



India Union Budget 2024-2025

Point of view

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Industrial development and MSME

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Key announcements for the sector

- New Credit Guarantee Scheme envisioned to pool credit risk of term loans availed for capex (equipment/ machinery) and provide guarantee cover upto INR 100 crore per MSME applicant.
- Bank Loan rating through credit rating agencies has been done away with. Public Sector Banks to develop in-house capability to assess MSMEs based on the digital footprints of MSMEs.
- Creation of a fund to facilitate credit flow to help stressed MSMEs red-flagged under the 'Special Mention Account' (SMA) category.
- Enhancement of limit of Mudra loans from INR 10 lakhs to INR 20 Lakhs for MSMEs who have availed and successfully repaid previous loans under the 'Tarun' category.
- Reduction of turnover threshold from INR 500 crore to INR 250 crore for mandatory onboarding of buyers on TReDs platform. Medium enterprises also to be included in the category of suppliers.
- SIDBI to expand its network to service all major MSME clusters within three years and providing direct credit to MSMEs based out of these clusters. 24 such branches to be opened this year.
- Financial support for setting up of 50 multi-product food irradiation units in the MSME sector will be provided along with facilitating setting up of 100 food quality and safety testing labs with NABL accreditation.
- E-Commerce export hubs to be established in PPP mode to facilitate MSMEs and artisans in international trade.
- Facilitation of investment-grade energy audit of traditional micro and small industries in 60 clusters, to be further extended to 100 additional clusters has been proposed.
- A roadmap for moving the 'hard to abate' industries from 'energy efficiency' targets to 'emission targets' will be formulated.
- Employment Linked Incentive Scheme to incentivise formal employment generation through direct transfer of one month's salary to each new employee, incentive to both employee and employer in proportion to EPF contributions. 20 lakh youth will be skilled over a five-year period and 1,000 Industrial Training Institutes will be upgraded.

- Development of investment-ready 'plug and play' industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector has been proposed. Twelve industrial parks under the National Industrial Corridor Development Programme also will be sanctioned.
- It has been proposed to either reduce or exempt Basic Customs Duty levy on several importable commodities ranging from inputs for leather and textile manufacturing to pisciculture feed and other raw material.
- Development of an industrial node at Gaya under Amritsar Kolkata Industrial Corridor to catalyse industrial development of the eastern region has been proposed.
- A plan for the development of 100 weekly Haats or Street Food Hubs over the next five years in consonance with the PM SVANidhi Scheme has also been announced.
- 'Angel Tax' for all classes of investors with the express intent of bolstering the country's start-up ecosystem has been abolished.

Implications for the sector

Budget 2024 has announced a comprehensive package for bolstering industrial development with a special focus on the MSME sector, which was also one of the four themes under the budget. With resilience as the underlying aim, the budget is well balanced and proposes to provide assistance with respect to financing, technology and market access, regulatory support help the enterprises grow and compete globally, much on the lines of the interim budget.

- New Credit Guarantee Scheme with a limit of INR 100 crore pushes shall give a much needed boost to technology induction/ upgradation in MSMEs helping them integrate into manufacturing value chains.
- The new credit rating mechanism shall enable the PSBs to develop a framework which will factor in dynamic, and market based variables for assessing credit worthiness such as digital footprints which were lacking in the standardised rating mechanisms thereby having larger credit offtake by MSMEs.
- Broadening the scope of TReDs by reducing turnover threshold limit will prompt more buyers to be on TReDS, leading to enhanced coverage for MSMEs. Addressing the working capital challenges will enhance efficiencies amongst the MSMEs. Coverage of medium enterprises under the fold will have a far reaching impact.
- Wider branch network of SIDBI, should play a pivotal role not only for credit penetration for MSMEs, but also in formalisation as well as strengthening of institutional support mechanism for the enterprises. SIDBI's cluster development programme will see a big boost as a result of this expansion.
- Issues with respect to aggregation, cataloguing, listing and logistics should see resolution coming in the form of Export Hubs. However, capacities of the potential exporters need to be built around standards, compliances, trade negotiations, quality adherence etc. which are pre-requisites for the export hubs to succeed.
- A framework of Investment Grade Energy Audits specifically aimed at optimizing energy consumption patterns at cluster levels comes at a crucial time amidst the global focus on carbon footprint reduction, climate change and resource efficiency. This also bodes well with the levies being proposed by importing countries with respect to carbon emissions.

- Gol’s plan for financing plug & play infrastructure in industrial parks near cities will encourage diverse set of stakeholders such as private sector anchor developers, cooperatives, Cluster SPVs to take lead in developing such parks so as to fuel the next phase of industrial glocalisation. Rental housing with dormitory type accommodation for industrial workers in PPP mode with VGF support and commitment from anchor industries will further strengthen the proposition for MSMEs.
- Reduction in customs duties on several input materials promises to ease supply chain woes and revive the pursuit of high-quality manufacturing in key export-intensive sectors such as leather, textiles, electronics, aquaculture, etc.
- Production Linked Incentives offered in high-potential and MSME dominated sectors such as Toys, Leather & Footwear, pharma & medical devices, food and telecom components will have a roll over impact on MSMEs owing to ancillarisation based supply chains. These coupled with employment linked incentives and other progressive support initiatives extended to MSMEs, these sectors can expect a huge boost.
- Overall, the budget is progressive and inclusive, giving due impetus to strengthening the industrial and MSME ecosystem well in line with the Government’s vision for Viksit Bharat.

KPMG in India contacts:

Nilachal Mishra

Partner and Head

Government & Public
Services

E: nilachalmishra@kpmg.com

Vivek Agarwal

Partner and Lead

Industrial and Infrastructure
Development Advisory (IIDA)

Government & Public Services

E: vivekagarwal1@kpmg.com

Dharmesh Goswami

Partner

Industrial and Infrastructure
Development Advisory (IIDA)

Government & Public
Services

E: dharmesh@kpmg.com

kpmg.com/in/socialmedia



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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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