

India's Economic Growth and the Union Budget 2024-25: A Detailed Analysis Part A

Despite the global economy grappling with policy uncertainties, India's economic growth continues to shine as an exception. Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman, while presenting the Union Budget 2024-25 in Parliament, emphasized that India's inflation remains low, stable, and is progressing towards the 4 percent target. Core inflation (non-food, non-fuel) is currently at 3.1 percent, with steps being taken to ensure adequate supply of perishable goods.



[Source: Business Today]

Interim Budget Focus

The Finance Minister reiterated the interim budget's focus on four major categories: 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth), and 'Annadata' (Farmer). This focus underpins the government's commitment to inclusive development and support for the most vulnerable segments of society.

Budget Theme and Priorities

1. Employment, Skilling, MSMEs, and the Middle Class

The overarching theme of the budget centers on employment, skilling, MSMEs, and the middle class. A significant announcement was the Prime Minister's package of five schemes and initiatives aimed at facilitating employment and skilling for 4.1 crore youth over a five-year period with a central outlay of ₹2 lakh crore. For the current year, ₹1.48 lakh crore has been allocated specifically for education, employment, and skilling.

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2. Nine Budget Priorities

The budget sets forth nine key priorities to generate ample opportunities for all, with a vision of achieving 'Viksit Bharat' (Developed India). These priorities include:

- (i) Productivity and resilience in agriculture
- (ii) Employment & skilling
- (iii) Inclusive human resource development and social justice
- (iv) Manufacturing & services
- (v) Urban development
- (vi) Energy security
- (vii) Infrastructure
- (viii) Innovation, research & development
- (ix) Next generation reforms

Priority 1: Productivity and Resilience in Agriculture

a. Comprehensive Review of Agriculture Research

The government will undertake a comprehensive review of the agriculture research setup, focusing on raising productivity. To this end, 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation.

b. Promotion of Natural Farming

Within the next two years, 1 crore farmers will be initiated into natural farming, supported by certification and branding. Additionally, 10,000 need-based bio-input resource centers will be established.

c. Achieving Self-Sufficiency in Pulses and Oilseeds

To achieve 'atmanirbharta' (self-reliance) in oil seeds such as mustard, groundnut, sesame, soybean, and sunflower, the government will strengthen production, storage, and marketing. The implementation of the Digital Public Infrastructure (DPI) in agriculture, in partnership with states, will cover farmers and their lands within three years. A provision of ₹1.52 lakh crore has been allocated for agriculture and allied sectors this year.

Priority 2: Employment & Skilling

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a. Employment Linked Incentives

Three schemes for 'Employment Linked Incentive' will be implemented as part of the Prime Minister's package. These schemes will be based on enrollment in the Employees' Provident Fund Organization (EPFO), focusing on first-time employees, and supporting both employees and employers.

b. Enhancing Women's Workforce Participation

The government will facilitate higher participation of women in the workforce by setting up working women hostels in collaboration with industry and establishing creches.

c. New Centrally Sponsored Skilling Scheme

A new centrally sponsored scheme for skilling, in collaboration with state governments and industry, will be launched. This initiative aims to skill 20 lakh youth over a five-year period, with 1,000 Industrial Training Institutes being upgraded in hub and spoke arrangements with outcome orientation.

d. Revised Model Skill Loan Scheme

The Model Skill Loan Scheme will be revised to facilitate loans up to ₹7.5 lakh with a guarantee from a government-promoted fund, benefiting 25,000 students annually. Additionally, financial support for loans up to ₹10 lakh for higher education in domestic institutions will be provided through e-vouchers, benefiting 1 lakh students annually with an interest subvention of 3 percent.

Priority 3: Inclusive Human Resource Development and Social Justice

a. Supporting Economic Activities

The implementation of schemes aimed at supporting economic activities by craftsmen, artisans, self-help groups, scheduled caste, scheduled tribe and women entrepreneurs, and street vendors will be enhanced. Notable schemes include PM Vishwakarma, PM SVANidhi, National Livelihood Missions, and Stand-Up India.

b. Purvodaya: Development of Eastern India

The government will formulate a plan, Purvodaya, for the all-round development of the eastern region of India, covering Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh. This plan will encompass human resource development, infrastructure, and the generation of economic opportunities to make the region an engine for achieving 'Viksit Bharat'.

c. Pradhan Mantri Janjatiya Unnat Gram Abhiyan

To improve the socio-economic conditions of tribal communities, the government will launch the Pradhan Mantri Janjatiya Unnat Gram Abhiyan. This initiative aims for saturation coverage for tribal families in tribal-majority villages and aspirational districts, covering 63,000 villages and benefiting 5 crore tribal people.

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d. Expanding Banking Services

More than 100 branches of India Post Payment Bank will be set up in the North East region to expand banking services. A provision of ₹2.66 lakh crore has been allocated for rural development, including rural infrastructure, this year.

