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MARKET STATS		34,756 ▼ -310.60	10,662 ▼ -98.35	30,277.00 ▼ -90.00	64.02 ▼ -0.05			

5 reasons why FM Jaitley's Budget will strengthen economy's core for next level growth

BY ET CONTRIBUTORS | UPDATED: FEB 02, 2018, 08.55 PM IST

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By **V Sriram**

The [Budget 2018](#) has evoked mixed reactions from various stakeholders. While it has disappointed many tax payers, the Budget packs a punch for the core sectors of the [economy](#), especially agriculture and infrastructure.

It's mainly a pro-agrarian Budget, with sops and initiatives to strengthen and develop the [agriculture sector](#). At the same time, there were interesting measures to drive growth through job creation, thrust on MSMEs and infrastructure.

Empowering the agriculture sector: The backbone of [Indian economy](#), agriculture has been the focus of this Budget. Raising the Minimum Support Price (MSP) offered to farmers for crops, increased resources to irrigation and aquaculture projects, allocating Agriculture market fund of Rs 2,000 crore are likely to give the desired boost to this sector. Additionally, 100 per cent tax deduction has been provided to companies registered as farmer-producer companies with turnover of Rs 100 crore and above.

Ensuring better healthcare for the poor: Spending on healthcare is not only a burden on the financial resources of the poor but also adversely impacts their earning capacity thus resulting in a double whammy on the poor. As pointed out in the Economic Survey announced recently, the Out of Pocket Expenditure (OoPE) on health remains high at 62 per cent of the total health expenditure. The proposed health insurance scheme covering 10 crore families is a step in the right direction and will help in ameliorating the hardship of the poor.

Infrastructure sector continues to attract higher allocation: The total Infrastructure outlay increased from an estimated expenditure of Rs 4.94 lakh crore in 2017-18 to almost Rs 6 lakh crore, in an effort to aid employment and growth. With a view to enhance the carrying capacity of the Railways and ensuring passenger safety, capex for railways is fixed at nearly Rs 1.50 lakh crore for 2018-19.



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Focus on MSMEs for generating growth & employment: The MSME (Micro, Small and Medium Enterprise) sector is a pillar of the economy, contributing about 45 per cent to manufacturing output and 40 per cent to exports. This sector has been rightly given due attention, being promised quick loans for resource access and employment generation. Further, lower tax rate of 25 per cent has been proposed to companies with a reported turnover up to Rs 250 crore. The proposed target of 3 lakh crore for lending under MUDRA is expected to give a boost to the sector.

Strengthening the bond market: A strong bond market helps in economic growth of the nation. The government has asked [Sebi](#) to consider mandating large companies to raise 25 per cent of their debt from the bond markets. Further, it's proposed to consider corporate [bonds](#) with 'A' grade ratings as eligible for investment, as opposed to the current practice of considering only 'AA' rating eligible for investing by most regulators. This would have an impact on all investment funds such as pension funds, insurance funds and mutual funds which invest in corporate bonds across different schemes.

Overall, this Budget is a laudable attempt by the government to ensure inclusive and sustainable growth as the country braces to become an economic powerhouse.

(V Sriram is Chief Operating Officer at ICRA Management Consulting Services. Views are personal)