



MARC

# Union Budget 2023 – What MSME's should lookout for?

A detailed analysis on the Union Budget 2023 for MSME's.

**By: Fiona Fernandes**

# Introduction

Union Finance Minister Nirmala Sitharaman on Wednesday presented the Union Budget 2023. This budget had a slew of announcements that would impact the MSME sector. The Finance Minister proposed the revamping of the **Credit Guarantee scheme** that would take effect from **April 1 2023** through the infusion of **Rs 9,000 crore** in the corpus. This will enable additional collateral-free guaranteed credit of Rs 2 lakh crore. Further, the cost of the credit will be reduced by about 1%.

Today, India has nearly **6.3 crore** MSMEs that collectively employ nearly **11 crore** people and this move taken by the Central government will help the large number of MSMEs in India to address their working capital issues.



# Tourism & Hospitality Industry



## Budget Highlights

- **50 tourist** destinations will be selected to be developed through **challenge mode** as a whole package for Domestic and International tourism.
- Promotion of tourism will be taken up on **mission mode** with active participation of states, the convergence of Government programs & public-private partnerships.
- States will be encouraged to set a **'Unity Mall'** in State capital or the most popular tourist destination in the state for the promotion and sale of **'One District, One product'** and GI products and other handicraft.
- Tourism infrastructure and amenities to be facilitated in border villages through the **Vibrant Villages Programme**.



# Tourism & Hospitality Industry

## Impact on MSME's :

Finance Minister Nirmala Sitharaman's Budget announcements for the tourism sector bode well for the hospitality industry. There is a huge untapped potential for tourism in India and the government, aware of this, has sought to develop 50 new destinations to make India more attractive to both domestic as well as international tourists. This in turn will not only boost tourism infrastructure in India, but also provide a large number of job opportunities, create entrepreneurship opportunities among the youth as well as help earn foreign exchange. The Government also proposed the revival of 50 additional airports, helipads, water aero drones and advanced landing grounds and proposed to allocate Rs. 2.7 lakh crore to the highways sector which will help in improving regional air and land

connectivity. This will promote local tourism whilst giving a boost to investment in hospitality projects in the region. Moreover, the revamped credit guarantee scheme for MSMEs with an infusion of Rs 9,000 crore into the corpus is expected to help small- and medium-scale hotels and restaurants.

All this news came a positive sign to the Tourism and Hospitality Industry and as such the shares of Indian Hotels Company (IHCL) rose by 9%, EIH by over 7% and Lemon Tree Hotels by 6%.

# Healthcare Industry



## Budget Highlights (1/2)

- Health sector has been allocated **Rs 89,155 crore** in the Union Budget
- **157** new **Nursing colleges** will be established in core locations.
- Dedicated Multidisciplinary courses for medical devices will be supported in existing institutions to ensure the availability of skilled manpower for **futuristic medical technologies, high-end manufacturing and research.**
- Facilities in select ICMR labs will be made available for research by public and private medical faculties.
- A **new programme** for **research in pharmaceuticals** will be formulated and the industry will be encouraged to invest in research.



# Healthcare Industry



## Budget Highlights (2/2)

- The establishment of **three centres** of excellence for artificial intelligence to enable **'Make AI for India'** and **'Make AI work for India'** to enhance India's digital progress.
- **National Data Governance policy** will be introduced which will enable access to anonymised data.
- A mission to eliminate sickle cell **Anaemia** by **2047** will be launched by creating awareness & universal screening of **7 crore people** under the age of **0-40**.



