



QUICK OBSERVATIONS ON UNION BUDGET FY 2024-25

July 23, 2024

CENTRE OF EXCELLENCE IN FISCAL POLICY AND TAXATION

XIM UNIVERSITY

1. Macroeconomic Situation

- Real GDP is projected to grow by 8.2% in FY 2023-24, compared to a growth rate of 7.0% in FY 2022-23.
- The real GDP suggests a robust recovery of the Indian economy after COVID-19.
- India's inflation remains low and stable, approaching the 4% target. Core inflation (excluding food and fuel) is currently at 3.1%.

2. Budget Size Scenario

- In FY 2023-24 (B.E.), the budget size was 14.92% of GDP, maintaining similar provisioning in FY 2024-25 (B.E.), the budget size is pegged at 14.77%.
- In FY 2023-24 (B.E.), capital expenditure was budgeted at 3.32% of GDP. For FY 2024-25, this allocation has been increased to 3.40% of GDP.
- The capital outlay for FY 2024-25 is 2.60% of GDP if we exclude the repayment of past loans, reflecting a sustained commitment to higher investment in capital projects.
- Revenue Buoyancy in 2024-25 (B.E) is estimated at 1.63, a significant improvement from 1.14 in FY 2023-24 (B.E.), indicating a healthier fiscal situation.
- The Non-Tax Revenue Coverage Ratio (Non-Tax Revenue as % of Revenue Expenditure) in the Economic Sector is budgeted at 20.30% as compared to 18.40% in the last year's budget. The higher ratio indicates higher collection efficiency from the facilities the Government provides.

3. Drivers of the Economy: Youth, Women, Farmers & Poor

- The Union Budget 2024-25 is committed to the all-round welfare of the populace, particularly farmers, youth, women, and the poor. The saturation approach (no eligible beneficiary is excluded) covers people through various programs, including those for education and health.
- A Budget allocation of Rs. 3 lakh crores has been earmarked to promote women-led development, which will help cement women's role in economic growth.
- To assert social and economic independence for women, the Union Budget has announced that stamp duties will be lowered for properties women purchase, thereby boosting urban development.
- To make headway for the participation of women in the workforce, working women's hostels and day-care centres are to be facilitated. In addition, improved labour market

access, promotion of women SHG enterprises, and women-specific skilling programs will be organized.

- SC, ST, women entrepreneurs, local artisans, SHGs, and street vendors will be met with the benefits of schemes like PM Vishwakarma, PM SVANidhi, Stand-Up India, etc.
- Amid global inflation and high retrenchment rates, the Union Budget has promised reprieve through the Employment Linked Incentive, which recognizes first-time employees and supports recruiters. Over 30 lakh youth entering the workforce will reap monetary benefits from the government concerning their EPFO in the first four years.
- Additionally, under the same scheme, a direct benefit transfer of one month's worth of salary in three instalments (each instalment being capped at Rs.15000) will be provided to all newly employed persons with a salary limit of Rs.100000 per month. This is expected to benefit 2.10 crore youth.
- Further, 20 lakh youth will be skilled over five years. One thousand Industrial Training Institutes will be upgraded in-hub and spoke arrangements with outcome orientation.
- Higher Minimum Support Prices for farmers for all major crops have been announced. Pradhan Mantri Garib Kalyan Anna Yojana was extended in the interim budget for five years, benefitting more than 80 crore people.
- In partnership with the states, the implementation of the Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands in 3 years will be initiated by the centre. This year, a digital crop survey for Kharif using the DPI will be conducted in around 400 districts of India. The details of 6 crore farmers and their lands will be brought into the farmer and land registries, and issuance of Jan Samarth-based Kisan Credit Cards will be enabled in 5 states.
- Reforms related to the possession of rural land will include:
 - (1) Assignment of Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands
 - (2) Digitization of cadastral maps
 - (3) Survey of map sub-divisions as per current ownership
 - (4) Establishment of land registry
 - (5) Linking to the farmers registry

- These reforms will bring down land conflict issues and help small and marginal farmers retain ownership of ancestral land.
- Under the PM Awas Yojana 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. This will include a central assistance of ₹ 2.2 lakh crore in the next five years. A provision of interest subsidy to facilitate loans at affordable rates is also planned.
- The Union Budget has promised that rental housing with dormitory-type accommodation for industrial workers will be facilitated through PPP mode with Viability Gap Funding (VGF) support. This will raise the living and working conditions of workers who generally settle with their families at the work site.
- For youth who are not eligible for any benefit under government schemes and policies, financial support for loans up to Rs. 1000000 for higher education in domestic institutions will be provided. E-vouchers for this purpose will be given directly to 1 lakh students yearly for annual interest subvention of 3 per cent of the loan amount.

4. Snapshot of span-new Initiatives



Empowering Tribes, One Village at a Time: The Pradhan Mantri Janjatiya Unnat Gram Abhiyan aims to uplift the socio-economic status of tribal communities. This initiative will ensure that all tribal families in targeted districts and villages receive comprehensive support, thereby benefiting 50 million tribal people across 63,000 villages from this program.



