Post Budget Analysis 2024-25

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Key Highlights

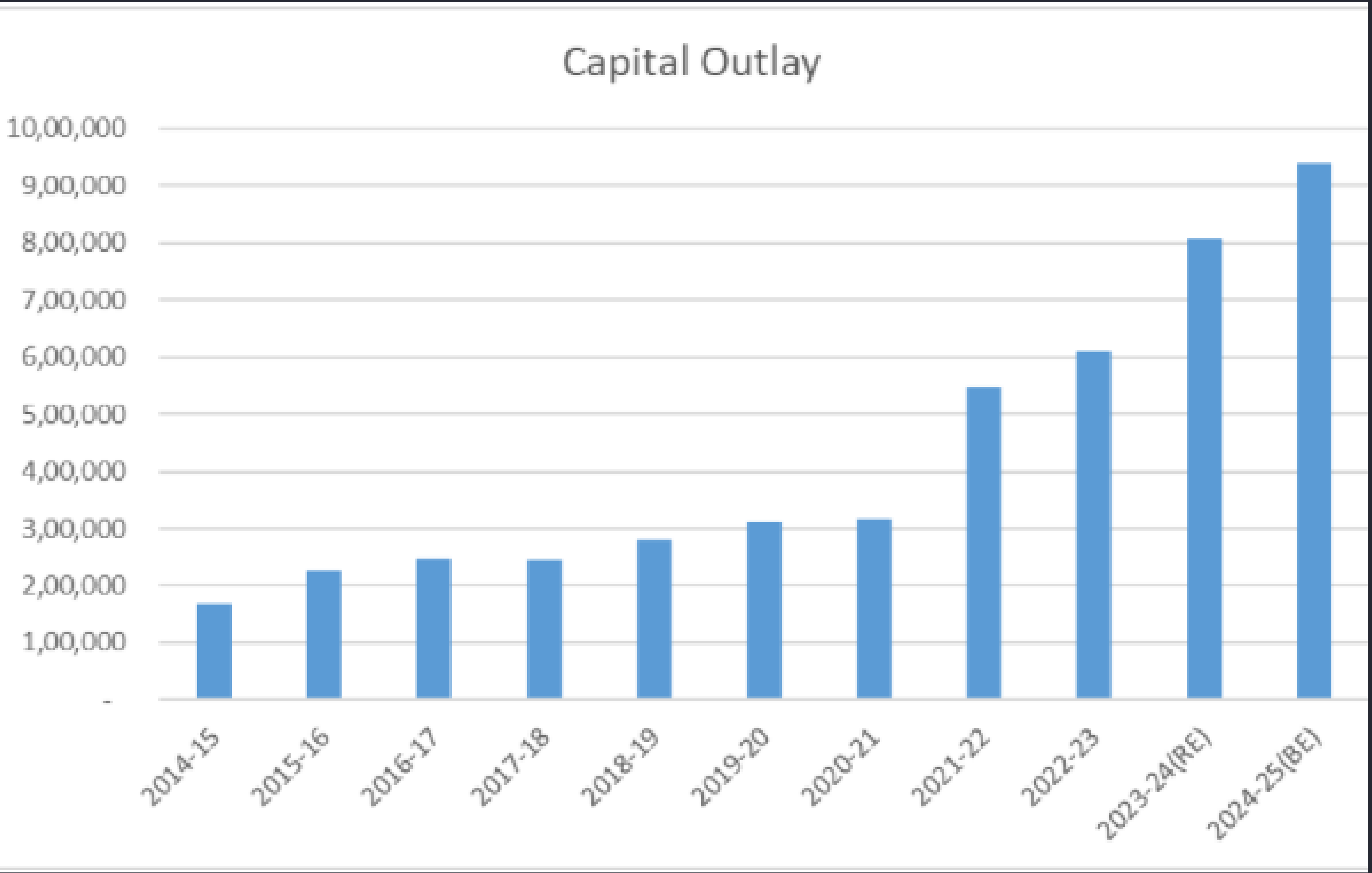
Expenditure: Estimate expenditure for 2024-25 is Rs 47,65,768 crore, 6% higher than the revised estimate of 2023-24. Interest payments account for 25% of the total expenditure, and 40% of revenue receipts.

Receipts: The receipts (other than borrowings) in 2024-25 are estimated to be Rs 30,80,274 crore, about 12% higher than the revised estimate of 2023-24. Tax revenue which forms major part of the receipts is also expected to increase by 12% over the revised estimate for 2023-24.

Deficits: Revenue deficit in 2024-25 is targeted at 2% of GDP, while the Fiscal deficit for 2024-25 is targeted at 5.1% of GDP, lower than the revised estimate of 5.8% of GDP in 2023-24.

GDP: The government has estimated a nominal GDP growth rate of 10.5% in 2024-25.

