

India Union Budget 2019-20

Point of View

Consumer Markets



#UnionBudget2019 #KPMGBudgetLIVE

Key announcements for the sector

The budget focusses on 'Gaon', 'Garib' and 'Kisan'

• Farmer growth and development:

- Focus to form 10,000 new Farmer Producer Organisations over the next five years to enable economies of scale
- Efforts to enable farmers to benefit from e-NAM (National Agriculture Market)
- Zero-budget farming to be implemented to reduce reliance on loans and cut production costs
- A new scheme, Pradhan Mantri Matsya Sampada Yojana (PMMSY), is announced for upgrading fishing and the fishermen community to overcome the existing challenges across the value-chain – production, quality control and post-harvest management
- Budget also aims to support private entrepreneurship which adds value to farmers produce e.g. bamboo and timber for hedges, initiatives for renewable energy
- Dairying through cooperatives will also be encouraged by creating infrastructure for cattle feed manufacturing, milk procurement, processing and marketing.

• Rural upliftment:

- Rural electrification: The Budget has continued the focus on rural development with continuation of UJALA Yojana for household distribution of LED bulbs as well as promoting use of solar stoves
- Water: The newly formed Jal Shakti Ministry will focus on sustainable water supply management and will work with states to ensure Har Ghar Jal (piped water supply) to all rural households by 2024
- Houses: Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve the objective of 'Housing for All' by 2022 by providing basic amenities such as toilets, electricity and LPG connections.

• Job creation:

- To create new jobs, the Government will set up 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) to help create 100 business incubators to develop 75,000 skilled entrepreneurs in agro-rural industry sectors in 2019-20
- Continued efforts towards ease of access to credit for MSMEs, coupled with allocation of INR350 crore in FY19-20 towards interest subvention of 2% for all GST registered MSMEs will help rekindle growth
- Reduction in turnover criteria for exemption of corporate tax to companies having annual turnover up to INR400 crore will benefit majority of companies, thus stimulating growth, jobs and investments.

- **Digital initiatives:** Under the Pradhan Mantri Gramin Digital Saksharta Abhiyan, over two crore rural Indians have so far been made digitally literate. Bharat-Net is targeting internet connectivity in local bodies in every Panchayat in the country.
- **FDI:** Local sourcing norms eased for FDIs in Single Brand Retail.

Implications for the sector

- Improved and innovative farming methods along with efforts to increase market access for farmers will lead to increase in farmer income and aid farmer upliftment
- Bridging of social and physical rural-urban divide with basic facilities such as electricity, running water, clean cooking and transport infrastructure would enable rural growth and development
- Setting-up of business incubators promoting entrepreneurship is expected to drive job creation. MSMEs are also expected to see growth with efforts in easing of access to credit as well as support towards interest subvention, thereby stimulating employment. The expansion of exemption in corporate tax to companies with turnover up to INR400 crore will aid in growth for large number of companies
- Schemes such as Pradhan Mantri Gramin Digital Saksharta Abhiyan will help in increasing digital literacy in rural areas. Internet connectivity in local bodies reiterates focus on digital technology enabled governance
- Relaxation of local sourcing norms for FDI in single brand retail will stimulate investments into India

In summary, the budget seems to take a leaf from the economic survey about driving a 'virtuous cycle' wherein investment, agricultural productivity and job creation feed into each other to drive growth and consumption. Robust implementation of this vision will be key to realising the aim of a USD 5 trillion economy.

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