# Healthcare Industry

## Impact on MSME's :

In this Union Budget, the government has focused on some of the core needs of the health and wellness sector. Skilling of healthcare nurses and allied workers has been a long-standing gap, hindering healthcare delivery expansion. The introduction of 157 new nursing colleges will help in making quality care accessible to the larger population. The increased focus on healthcare research will also enable us to be better prepared to tackle new and unknown illnesses in the years to come. The plans to provide access to ICMR labs and other R&D facilities as well as a collaborative approach to pharmaceuticals research and encouragement of private sector investments, multi-disciplinary training for R&D and manufacturing of high-quality medical devices,

and various other such measures are also going to augur well for the overall healthcare access and quality in India. Moreover, the centres of excellence in Artificial Intelligence that will be set up in sectors like health will ensure that the country starts creating tech-based solutions in-house. This will further encourage innovation in the country and ensure that the health tech sector in India picks up pace.

# Education Industry



## Budget Highlights (1/2)

- **National Digital library** will be set up for children and adolescents.
- States to be encouraged to set up **physical libraries** for them at **panchayat** and **ward** levels and provide infrastructure for accessing the National Digital Library resources
- **Eklavya Model Residential Schools** to be set up in the **next 3 years**. The Centre will recruit **38,800 teachers** and **support staff** for **740 schools** serving **3.5 lakh tribal students**.
- Launch of **Pradhan Mantri Kaushal Vikas Yojana 4.0** with an aim to train lakhs of youth in the next **3 years** and set up **30 Skill India international centres** across different states in India.





# Education Industry



## Budget Highlights (2/2)

- **100 labs** for developing apps using **5G services** will be set up in engineering institutions
- **Three centres of excellence for artificial intelligence** to be set up in top educational institutions.
- **National Data Governance Policy** to be brought out to unleash innovation and research by start-ups and academia.
- Grant for **University Grants Commission (UGC)** has been increased by **Rs 459 crores (9.37 pc)**.
- **Central Universities** have been increased by **17.66%**, **Deemed University** by **27%**, support to **IITs** have been increased by **14%**, and to **NITs** by **10.5%** as compared to **BE 2022-23**.



# Education Industry

## Impact on MSME's :

Education experts and policymakers have widely praised the Union Budget 2023 for its focus on supporting higher education and EdTech. This budget aims to promote a more equitable and inclusive education system across India, providing equal learning opportunities for learners in both urban and rural areas. This can be seen by the Government's proposal for setting up of a National Digital Library for Children and Adolescents that will establish a digital ecosystem in the school sector, promote digital education, and primarily aid pupils falling behind due to the epidemic. Moreover, employing more teachers and support staff for the Eklavya model schools will greatly benefit tribal students. The budget also emphasized the relevance of artificial intelligence in the education sector by announcing the construction of three artificial