India’s Capital outlay

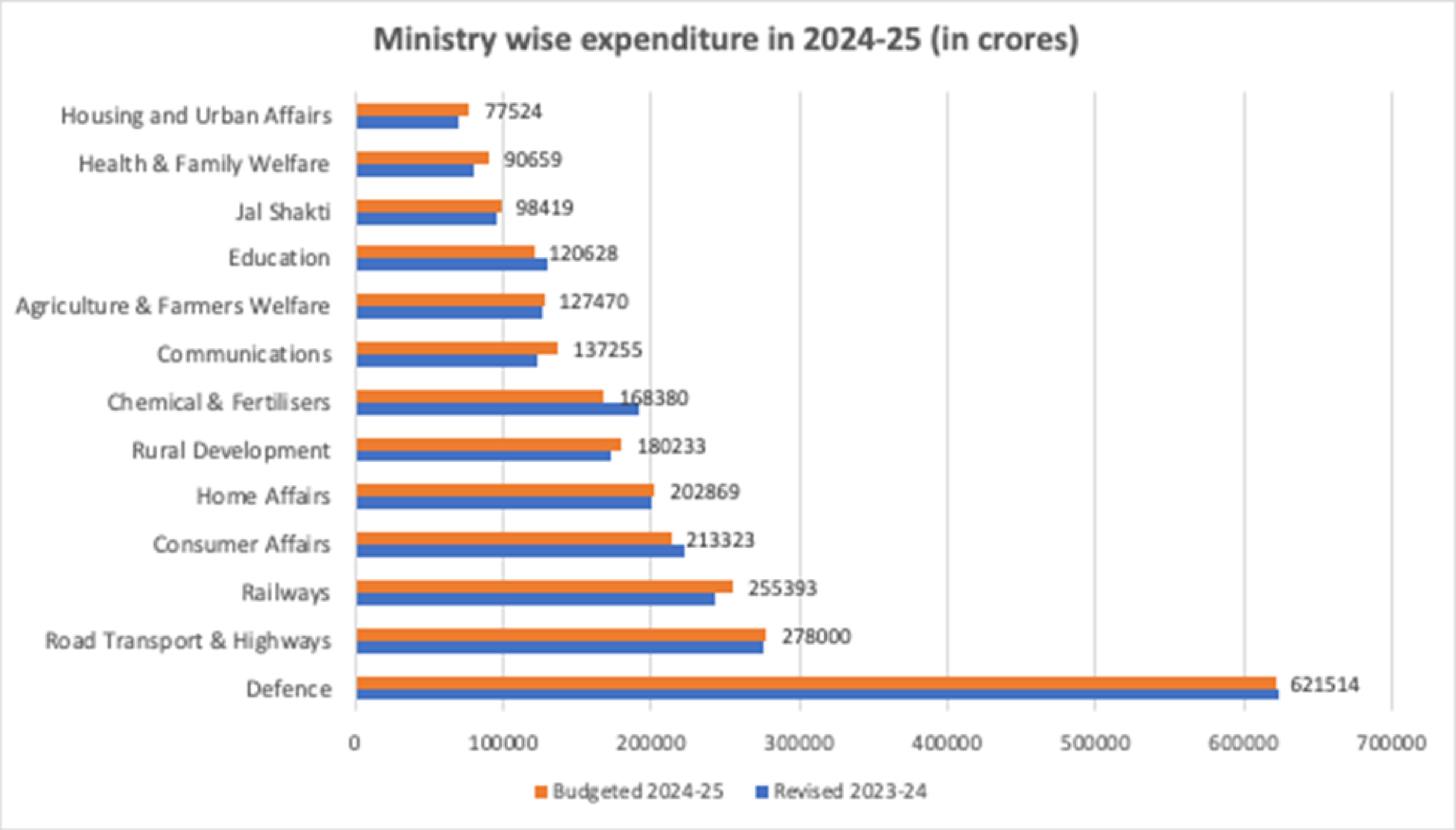


The was a surge, notably exemplified by a remarkable 73% increase in 2021-22, followed by an 11% rise in 2022-23, reflecting the government's commitment to enhancing infrastructure, public services, & economic development. Such a consistent upward trend in capital expenditure implies a strategic focus on long-term investments, reinforcing the nation's infrastructure backbone & fostering sustainable development.

