

Indian Union Budget 2024-25

“FM plays safe to bat another day”

Interim Budget a Vote on Account:

The present government in its last budget near the end of its current term has presented an interim budget being a vote on account as was expected. There have been no major announcements or policy changes. The vote on account has been placed before Parliament for permission to withdraw funds from the Consolidated Fund of India for expenditure on government schemes and various ministries to ensure smooth functioning of the government till regular budget is presented in July 2024 after the general elections.

Decade of Transformative Growth:

The Honorable Finance Minister made full use of the opportunity of presenting this budget to exhibit and show case the achievements of the current regime in its last two terms in the hope of drumming up votes in the approaching general elections.

Structural reform, boost to road, rail and air network, infrastructure, Gati Shakti, Make in India, Skill India, Atmanirbhar Bharat and addressing the poor right to their households, Har ghar Jal, Har ghar Bijli, Jan Dhan Yojna, a thrust on growth and inclusion as well as thrust on technology and digital advancements has resulted in a huge growth and good recovery post pandemic.

Reforms in public sector, promoting MSME, Good Governance, partnering with private sector in Defence and Technology has helped address the needs of a fast-growing economy which has been kept on track with a boost to infrastructure, logistics and removal of bottlenecks.

Similar to the pre-election interim budget 2019-20 this budget pays lip service to the urban middle class and focuses on the key constituencies being the poor (the vociferous element), the youth (the restless element), the women (who voted in large numbers and are expected to do so) and the farmers (the unpredictable element).

The government is working to a plan for the elections and with the electorate in mind. The focus of the finance minister is clearly seen on the

garib (poor), mahilae (women), yuva (youth), and annadata (farmer) together covering nearly 90% of the electorate.

The inclusive development and growth story laced with social empowerment and justice promises to deliver a model of governance aiming at secularism in action, reduction of corruption and transparency & inclusion to prevent nepotism.

Some of the specific initiatives under each of these are: -

Garib Kalyan (Desh ka Kalyan):

1. Relief from multi-dimensional poverty,
2. Direct benefit transfer of Rs. 34 lakh crore assistance to over 25 crore people,
3. Free ration for 80 crore people,
4. Free housing, har ghar jal, Bijli, cooking gas and bank account

Welfare of Annadata:

1. Direct assistance covering 11.8 crore farmers,
2. Crop insurance to 4 crore farmers,
3. Post production and marketing support to farmers

Empowering Amrit Peedhi – the yuva:

1. Skill India covering 1.4 crore youth,
2. Higher institutes of learning,
3. Mudra Yojana disbursing 43 crore loans,
4. Sports achievements.

Momentum of Nari Shakti:

1. Twenty Crore Mudra loans,
2. 28% higher participations of girls in higher education,
3. Social reforms and
4. Self-help groups.

Stress is laid on Reform, Perform and Transform with all round development in terms of geographies, sectors, all cross sections of Society and Climate Change including boost to rooftop solarization and free electricity.

Maternal and Child Health, Vaccines for Cervical Cancer, Medical Colleges and Nano DAP and Dairy Development, Blue Revolution 2.0 are thrown in for good measure.

Budget a reality check:

Often good intentions get compromised and good politics may not be good economics. The budget is a game of numbers and fine print and especially so in a pre-election year. This year's budget is no exception to it.

The fine print of concern this time is the actual receipts and expenditure details in the budget.

An analysis of these budget estimates reveals the following areas of concern that need to be closely monitored to ensure the economy remains on track till the next full budget is presented post elections.

Estimates of Revenue and Capital Receipts: The increased tax income is estimated at Rs.38,30,796 crore which is an increase of 14% over Budget Estimates of 2023-24 and nearly 12% over Revised Budgeted Estimates.

On the other hand, the capital receipts primarily consisting debt (loans) and divestment of PSUs is projected at Rs.17,60,944 crore which is 6.5 % lower than budget estimates of 2023-24 and 3.1% lower than Revised Budget Estimates of 2023-24.

If these aggressive estimates of higher tax revenue and lower borrowings are not met it will result in increase in the gap leading to borrowing by way of drawdown of cash (a kind of overdraft from the RBI) similar to the drawdown as per Revised Estimates 2023-2024 of Rs.26,652 crore. This represents the increased deficit causing inflationary pressures.

Lower Effective Expenditure: The expenditure for 2024-25 is Rs.47,65,768 crore out of which grants, transfers and interest payments total Rs.16,76,073 crores leaving balance of Rs.30,92,695 crore (LY Rs.29,62,419 crore).

Thus, the effective expenditure including expenditure on establishment which is about 60% of non-plan expenditure is only Rs.1,30,276 crore more for BE 2024-25 than the Revised Budget Estimates of 2023-24 an increase of only 4.4%.

Compare this with the current annual inflation C.P.I. (Dec 2023 figure is 5.69%), and the annual increase in GDP of 7.3% (Refer economic outlook review January 2024) the expenditure in real terms after adjusting for

inflation of (Rs. 29,26,195) crore and adjusting for increase in GDP is Rs. 27,27,116 crore. This is 90% of Revised Budget Estimates of Rs. 29,62,419 crore. Real Budgeted Expenditure has thus fallen by 10% in the budget 2024-25.

Let us look at some key figures of expenditure on Education, Health, Rural Development, Transport and Defense to understand this further.