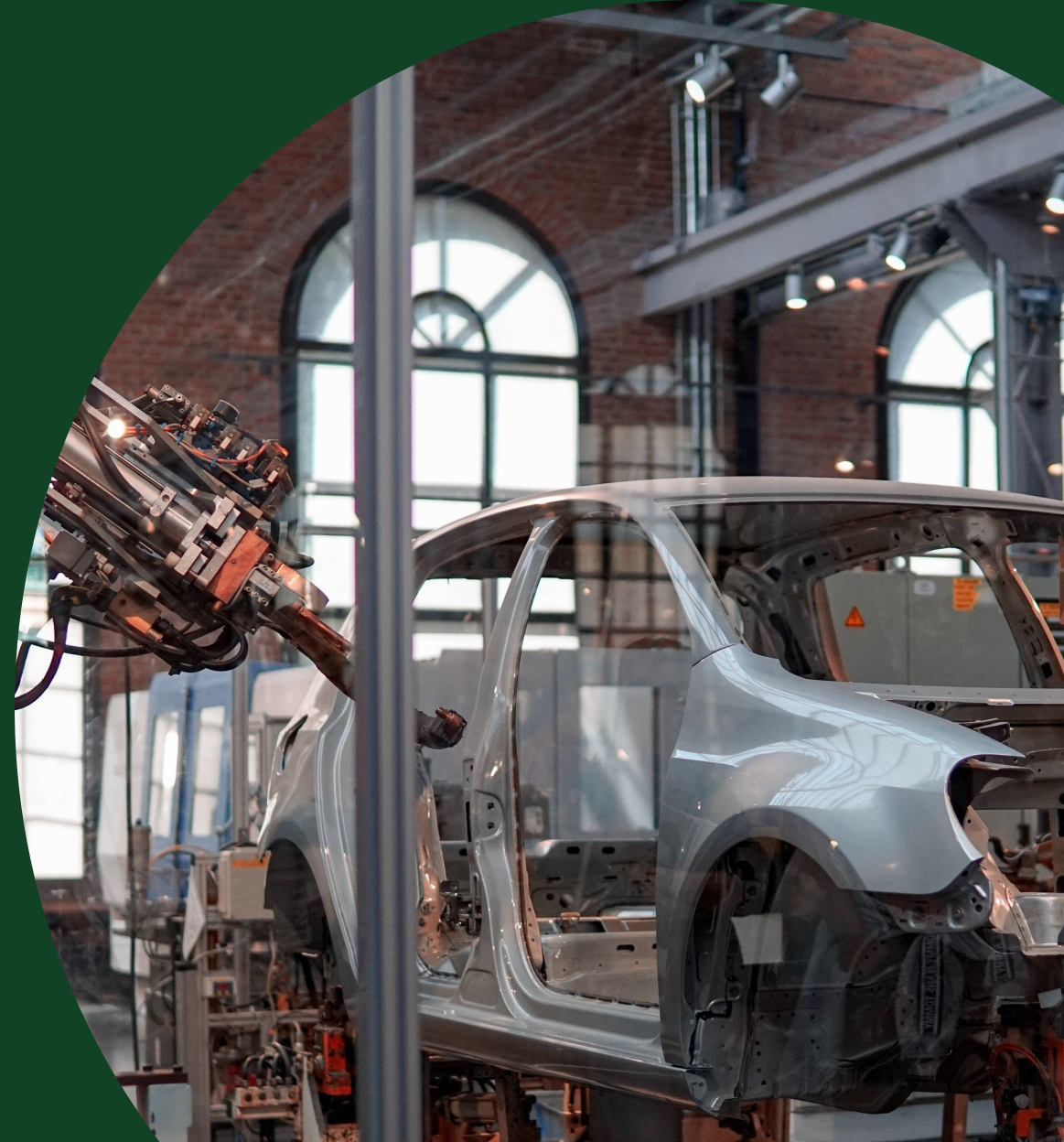
intelligence centers of excellence thereby indicating that it wants AI to be a crucial component of the Indian economy. The Government also placed a strong emphasis on developing and deploying stronger digital infrastructure by proposing to invest in high-speed internet access, especially in rural and remote locations, and assisting schools and educational institutions in upgrading their technology systems. Thus, the overall budget aims to make India a knowledge and technology-based economy in the next 25 years and these measures will positively impact the growth of the EdTech sector as well.

# Manufacturing Industry



## Budget Highlights (1/2)

- New cooperatives that commence manufacturing till March, 2024 to get **lower tax rate** of **15%**
- To promote TV manufacturing, **customs duty** on open cells of TV panels reduced to **2.5%** from **5.5%**.
- The government removed the **2.75% basic customs duty** on import of camera lens, along with removal of duties on inputs to parts of connectors
- The Central government has continued its '**Make in India**' focus aimed at boosting domestic manufacturing.

