



Post-Budget Analysis 2024-25

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Key Takeaways

Nirmala Sitharaman's seventh consecutive budget has received mixed feedback so far. In its pursuit of embodying the theme of 'Viksit Bharat', policies focusing on the four groups of women, poor, farmers and the youth have gained prominence.

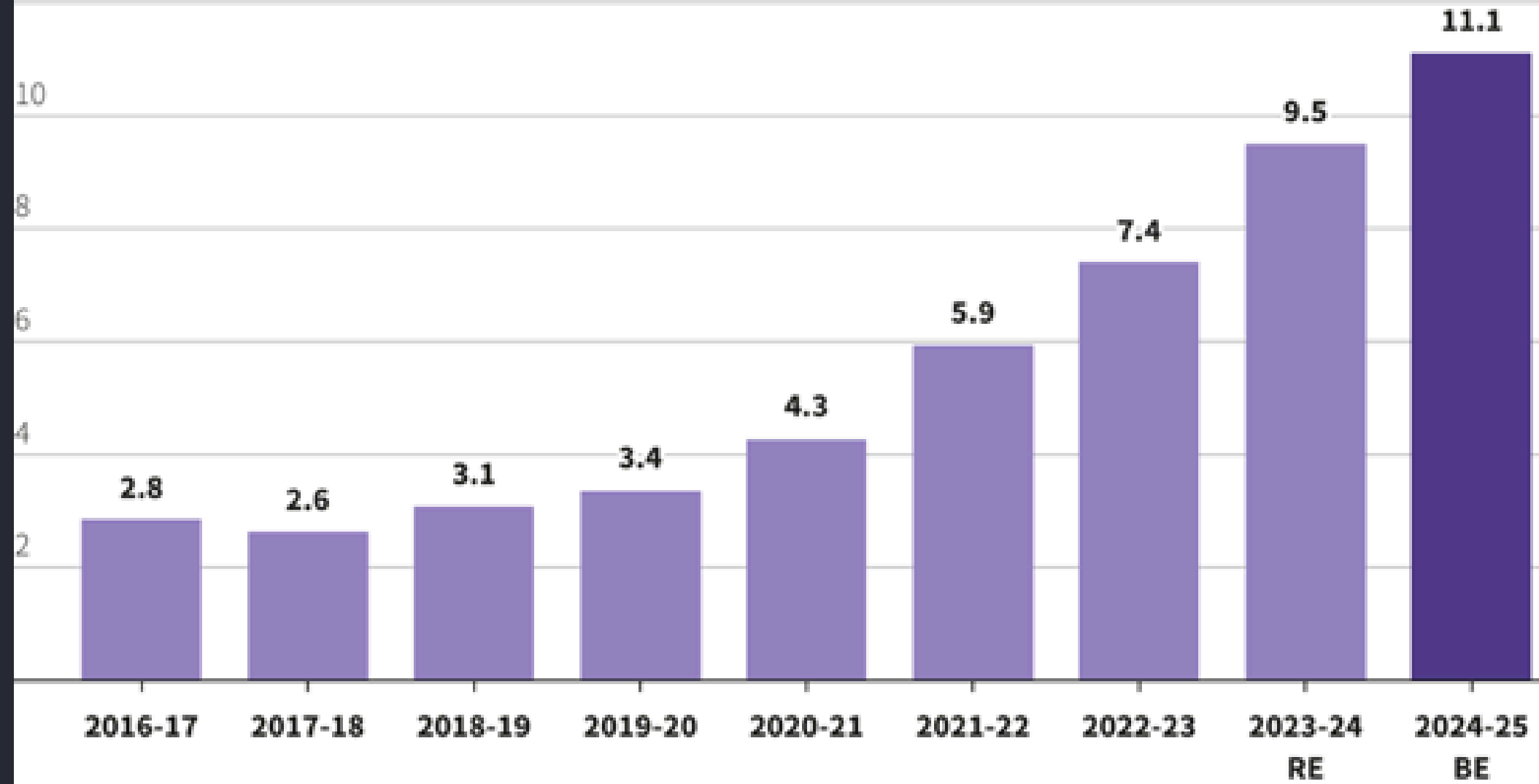
Despite the global economic landscape, India has shown economic resilience in upholding its fiscal discipline. As a result, the economy has achieved a fiscal deficit of 4.9% of its GDP. In the budget speech, Sitharaman further announced that India is well on its way to reducing its deficit below the 4.5% mark by FY26.

