Indian rupee to trade weaker in 2021

Home / Guide / Finance / Union Budget 2021: Job creation, skill development, converging GST, and disinvestments will push growth of MSMEs

Union Budget 2021: Job creation, skill development, converging GST, and disinvestments will push growth of MSMEs

Revival of MSMEs is going to be the fulcrum of upcoming budget because of their mammoth share in the GDP. Hence, government should design a budget which not only stimulates growth in MSMEs but also resurrects them.

Anushruti Singh January 22, 2021

Indian economy was already in dire straits since past few years as country's real GDP had plummeted by 7.7 per cent from the growth rate of 4.2 per cent in the previous financial year, according to new government estimates. Industries are now expecting economy to gain some momentum as we enter a new year. The impending rollout of vaccine also brings a ray of hope among various sectors as numerous opportunities unveil for them.

The resurrection of MSMEs totally depends on the upcoming union budget 2021 and industries in this arena have high hopes from it. Commenting on the upcoming budget and expectations of MSMEs, RP Yadav, Chairman and Managing Director, Genius Consultants Ltd claims that the Indian Budget 2021 is going to be a unique budget this year as it will be presented in the backdrop of an on-going global health crisis.

Revival of MSMEs is going to be the fulcrum of upcoming budget because of their mammoth share in the GDP (30 per cent in 2020). Almost 122 million lost their jobs and around 420 million informal labourers faced severe consequences last year due to the lockdown. Keeping all these issues in mind government should design a budget which stimulates growth in MSMEs.

"Post the severe effect and a stark dip in the overall economy due to the stringent lockdown implemented by our government for COVID-19, the upcoming budget

To read more click on the link

should focus on the revival of small and medium businesses, employment generation, and overall wellbeing of the economy and individuals," feels Yadav.

Dr Arun Singh, Chief Economist at Dun & Bradstreet is of opinion that despite the succour provided by stimulus package and schemes, there is still a lot of room for further measures to revive the sector. "Given the severity of the impact that COVID-19 inflicted on the MSMEs, we expect the government to take further measures to help them in recovering from the sharp slowdown," he comments.

Advocating the thought, Uday Shankar, President of FICCI asserts that the upcoming budget is an opportunity to add catalysts to the process of economic revival. "It is time to take things forward and build on the country's growth agenda so that we return to the path of high growth as soon as possible. We expect the government to introduce more growth-oriented measures in the next budget," he added.

Many experts are also of opinion that need for further stimulus remains, but the main challenge lies in spotting risks and tracking the performance of various sectors and clusters. According to them, MSMEs sector need innovative measures to accelerate growth and stimulate demand and hence they are expecting favourable announcements in the union budget.

Growth-oriented measures required to recuperate
Analysts have forecasted a V-shaped recovery for the economy during this year. Sectors such as manufacturing, sales, energy consumption are showing a steady growth. According to an estimate of Dun & Bradstreet, only 30 per cent of active businesses in India were disrupted at the end of November 2020 compared to 95 per cent in April 2020. Witnessing this gradual recovery, FICCI recommends that this momentum needs to sustain and therefore growth-oriented measures should be prioritised.

This can be achieved by accelerating the pace of infrastructure investments.
Dr Arun Singh says, "National Infrastructure Pipeline is a five-year plan. We should look at front-ending the projects under NIP and try and complete at least 40-50 per cent of projects in the next two years. When the infrastructure sector moves, it pulls along more than 200 other sectors. It is also a key driver of unskilled employment generation."

Yadav of Genius Consultants recommends that present regime must keep the fiscal deficit to at least an additional of 1-2 per cent so that they have enough funds to spend on expansion of travel or medical tourism, healthcare, research infrastructure, and defence. He opines, "This will help in creation of employment opportunities and provide companies with the opportunity to improve their revenue and margins. Additionally, the government must execute all pending tax reforms and pay all the pending GST to states for goods and services."

Favourable changes in GST
The current GST regime according to industry mavens is most convoluted than ever. "With the introduction of the decentralised registration process, the cost of compliance and business process development has increased by manifolds. It is recommended that

To read more click on the link

the concept of centralized registration for services as prevalent in the erstwhile service tax regime should be contemplated under the GST regime as well," recommends FICCI in a statement.

The industry body also recommends converging GST rates into three slabs. Currently, there are seven slabs for goods and five rate slabs for services which add compensation cess on selective goods. The statement further adds, "Government should consider converging the existing band of GST rates to three in line with international standards. This will help in resolving interpretation issues, complexity, and probability of disputes."

Acceleration of disinvestments programmes

There is a sharp decline in revenue collections due to the inevitable economic slowdown. Further, bankrupt organisations are just adding NPAs in banks. Hence, federation of industry chambers of commerce and industry strongly suggests disinvestment and monetisation of assets to avoid the process of accumulation of non-performing assets (NPA) which are adversely impacting the credit growth.

Sources tell that talks to reduce the number of public sector banks (PSBs) to four from the current twelve are going on. This most likely will become a part of the government's new strategic disinvestment policy. This also is likely to include the insurance sector. Adding to it, government is already in talks to sell loss making Air India along with profitable PSUs BPCL and Shipping Corp.

Arvind Panagariya, a renowned economist has explained his views in an opinion editorial piece. According to him, the government was slow to act on NPAs in its first term and the economy paid a high price for it. He further writes that credit growth at PSBs collapsed during 2016-17 and with the weakening of non-bank financial companies in quick succession, growth slowed down to 6.1 per cent in 2018-19 and 4.2 per cent in 2019-20.

Recurrence of similar outcome needs to be avoided, especially when the coronavirus crisis has debilitated the economy. He also recommends that the government can avoid any adverse fiscal implications of recapitalisation by swapping debt for equity with PSBs. In the Union Budget for FY21, the government had set a disinvestment target of Rs 2.1 lakh crore. However, the target was described as ambitious by many.

Though privatisation is already in the cards, Yadav confesses that it is not speedy. He says, "The government must prioritise privatisation of the public sector particularly the ones which are in loss or are stagnant. This will bring revenue for the administration to spend more in the infrastructural and evolving areas with brighter scope." According to him, it will also help the banks in creating a strong buffer.

To read more click on the link