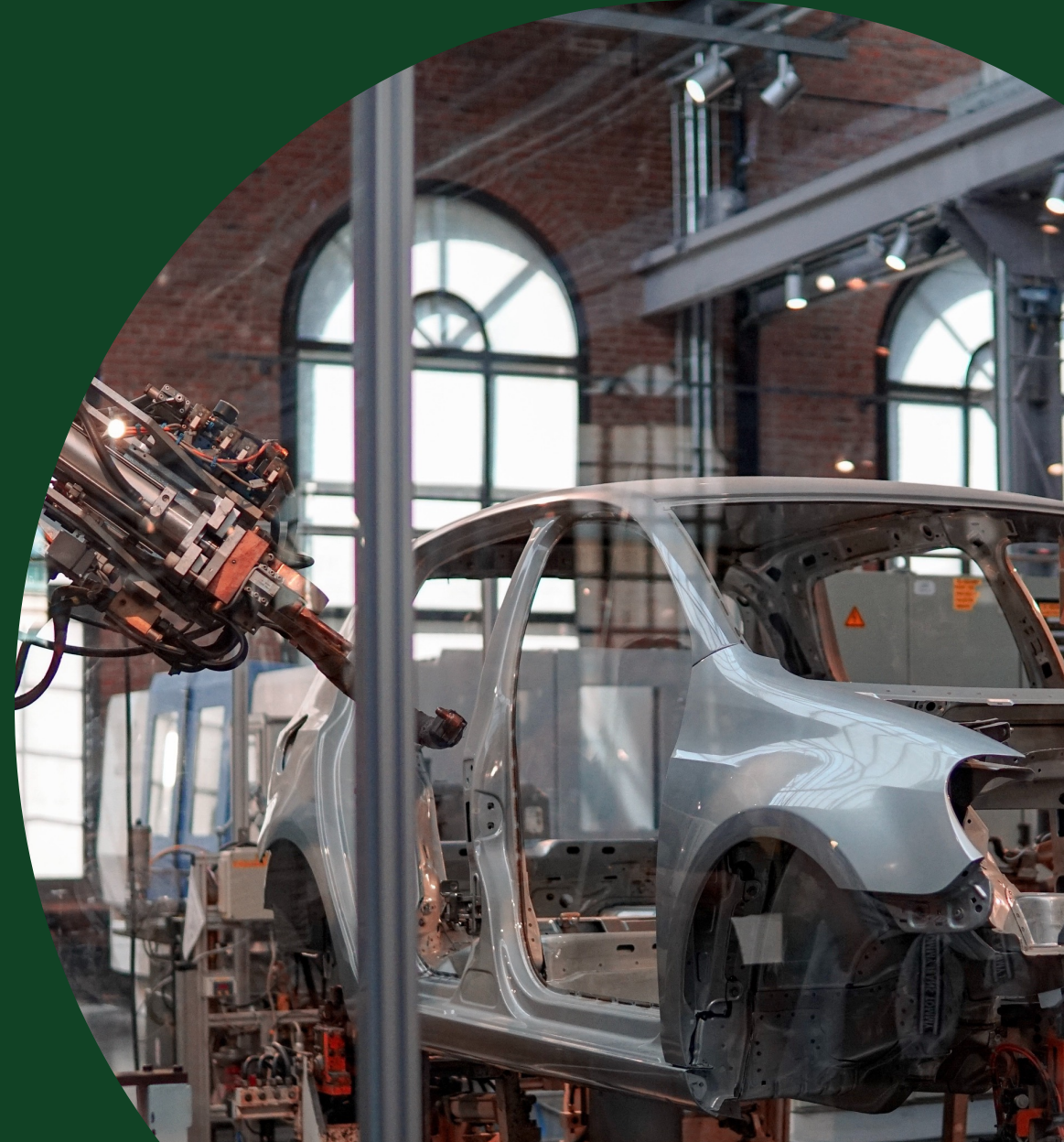


# Manufacturing Industry



## Budget Highlights (2/2)

- **Basic Customs duty** is reduced to **nil** in respect of import of **specified capital goods** and **machinery** required for the **manufacture of lithium-ion cells** for batteries used in **electric vehicles**.
- Govt to provide **R&D grant** to one of the **IITs** to encourage indigenous production of **lab-grown diamonds** in a bid to reduce imports.
- **Customs duty** on **lab-grown diamonds** to be **reduced**.