The government's focus on a balanced capital expenditure remains unchanged. It has succeeded in maintaining a steady growth in its CapEx over the years. While India's economy has braved the economic shake induced by geopolitical tensions for the most part, the 2024-25 Budget paints a different picture of its social sector spending, new employment and skilling schemes that is viewed from an overarching lens of an Outcome Budget.

Record capex for FY25

The Indian government will spend a record 11.1 trillion rupees on infrastructure creation in 2024/25.

12 trln rupees



Note: BE is budget estimates, rest are actual/provisional figures

Source: Indian budget documents/Budget speech | Reuters, Feb. 1, 2024 | By Riddhima Talwani

Source: Reuters

India's Approach to Outcome Budgeting

Previous research on Budget discourse has centered around how efficiently the outlay of budgetary allocation translates to tangible outcome being produced. India had not always prescribed by a performance-oriented budget.

Over the years, the budgeting system has continuously evolved, in order to ensure efficiency in allocation of resources and meeting developmental aims. The budgeting system has come a long way since 1969, when a performance-based system was introduced for the first time. Until 2017, outcome budgeting existed partially, until an Output-Outcome Monitoring Framework (OOMF) was implemented.

An outcome budget undergoes three main stages. The first stage is aimed at preparing detailed and procedural policy designs and frameworks for areas where policy interventions are required. The second stage involves implementing the policies by identifying stakeholders and ensuring the executing of policy interventions. The third stage is associated with assessment of performance and evaluating the improvements in the outcomes of stakeholders i.e. Monitoring whether the scheme's aims are being fulfilled.

Social Sector Spending

The Budget 2024-25 Finance Minister, Nirmala Sitharaman announced the estimated allocation for total expenditure to be Rs 48,20,512 crore in 2024-25. This shows an increase of 8.5% in the total expenditure over the actuals of 2023-24.