India’s Capital outlay

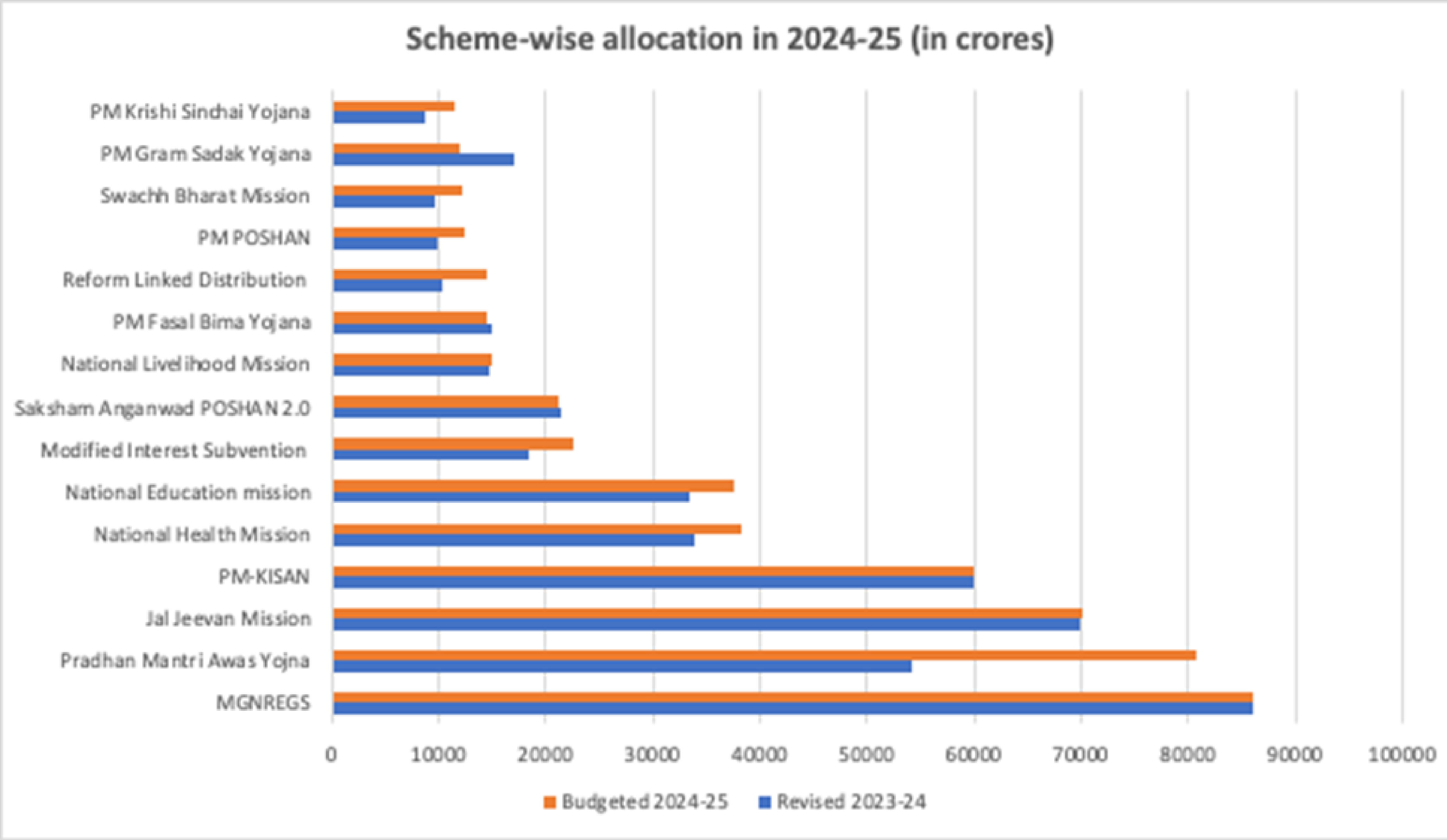
- The proposed increase in the provisional capital expenditure (capex) outlay for the financial year 2025 to Rs 11.11 lakh crore, reflecting an 11.1% rise, signifies the government's continued commitment to robust economic development.
- The move comes after a notable 37.4% increase in the capex outlay announced for the year 2022-23 in the previous budget. This substantial allocation, amounting to 3.4% of India's GDP, underscores a strategic focus on infrastructure, innovation, and research, with a particular emphasis on railways, ports, and aviation sectors.
- The Modi government's long-term vision of making India a 'Viksit Bharat' or a developed nation by 2047 is reinforced by the reduced fiscal targets, suggesting less government borrowing and increased funds available for the private sector.
- The fiscal deficit estimate for 2024-25 is set at 5.1% of GDP, with an intention to further reduce it below 4.5% by the financial year 2025-26. This prudent fiscal management is expected to enhance India's economic stability, potentially leading to favorable outcomes such as higher foreign investment.
- Overall, the proposed budget aligns with the government's commitment to long-term economic vision and fiscal responsibility.