Priority 4: Manufacturing & Services

a. MSME Support

The budget provides special attention to MSMEs and manufacturing, particularly labor-intensive manufacturing. A self-financing guarantee fund will provide guarantee cover up to ₹100 crore per applicant. Public sector banks will build in-house capability to assess MSMEs for credit, rather than relying on external assessment. Additionally, a new mechanism for facilitating the continuation of bank credit to MSMEs during their stress periods will be established.

b. Enhanced Mudra Loans

The limit of Mudra loans will be increased from ₹10 lakh to ₹20 lakh for entrepreneurs who have successfully repaid previous loans under the 'Tarun' category.

c. Food Irradiation and Safety Testing

Financial support will be provided for setting up 50 multi-product food irradiation units in the MSME sector. Furthermore, 100 food quality and safety testing labs with NABL accreditation will be established. E-Commerce Export Hubs will be set up in public-private partnership (PPP) mode to enable MSMEs and traditional artisans to sell their products in international markets.

d. Internships in Top Companies

A comprehensive scheme will be launched to provide internship opportunities in 500 top companies to 1 crore youth over five years.

Priority 5: Urban Development



[Source: Onmanorama]

a. PM AwasYojana Urban 2.0

Under PM AwasYojana Urban 2.0, the housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹10 lakh crore, including central assistance of ₹2.2 lakh crore over the next five years.

b. Water Supply and Sanitation

In partnership with state governments and multilateral development banks, the government will promote water supply, sewage treatment, and solid waste management projects in 100 large cities through bankable projects.

c. Support for Street Vendors

Building on the success of the PM SVANidhi Scheme, the government envisions supporting the development of 100 weekly 'haats' or street food hubs in select cities annually over the next five years.

Priority 6: Energy Security

a. PM Surya Ghar Muft Bijli Yojana

The PM Surya Ghar Muft Bijli Yojana has been launched to install rooftop solar plants, enabling 1 crore households to obtain free electricity up to 300 units per month. The scheme has seen remarkable response with over 1.28 crore registrations and 14 lakh applications.

b. Nuclear Energy

Nuclear energy is expected to form a significant part of the energy mix for achieving 'Viksit Bharat'.

Priority 7: Infrastructure

a. Significant Investment in Infrastructure

The government will maintain strong fiscal support for infrastructure development over the next five years, alongside other priorities and fiscal consolidation. A budget allocation of ₹11,111 crore for capital expenditure has been made this year, representing 3.4 percent of GDP.

b. Pradhan Mantri Gram Sadak Yojana (PMGSY)

Phase IV of PMGSY will be launched to provide all-weather connectivity to 25,000 rural habitations that have become eligible due to population increase.

c. Irrigation and Flood Mitigation

Financial support will be provided for irrigation and flood mitigation projects in Bihar, including the Kosi-Mechi intra-state link and 20 other ongoing and new schemes. Assistance will also be given to Assam, Himachal Pradesh, Uttarakhand, and Sikkim for flood management and landslide mitigation projects.

Priority 8: Innovation, Research & Development

a. Anusandhan National Research Fund

The government will operationalize the Anusandhan National Research Fund for basic research and prototype development. A mechanism will be set up to spur private sector-driven research and innovation at a commercial scale, with a financing pool of ₹1 lakh crore.

b. Expanding the Space Economy

A venture capital fund of ₹1,000 crore will be established to expand the space economy by five times over the next 10 years.

Priority 9: Next Generation Reforms

a. Economic Policy Framework

An Economic Policy Framework will be formulated to delineate the overarching approach to economic development and set the scope for the next generation of reforms aimed at facilitating employment opportunities and sustaining high growth.

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b. Labour Reforms

The government will facilitate the provision of a wide array of services to labor, including employment and skilling. The integration of the e-shram portal with other portals will provide a one-stop solution for employers and job-seekers. Policy changes will be undertaken to create a gender-equal workplace for women.

c. Transparent Tax Administration

The government will introduce further steps to simplify and increase the predictability of the tax regime, emphasizing trust-based governance and promoting voluntary compliance. An honest tax administration will be designed, relying primarily on digitization, avoiding physical visits, and allowing refunds within 24 hours for e-verified returns. The Direct Tax Code will be further simplified, and the Goods and Services Tax (GST) will be rationalized to facilitate ease of doing business. The faceless dispute resolution scheme will be strengthened and expanded.

The Union Budget 2024-25 sets the stage for India's next phase of growth and development. By focusing on key priorities such as agriculture, employment, human resource development, manufacturing, urban development, energy security, infrastructure, innovation, and next-generation reforms, the government aims to achieve the vision of a 'Viksit Bharat'. The emphasis on inclusive development, fiscal support, and facilitating private sector-driven research and innovation will play a pivotal role in sustaining high economic growth and improving the standard of living for all Indians.