Figures in '000 crores

Details	2022-23 Actuals	2023-24 Budget	2023-24 Revised Budget	2024-25 Budget Estimates	BE (adj for delivery) ³	BE (adj for inflation) ⁴	BE (adj for real terms) ⁵	Fall % ⁶
Education	99	116	109	125	119	113	105	(4%)
Health	74	89	79	90	86	81	75	(5%)
Rural Development	238	238	239	266	253	239	223	(7%)
Transport	391	517	525	544	517	489	456	(13%)
Defense	399	433	456	455	432	409	381	(16%)
Interest ^{1,2}	929	108	106	119	119	113	105	(1%)

1. No leakage in interest payout.
2. Expenditure on Interest on borrowings represents expenditure equal to education expenditure and 140% of Health Expenditure.
3. 5% leakage is assumed hence 95% taken as actual delivery.
4. CPI Inflation is 5.69% hence this is adjusted in this column.
5. GDP growth rate for 2023-24 is 7.3% which is adjusted in this column.
6. This represents % fall in BE 2024-25 compared to RE 2023-24.

Increased (hidden) Budget Deficit: The fiscal deficit of 5.1% has been arrived on Nominal GDP for BE 2024-25 projected at Rs.3,27,71,808 Crore assuming a 10.5% growth over the estimated Nominal GDP of Rs.2,96,57,745 Crore. The growth is in fact only 7.3% as noted in the Review of January 2024 with a real CPI inflation of 5.69% (Estimated in December 2023).

Thus, the GDP from BE 2024-25 in real terms is likely to be of the amount of Rs.3,01,09,528 Crore as against projected at Rs.3,27,71,808 crore (91%)

The fiscal deficit of Rs.16,85,494 Crores will be 5.6% of this amount as against the estimate of 5.1% given in the budget. This is similar to 5.8% as per Revised Budget Estimate of 2023-24 and in case drawdown of funds is

required due to tax revenues not matching the aggressive targets, the deficit may even exceed 5.6%.

Inflationary Impact of the Budget: The annual growth in GDP is 7.3%. However, sectorally it is about 6% in Manufacturing, 8% in Service Sector and 1.8% in Agriculture and allied sectors; as against this CPI inflation in December 2023 which is at 5.69%. Thus, in real terms, although service sector stays inflation proof, the inflation will affect the agriculture sector the most, with continued deficit of the order of nearly 5.6% (adjusted). This may lead to further inflationary impact which needs to be closely watched and carefully monitored.

The tax proposals, Direct: Income Tax and Indirect: GST and Customs propose a continuity of the existing tax provisions as well as tax rates. Certain exemptions and benefits to start ups expiring in 31st March, 2024 are proposed to be extended up to 31st March, 2025.

A relief to tax payers facing pending demands as per IT portal is the withdrawal of demands up to Rs. 25,000 pertaining to assessment years up to AY 2010-11 and up to Rs. 10,000 for AY 2011-12 to AY 2015-16 which may benefit about 1 crore tax payers.

There are other provisions having tax implications in Income Tax, GST and Customs, these would be considered clause by clause in a separate note.

Way Ahead:

The interim budget coming on the heels of the parade and fly-past leaves us all with a similar feeling I would wish to echo. Just as we keep craning our necks to catch a glimpse of something more in the next float, the next aerobatics display, the next star attraction and suddenly the show ends leaving us yearning for more, that's how the budget speech ended with the people thinking “ये दिल मांगे मोर” (yeh dil maange more). Anticipated expectations never showed up and this was reflected in the stock market indices which after initial choppy volatility settled lower with no cheer in the market.

The budget holds a few key announcements of significance to the common man and middle classes: the new solar power scheme covering 1 crore

households, the housing scheme for deserving section of middle class living in slums and chawls, corpus for sunrise sector, enlarged capex target, tourism, medical initiatives and Metro & Namo Bharat trains for urban areas.

Amrit Kaal as Kartavya Kaal:

The honorable FM has hinted at shape of things to come when she clearly reiterated Hon. PMs words of it being our “Kartavya Kaal”. The message is loud and clear:

“कर्मण्ये वाधिकरास्ते मा फालेशु कदचन” (Karmanye Vadhikaraste ma phaleshu Kadachana)

Do not hanker for the fruit, benefit, reward, but work selflessly for the Country.

Challenges Facing the Indian Economy:

India is a part of the world and Indian Economy very much a part of global economy. The Honorable Finance Minister has pointed out that globalization is being redefined with new equations coming up and the move towards self-reliance with the growing competition for critical minerals and technologies. The impact of the geopolitical influences, global affairs, wars and conflicts on our economy cannot be wished away.

Meeting Energy transition committed to by countries including India is a challenge given the current concerns about energy security and economic growth.

The advent of Artificial Intelligence is a major challenge to the established order and hence to governments. It has serious and complex implications for the service sector, in terms of employment and to the country in terms of law and order. It also may have a destabilizing impact on the national fabric, on our culture and ethics with proliferation and misuse of AI using hallucinations and deepfakes.

The growing cross border working and movement of skilled workforce and intellectual capital continues to pose a challenge to India’s technological and digital ambitions in the sun-rise sectors.

End Note:

Though not spelt out in specific details in the budget one hopes that the capex thrust and the initiatives spelt out move with the required thrust in the right direction to address and overcome these challenges and help our economy to grow and flourish in times of uncertainty. Surely, we can all follow the Bhagvad Gita and elevate ourself and our country to greater heights.

उद्धरेदात्मानात्मानम् (Uddharedaatmanaatamaanam)

Vishnu Kanhere