Ministry-wise Budget Outlays

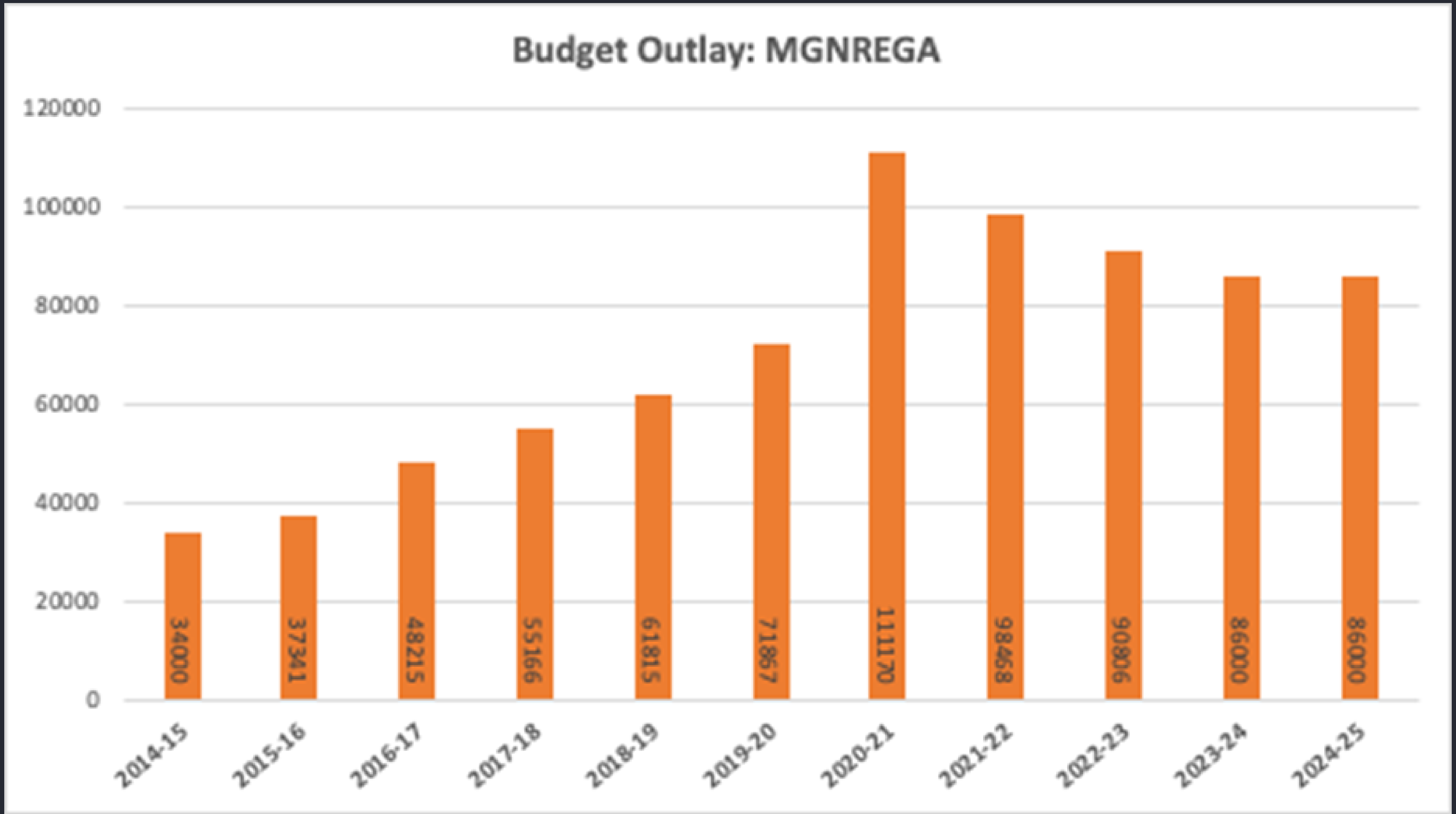


There is continued decline in the estimated expenditure towards education (7% decline from 2023-24 to 2024-25), consumer affairs and food distribution (4% decline), and a minimal increase in expenditure on agriculture and farmer welfare (0.6% increase). This is yet again indicative of the worrying trend that the government in its focus on capital expenditure is sidelining crucial social welfare spending that is equally important towards the nation's development.