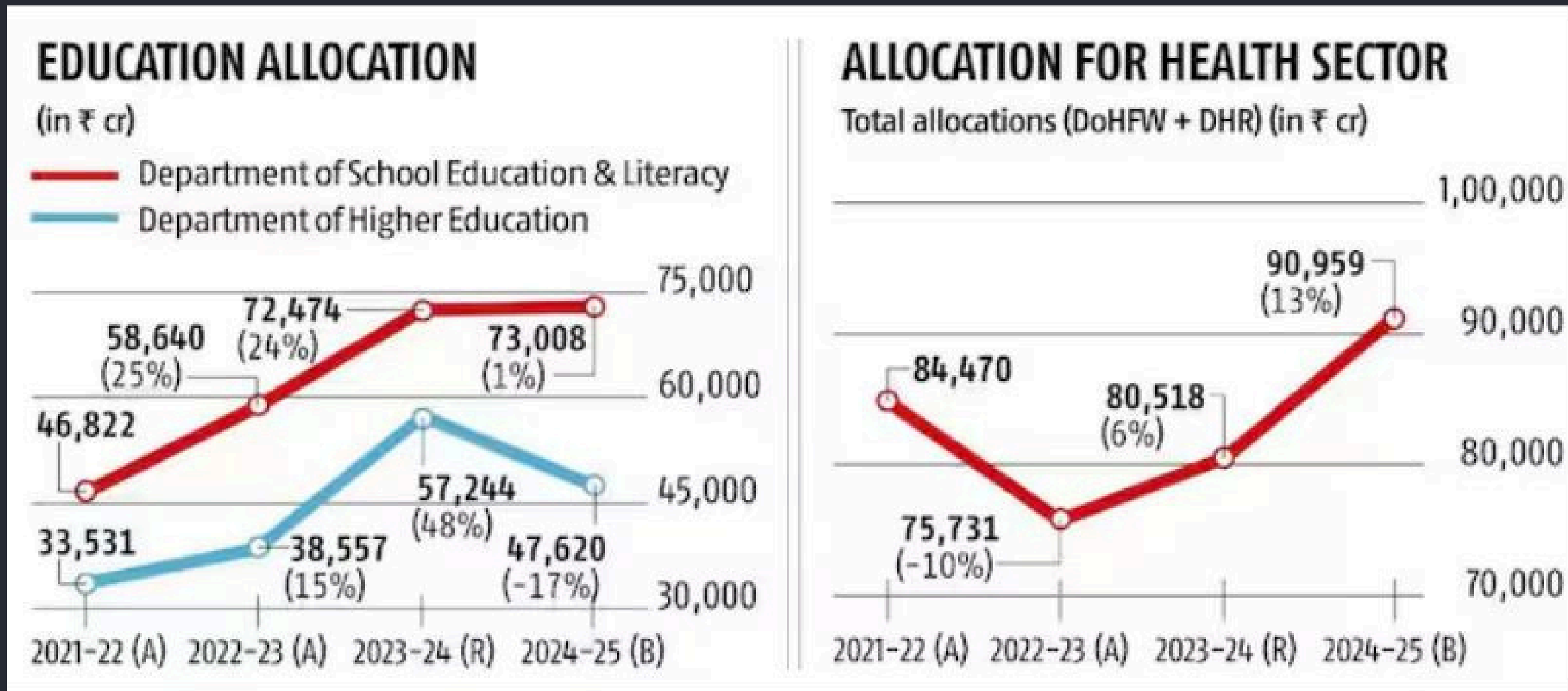
The estimated increase in allocation for the revenue expenditure and capital expenditure for the FY 2024-25 is 6.2% and 17.1% respectively. The budget estimate for this financial year's revenue and capital expenditures are Rs 37,09,401 and Rs 11,11,111 crore (3.4% of the GDP) respectively. This increased growth in allocation to capital expenditure over revenue expenditure shows the government's higher focus on long-term infrastructure projects over the immediate needs of society especially their social needs which are fulfilled through the many policies that come under the social sector.

	Actuals 2022-23	Budgeted 2023-24	Actuals 2023-24	Budgeted 2024-25	% change (2023-24 Actuals to 2024-25 BE)
Revenue Expenditure	34,53,132	35,02,136	34,94,036	37,09,401	6.2%
Capital Expenditure	7,40,025	10,00,961	9,48,506	11,11,111	17.1%
<i>of which:</i>					
Capital Outlay	6,24,757	8,37,127	7,87,411	9,18,695	16.7%
Loans and Advances	1,15,268	1,63,834	1,61,095	1,92,416	19.4%
Total Expenditure	41,93,157	45,03,097	44,42,542	48,20,512	8.5%