# Manufacturing Industry

## Impact on MSME's :

Sections of the industry welcomed the move to remove customs duty on certain parts and components for mobile phones and televisions, stating that it will deepen the value chain in India and have a positive impact on the domestic component manufacturing industry while at the same time make manufacturing more competitive. This would also help India compete at a global level and in turn lead to an increase in exports. It can be estimated that due to the reduction in customs duty of open cells of TV panels, television prices can come down up to ₹3,000 on larger screens. Also, 5G technology was a major focus in the Budget, with projections indicating that up to 45% of devices sold in 2023 will be 5G-enabled. Moreover, Lab-grown diamonds (LGD) are also likely to become cheaper with the reduction of customs duty on LGD seeds to

zero from 5 per cent in Budget 2023. The Finance Minister, Nirmala Sitharaman also promoted indigenous manufacturing in the sector by providing research grants to an IIT for five years. Thus, with import duties cut down and indigenous manufacturing promoted, we can forecast an increase in demand leading to significant growth in sales. Also, besides the jewellery industry, lab-grown diamonds are also used in computer chips, satellites, 5G networks, etc, thus providing a boost to all the relevant industries where LGD are used.

# Retail Industry



## Budget Highlights

- **Taxes on cigarettes** hiked by **16%**
- **Basic Customs Duty (BCD)** on **toys, parts of toys and bicycles** increased
- **Customs duty** on **kitchen electric chimneys** has been raised to **15%** from **7.5%** and that on **heat coils** reduced from **20%** to **15%**
- **BCD** is increased on articles of **precious metals** from **20%** to **25%**
- **BCD on Silver dore or silver (including silver plated with gold or platinum)**, unwrought or in semi manufactured forms, or in powder form bars to be increased from **6.1% or 7.5%** to **10%**.
- The conversion of **physical gold** to **digital gold** will not attract capital gains



# Retail Industry

## Impact on MSME's :

The hike in the taxes imposed on cigarettes has come in after nearly 3 years. This hike will result in cigarettes becoming costlier and may impact sales volume. In the case of toys, parts of toys and bicycles the customs duty has been increased, thereby making imports of these goods costlier, in an attempt to promote the 'Make in India' initiative and boost domestic manufacturers.

In a similar way, the customs duty on electric chimneys has been raised in an attempt to encourage domestic manufacturers. Also, precious metals such as gold silver and diamonds will become expensive.



# Additional Highlights

## Additional budget highlights pertaining to businesses:

1.

Government to bring another dispute resolution scheme Vivad Se Vishwas-2 to settle commercial disputes.

2.

One stop solution for reconciliation and updating identity maintained by various agencies to be established using digi locker and Aadhaar as foundational identity

3.

Central Processing Centre to be set up for faster response to companies filing forms under Companies Act.

4.

For business establishments required to have Permanent Account Number, the PAN will be used as a common identifier for all Digital Systems of specified government agencies.

5.

More than 39,000 compliances have been reduced and over 3,400 legal provisions decriminalised to enhancing ease of doing business.

6.

Jan Vishwas Bill to amend 42 Central Acts have been introduced to further trust-based governance.

7.

Finance Minister announces multiple measures to enhance business activity in GIFT city.

8.

The 100% profit tax holiday (for 3 years in first 10 years of incorporation) is extended by 1 year for startups incorporated till March 31, 2024. The carry-forward of business loss is extended to 10 years (from 7 years) if all shareholders remain invested.



# References



## References taken for the report

- [Economic Times – Union Budget 2023](#)
- [Business Today – Union Budget 2023, Hospitality Industry](#)
- [Financial Express – Budget 2023, Healthcare sector](#)
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## Contact

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[+91-9359628675](tel:+91-9359628675)



[contact@marcglocal.com](mailto:contact@marcglocal.com)



[www.marcglocal.com](http://www.marcglocal.com)



2<sup>nd</sup> floor, CMM bldg.  
Rua de Ourem,  
Panaji Goa 403001

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