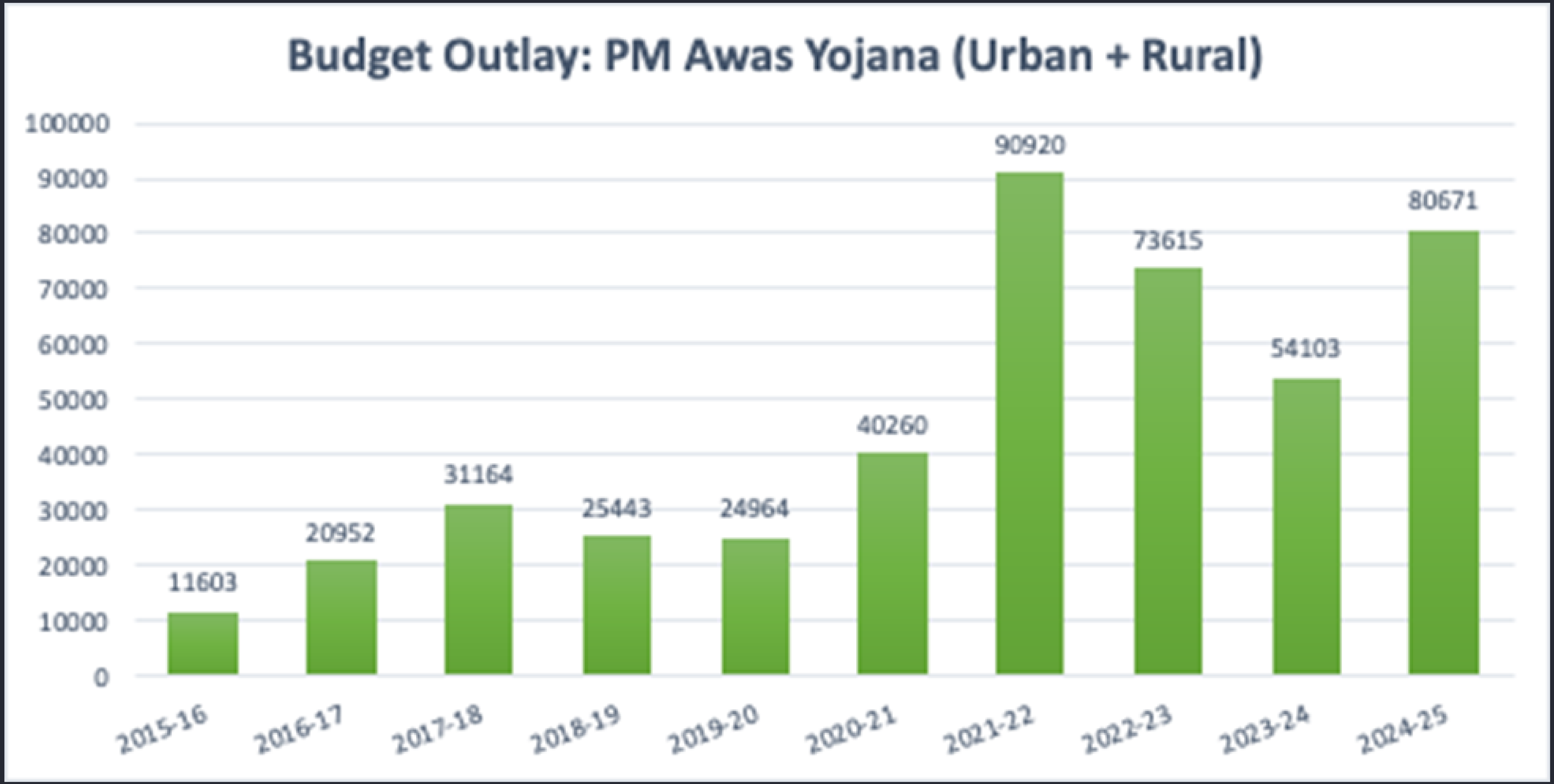
Scheme-wise Budget Outlays



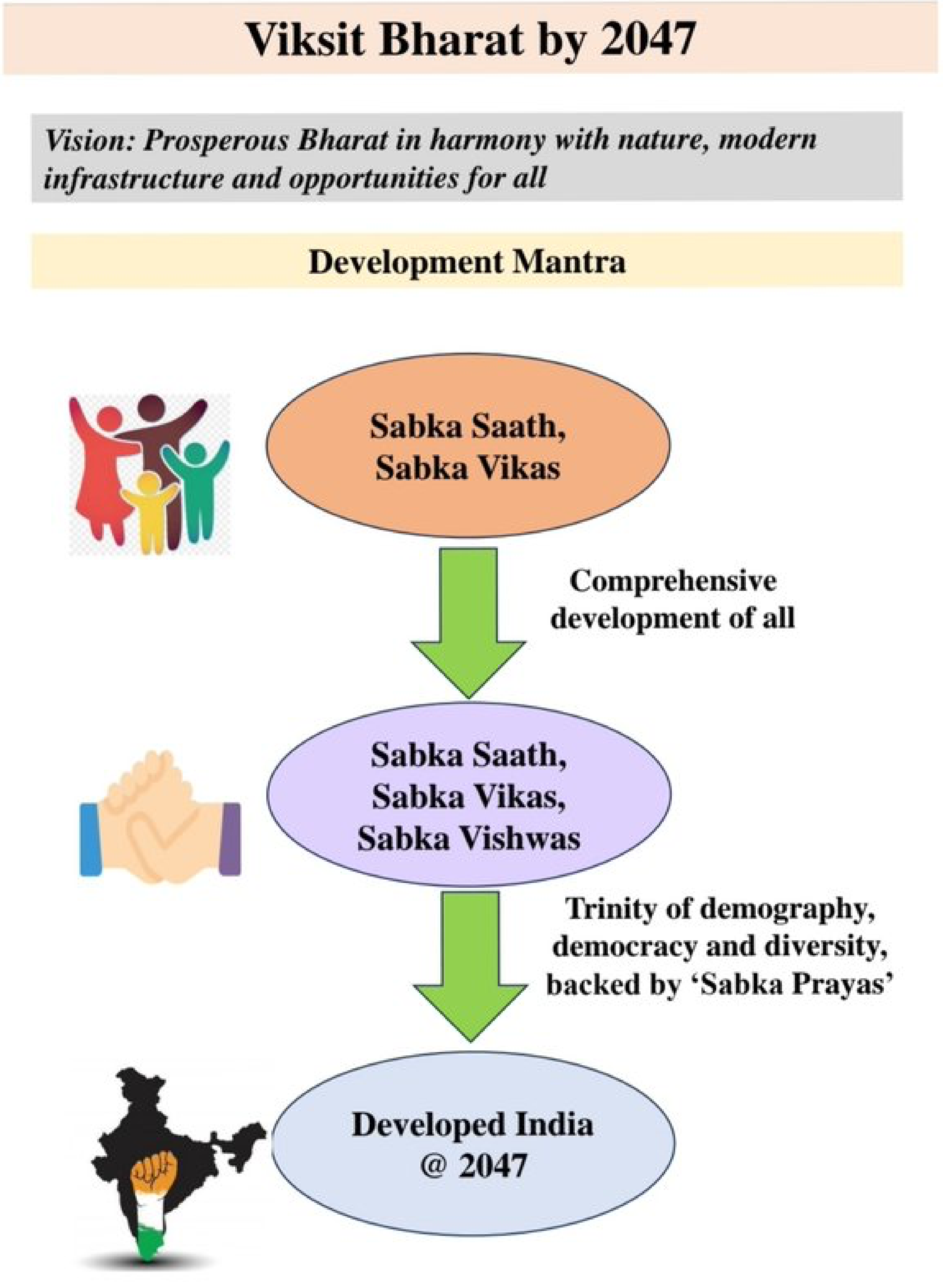
As indicative by the graph below the top beneficiaries of the interim budget are the Pradhan Mantri Awas Yojna, which saw a whopping 49.1% increase since last year, and the Pradhan Mantri Krishi Sinchai Yojana, which saw a 29.7% increase in allocated expenditure. While the aforementioned schemes have received a higher proportion of expenditure vis-a-vis last year, flagship programs such as MGNREGA and the PM KISAN continue with the same amount of funds allocated to them as last year. This raises concerns about the promises made to job seekers in India who continue to remain jobless as unemployment soars at 7.38% in 2024 due to the failed supply-side interventions by the government over the years, to systematically address the problem.