Source: Union
Budget. PRS

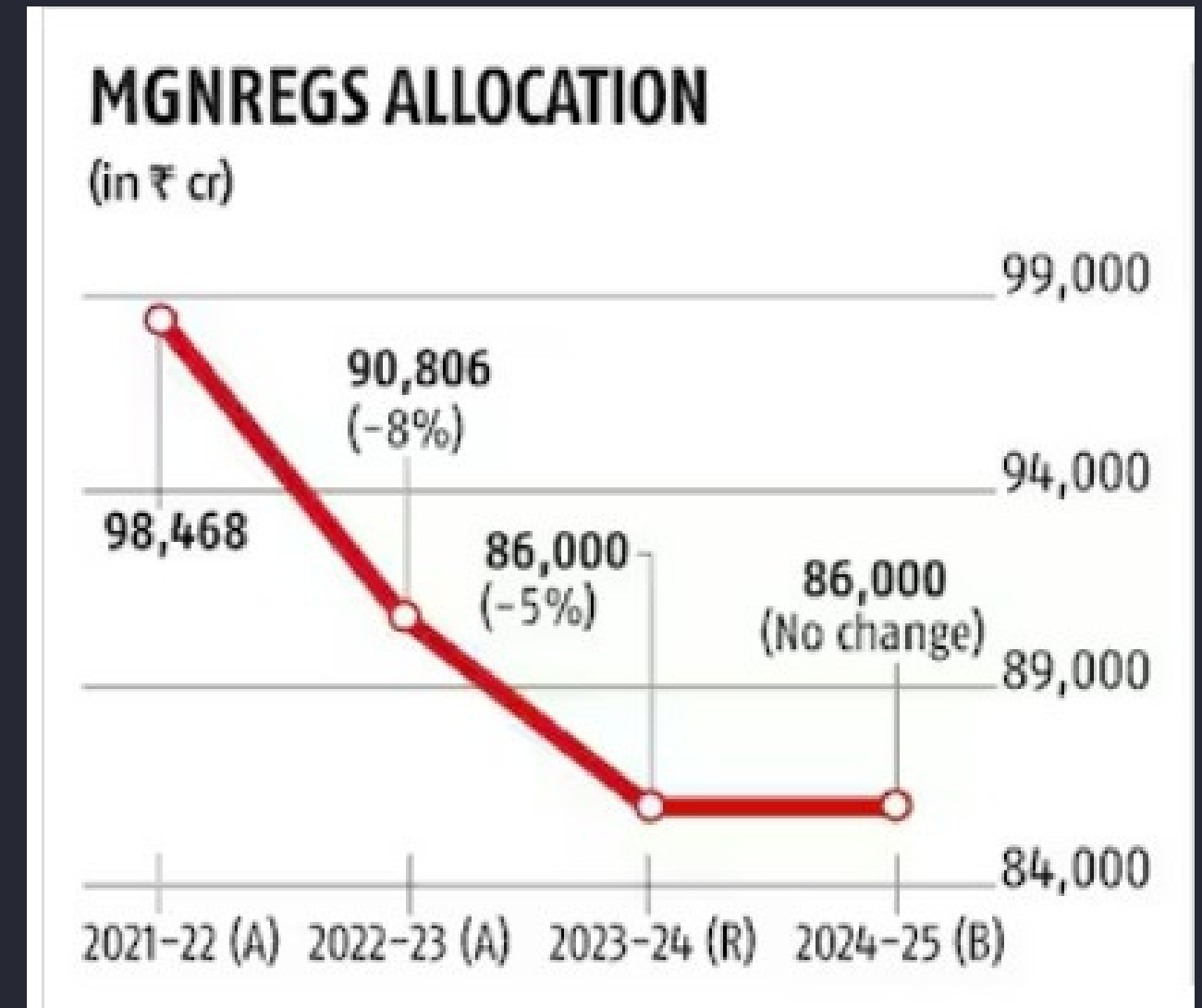
In the FY25 Budget estimates, the allocation for the social sector such as health, education etc declined or stagnated. Only the social welfare sector saw an increase from 1.04% in FY24 RE to 1.17% in FY25 BE (Rs 56,501 crore were allocated). The health sector has also shown a slight allocation increase of 13% compared to last year.

Source: The Hindu



Critical schemes addressing the poor and the middle class are not getting enough attention in the Budget 2024-25.