The flagship government scheme guaranteeing 100 days of wage employment has seen a consistent reduction in the allocation of funds since the onset of the COVID-19 pandemic and remains the same as last year for the interim budget. The reduction in MGNREGA funding has also been attributed to the increased funding for programs such as the PM Awas Yojana which aims at increasing rural work opportunities, however, there is no concrete evidence to show the falling demand for employment opportunities under MGNGREGA.



The substantial rise in funding for the PM Awas Yojana is in light of Finance Minister Nirmala Sithraman's claim to build two crore houses in rural India in the next five years, a move that is strategically planned in the wake of the elections.



The social welfare expenditure in the interim budget is heavily capital expenditure driven with a stronger focus on building houses and roads, vis-a-vis the welfare in terms of increased focus on education, agricultural benefits to farmers.

The estimated versus actual expenditure by the government towards the Umbrella Program for Development of Minorities and Umbrella Program for Development of Other Vulnerable Groups had a difference of 9% and 12.5%.

The situation was the same with respect to the programs for the development of the Scheduled Castes and Scheduled Tribes. It is noteworthy that both the key schemes of the interim budget, i.e. PM Awas Yojana and PM Sadak Yojana fell short by a large proportion in successfully spending their allocated budgets for the year 2023-24 on programs and meeting targets.

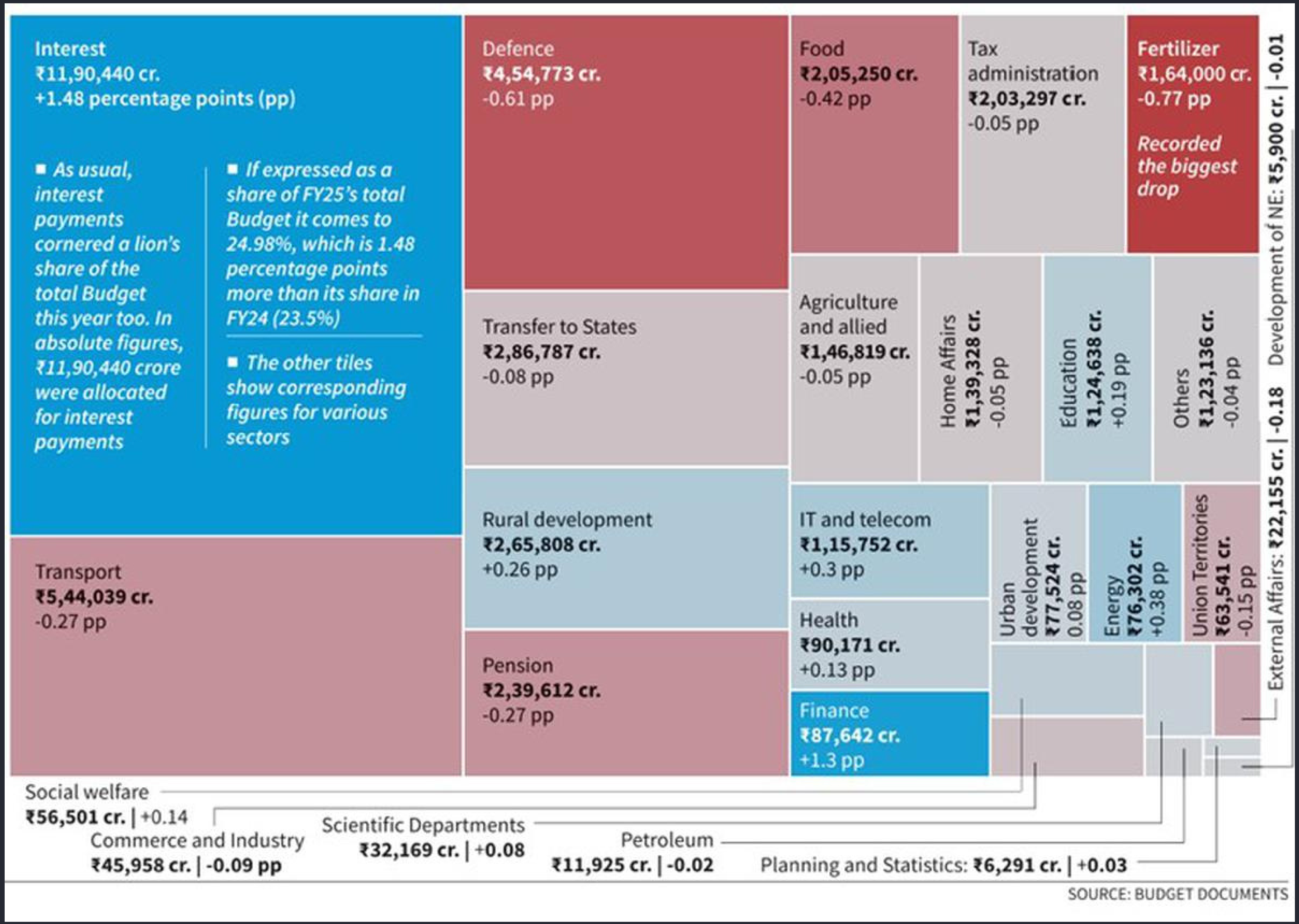
Sectoral Allocations

- In the interim budget of 2024, a sectoral analysis reveals that out of the 26 sectors, the allocation as a percentage of the total budget decreased in 15 sectors, while it increased in the remaining 11 sectors, as compared to the revised estimates for FY24.