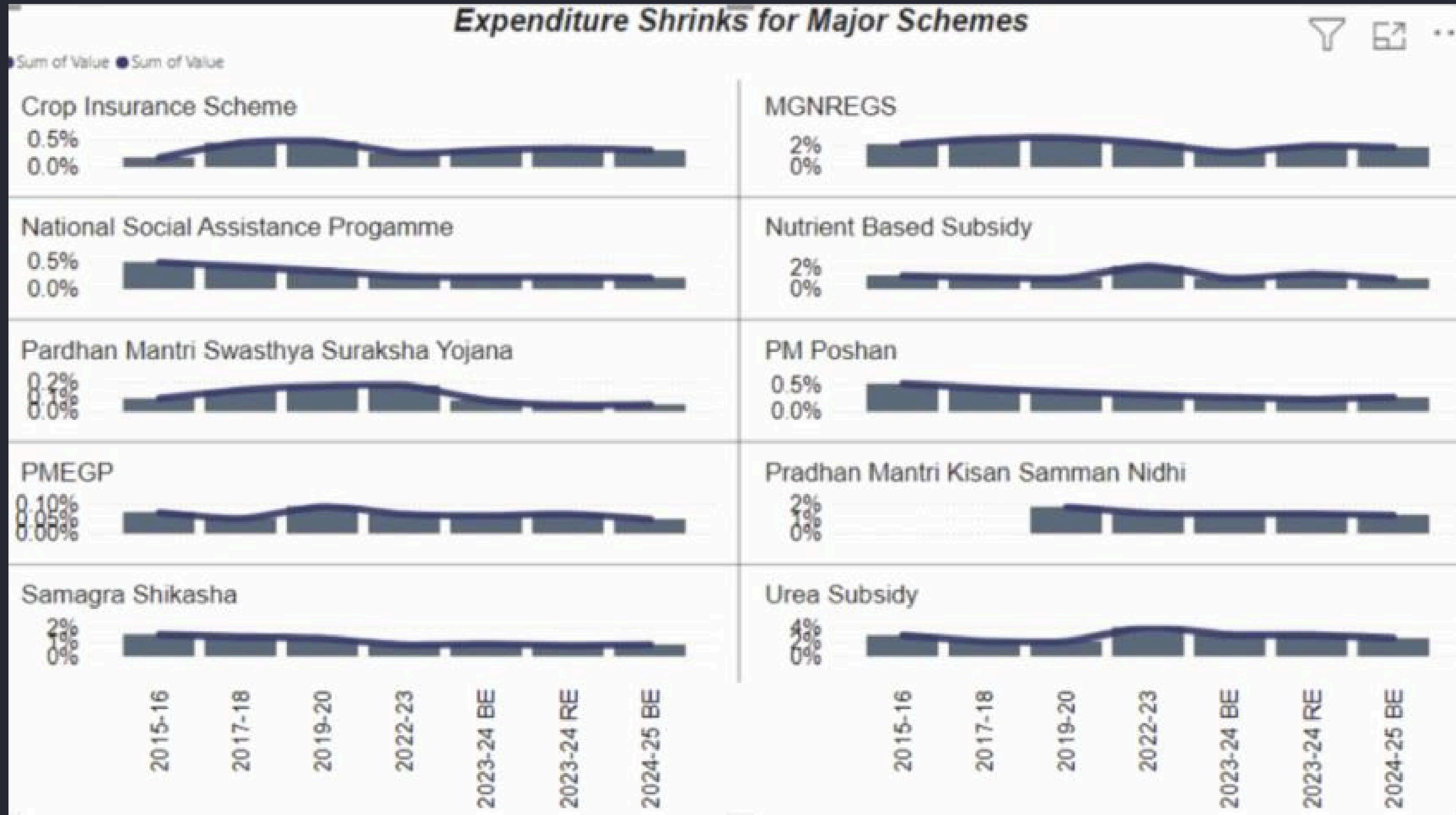
Some schemes and the fund allocation this FY compared to the previous year are given below
MGNREGA, a scheme providing rural employment was allocated only Rs 86,000 crore same as in FY23 RE, there has not been a sufficient increase in the allocation to this scheme, which is still in high demand within the rural society.



Source: Business Standard

- Pradhan Mantri Poshan Shakti Nirman (PM POSHAN) has shown a slight increase in the allocation from Rs 10,000 crore in FY2023-24 RE to 12,467 crore in FY2024-25 BE.
- The National Social Assistance Programme which includes the National Old Age Pension Scheme, the Indira Gandhi National Disability Pension Scheme, the National Family Benefit Scheme etc has been stagnant, 0.2% of the total expenditure.
- Saksham Anganwadi and POSHAN 2.0 scheme for children under 5, pregnant and lactating women and adolescent girls, the allocation has increased slightly from Rs 20,544 crore in FY 2023-24 BE to Rs 21,200 crore in FY 2024-25 BE.
- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), is a scheme which aims to provide financial assistance to farmers' families, the government maintained the Rs 60,000 crore allocation that was given in the FY 2023-24 BE and RE.