- Rural Development, in conjunction with Health, Energy, Education, IT and Telecom, Social Welfare, and Urban Development, observed slight increases in their share of the total budget. Conversely, there was a reduction in fund allocations for Defence, Transport, Food, Fertilizers, Pensions, and Agriculture and allied sectors.

- Consistent with previous years, a significant portion of the total budget was allocated to interest payments, amounting to ₹11,90,440 crore.

- The agriculture and allied sectors received a total fund of ₹1,46,819 crore, with the Agricultural Ministry getting ₹1,17,528.79 crore, an increase of ₹1,997 crore from the previous budget. For agricultural research, the allocation is ₹9,941.09 crore. While the Finance Minister emphasised the government's priority for farmers, the budget remained silent on the minimum support price, as recommended by the M.S. Swaminathan Committee's formula (C2+50%), raising a plausible question on the government's commitment towards the well-being of the 'annadata's.'



The transport sector secured the second-largest share in absolute allocations, comprising 11.42% of the total budget. However, this allocation declined compared to FY24 contributions (11.69%). Despite a modest increase of 2.7% and a mere 0.5% uptick from the revised estimates of FY24, the allocation for the road sector this year did not witness a substantial surge, deviating from the trend of significant jumps in consecutive years.

The government has reiterated its commitment to rapid infrastructure growth in the upcoming financial year, with plans to further increase capital expenditure allocations for the Ministry of Road Transport and Highways (MoRTH), aiming to boost road construction and complete the remaining 11,373 km of its Bharatmala Pariyojana project.

Tax Reforms in Interim Budget 2024 - 25

Taxable Income	Old Tax Regime	New Tax Regime
Up to Rs.2.5 lakh	Exempted	Exempted
Greater than Rs.2.5 lakh to Rs.3 lakh	5%	Exempted
Greater than Rs.3 lakh to Rs. 5 lakh	5%	5%
Greater than Rs.5 lakh to Rs.6 lakh	20%	5%
Greater than Rs.6 lakh to Rs. 9 lakh	20%	10%
Greater than Rs.9 lakh to Rs.10 lakh	20%	15%
Greater than Rs.10 lakh to Rs.12 lakh	30%	15%
Greater than Rs.12 lakh to Rs.15 lakh	30%	20%
Above Rs.15 lakh	30%	30%

Introduced in the 2020 budget, the new tax regime offered concessional tax rates but limited deductions and exemptions, leading to a lukewarm reception from taxpayers. To address this, the government made strategic adjustments in the 2023 budget, These measures aimed to make the new tax regime more attractive and were maintained in the 2024 interim budget. Taxpayers are now presented with the new regime as the default option but have the flexibility to choose the old regime if they prefer, with the option to switch annually.

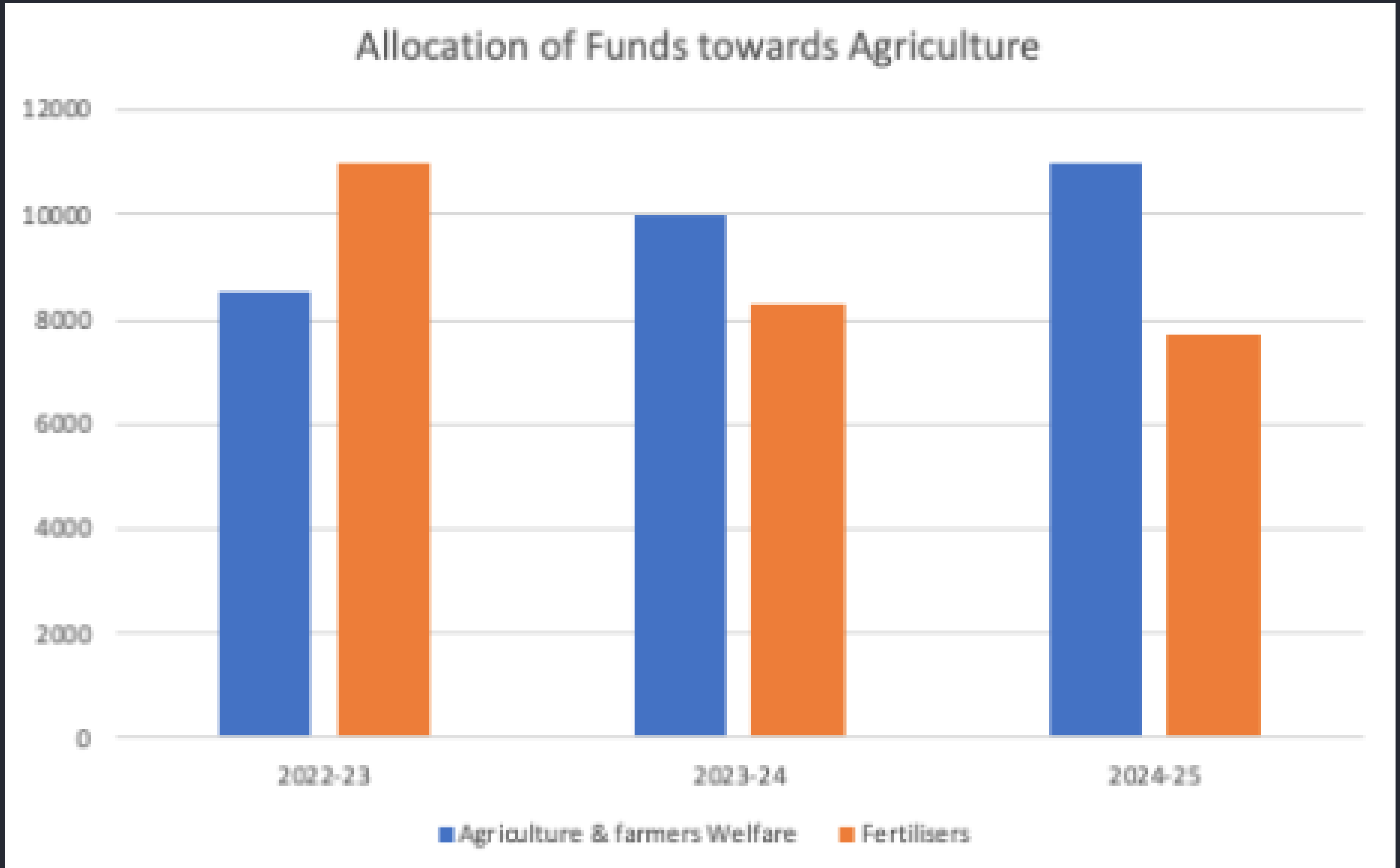
Key Highights in Agriculture

- *Increased credit target:* The Interim Budget 2024-25 has set a target to disburse Rs.20-Rs22 Lakh Crore to farmers, this move is expected to assist and empower them to increase productivity.

- *Continuation of existing schemes*: Flagship Schemes such as PM Kisan Samman Nidhi and PM Fasal Bima Yojana were extended for the upcoming years

- *Promotion of Food Processing Industries:* Emphasis on the value addition of crops to diversify farmers' income was a key initiative that was taken up by the government Scheme like Pradhan Mantri Kisan Sampada Yojana is an example

- *Atmanirbhar Oil Seeds Abhiyan:* A strategy was proposed to be formulated to achieve ‘atmanirbharta’ for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower. This will cover research for high-yielding varieties, widespread adoption of modern farming techniques, value addition, and crop insurance.



It is worth noting that while the Finance Minister in her budget speech highlighted the government's aim to improve the well-being of farmers, the same cannot be said when assessing numbers since there has been a continuous decline in the allocation of funds to the department of fertilizers, which in turn has caused a steep decline in fertilizer subsidy that is most helpful to farmers. Expenditure towards schemes such as Pradhan Mantri Fasal Bima Yojana have seen a significant drop in the estimated expenditure and actual expenditure, raising concerns about the well-being of farmers in India.

Key Highights in Education

- *Increased allocation*: The budget saw an increase in allocation for education to ₹73,498 crore, this was a 19% rise from the previous budget aiming to improve infrastructure and access.

- *Focus on skill development:* Schemes like Pradhan Mantri Kaushal Vikas Yojana were emphasized to bridge the skill gap and enhance the employability of the youth.

- *Digital education push:* Initiatives like PM eVidya and DIKSHA were highlighted to promote digital learning and bridge the digital divide.

- *Higher Education Boost*: The Department of Higher Education received Rs. 47,619.77 crores, focusing on expanding premier institutions such as IITs, IIITs, IIMs, and AIIMS.

Key Highights in Health

- ***Increased allocation***: The budget saw a rise in allocation for both the Ministry of Health and Family Welfare (MoHFW) and the Ministry of AYUSH, showcasing some commitment to healthcare.

- ***Expansion of health insurance and continuation of certain schemes:*** Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) coverage extended to ASHA and Anganwadi workers, providing them with health insurance and existing health initiatives like PMJAY and National AIDS and STD Control Programme are expected to receive continued support.

- ***Vaccination for Girls***: It is worth mentioning that the government is encouraging "Cervical Cancer" vaccination for girls aged 9-14 as it is observed that close to 125000 women get affected due to Cervical Cancer

Key Highights in Employment

- *Special Corpus fund*: A corpus of rupees one lakh crore will be established with a fifty-year interest-free loan. This amount is expected to be utilized by the youth to perform research in various sunrise industries and innovate in those industries.

- *Skilled Workforce:* The focus on skill development initiatives like PMKVY is expected to equip youth with industry-relevant skills, and help increase the quality of employability.

- *Focus on entrepreneurship Schemes:* Stand Up India and Skill India are promoted by the government to support individuals in starting their own businesses, potentially generating self-employment.

While the government has made efforts towards meeting welfarist demands in the interim budget, they continue to fall short in contrast to the capital expenditure, which remains a cause of concern since the vulnerable sections continue to remain sidelined. The worry about structural concerns not being systematically addressed remains firm, with unemployment and inflation rates soaring and reduced expenditure toward subsidies. It is interesting to see how this budget will impact the upcoming elections.

For any inputs, suggestions or clarifications, please contact us at cnesinfosphere@gmail.com

Thank you!