Expenditure Shrinks for Major Schemes



Source: Wire

India's Performance on Social Welfare Schemes

A report by the CBGA (Centre for Budget and Governance Accountability) shows that only 11 states and UTs are prescribed to the OBS (Outcome Budgeting System). From these states, over 90% of the departments in the states of Assam and Gujrat report to the Outcome Budgeting Statement, while states like Arunachal Pradesh and Jharkhand have the lowest percentages.

Odisha has instated a new system called the Budget Execution Technique Automation (BETA), intending to standardise the process of outcome budgeting. Odisha's positive efforts to institutionalise a proper mechanism to ensure output and outcome budgeting have resulted in a commendable performance on various schemes.

The data in the pages ahead showcase the state-wise performance of states' on two selected social welfare schemes. Evidently, states like Arunachal Pradesh and Bihar have sub-par performance in terms of utilisation of allocated funds. This, in turn, can be attributed to their poor system of maintaining a check on the efficiency of implemented schemes, resulting from a budgeting system that does not utilise Outcome Budgeting. In comparison to states like Assam.

Employment Policy Incentives

The 2024-25 budget announced on July 23 aims to foster high skill development, incentivize investment as well as assist employment for young adults and women. The 5-year plan majorly attracts enrollment with the Employee Provident Fund Organization through 3 major schemes out of the 5.

Scheme A: first-time employees in the formal sector registered with EPFO, will receive one-month wage (up to Rs. 15,000) in three installments subsidized by the government.

Scheme B: Focuses on job creation in manufacturing. Aiding both first-time employees and employers, offers benefits based on their EPFO contributions during the first four years of employment. Employees with salaries up to Rs. 1 lakh will be eligible.

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Scheme C: Provides support to employers. The government will reimburse Rs. 3,000 per month for two years towards their EPFO contribution for each additional employee hired with a salary of up to Rs. 1 lakh per month.

With these monetary incentives, the government understands the learning curve time period required for first time employees and aims to create approximately 4.1 crore jobs over the next five years. This is further assisted by the large capital expenditure of 11.11 lakh crore rupees allocated.

Scheme D: A new centrally sponsored scheme announced for skilling 20 lakh youth over five years in collaboration with state governments and industry, along with upgrading 1,000 Industrial Training Institutes to align with industry skill needs.

Scheme E: Offering internship opportunities to one crore youth in 500 top companies over the next five years, with an internship allowance of Rs. 5,000 per month , providing exposure to real-life business and professional environments.

With the angel tax abolished and corporate tax on foreign firms reduced from 40% to 35%, the government aims to attract more investment. Furthermore, the Mudra loan increased to ₹20 lakh from ₹10 lakh, providing greater financial support for small businesses.

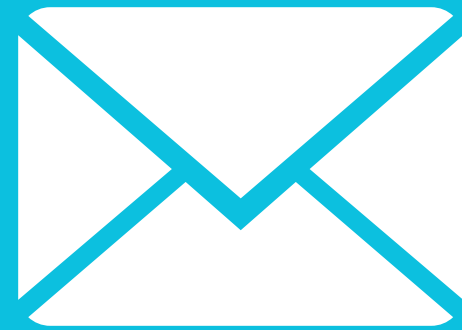
To boost women's participation in the workforce, the Budget proposes establishing working women hostels and crèches in collaboration with industry, alongside organizing women-specific skilling programs and promoting market access for women self-help group (SHG) enterprises.

With these initiatives, the next 5 years are expected to spur the absorption of young adults in the formal financial sector through monetary incentives, investment incentives and skill training.

The Way Forward

The gradual reduction in social sector allocation leaves less scope for states to adopt and implement the system of Outcome Budgeting Statements. In order to ensure proper utilisation of funds and in turn better social welfare and developmental performance in the fiscal years ahead, the government must work towards increasing the budgetary allocations for the Social Sector. Higher allocation would mean it is more closely affiliated to outcomes and more funds can be allocated to different stages in the OBS process.

Efforts to instate a system of performance evaluation and monitoring in place would then be more feasible and result in more promising deliverables which can then be seen in the form of improvements in the performance of policy intervention indicators.



For any inputs, comments
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