Crafting Careers for the Youth: As the Fifth Scheme under the Prime Minister's Package, one crore youth will be offered internship opportunities in 500 top companies in 5 years. All candidates will gain a year's worth of real-world work experience in diverse fields of the formal sector. An internship allowance of ₹5,000 per month and a one-time assistance of ₹6,000 will be provided. Companies will be expected to cover the training expenses and contribute 10 per cent of the internship cost from their CSR.



Free Solar Power for a Greener Future: In the unending endeavour to fight climate change and bring about more sustainable methods in line with the development of the Country, PM Surya Ghar Muft Bijli Yojana has been launched to install rooftop solar plants to enable 1 crore households obtain free electricity up to 300 units every month.



Rise of the East: The Purvodaya Plan, initiated to develop the Eastern states covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh, will focus on developing human resources, building infrastructure, and creating economic opportunities to transform the region. Further, road connectivity projects, new industrial hubs, and power plants along with support to capital investments will be set up.



The government is set to initiate the auction for the first batch of offshore mining blocks, building on the exploration work that's already been completed.

5. Department-wise Budget Provisions: A Comparative View

- Allocations have been pushed across critical departments such as Home Affairs, Food and Public Distribution, Agriculture and Farmers' Welfare, Defense, Rural Development, Communications, External Affairs, and Electronics and IT.
- Status-quo in allocations has been maintained across most departments compared to the last fiscal year. This is likely to boost inclusive growth.

Sectors	Budget Estimates 2023-2024 (share of GDP)	Budget Estimates 2024-2025 (share of GDP)	Changes in sectoral wise budget provisions (2023-24 to 20234-25)
MINISTRY OF DEFENCE	1.97%	1.91%	▼ 0.061%
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS	0.90%	0.85%	▼ 0.044%
MINISTRY OF RAILWAYS	0.80%	0.78%	▼ 0.017%
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	0.68%	0.68%	↔0.00
MINISTRY OF HOME AFFAIRS	0.65%	0.67%	▲ 0.02%
MINISTRY OF CHEMICALS AND FERTILISERS	0.59%	0.52%	▼ 0.075%
MINISTRY OF RURAL DEVELOPMENT	0.53%	0.55%	▲ 0.02%
MINISTRY OF AGRICULTURE AND FARMER'S WELFARE	0.41%	0.41%	▼ 0.008%
MINISTRY OF COMMUNICATIONS	0.41%	0.42%	▲ 0.01%
MINISTRY OF EDUCATION	0.37%	0.37%	↔0.00
MINISTRY OF JAL SHAKTI	0.32%	0.30%	▼ 0.020%

MINISTRY OF HEALTH AND FAMILY WELFARE	0.30%	0.28%	▼ 0.017%
MINISTRY OF HOUSING AND URBAN AFFAIRS	0.25%	0.25%	↔0.00
MINISTRY OF PETROLEUM AND NATURAL GAS	0.14%	0.05%	▼ 0.087%
MINISTRY OF WOMEN AND CHILD DEVELOPMENT	0.08%	0.08%	↔0.00
DEPARTMENT OF ATOMIC ENERGY	0.08%	0.08%	▼ 0.007%
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES	0.07%	0.07%	▼ 0.006%
MINISTRY OF POWER	0.07%	0.06%	▼ 0.006%
MINISTRY OF EXTERNAL AFFAIRS	0.06%	0.07%	▲ 0.01%
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY	0.05%	0.07%	▲ 0.01%

6. Scheme-wise Allocation: Big Push for the Masses

SL.No	Outlay on Pivotal Schemes (BE) % Budget size	2023-24	2024-2025
1	Mahatma Gandhi National Rural Employment Guarantee Program	1.33%	1.78%
2	National Social Assistance Program	0.21%	0.20%
3	Pradhan Mantri Poshan Shakti Nirman (PM POSHAN)	0.26%	0.26%
4	Schemes for Safety of Women	0.01%	0.02%
5	Programme for Development of Scheduled Tribes (Vanbandhu Kalyan Yojana)	0.10%	0.09%
6	Pradhan Mantri Anusuchit Jaati Abhyuday Yojana (PM AJAY)	0.05%	0.04%
7	Total	1.95%	2.40%
8	Centrally Sponsored Schemes	10.57%	10.50%

- The allocation for the Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Program has been increased to 1.78 % of the budget size in FY 2024-25 (B.E.) from 1.33 % in FY 2023-24 (B.E.). This is expected to improve the employment scenarios in rural areas.
- The total allocation for Pivotal Welfare Schemes has risen to 2.40 % of the Budget Size in FY 2024-25 (B.E.) from 1.95 % in FY 2023-24 (B.E.).

7. Financing of Budget FY 2024-25

- Capital expenditure has been pegged at 3.40% of GDP in FY 2024-25 (B.E.) against 3.32 % in FY 2023-24 (B.E.).
- Revenue Expenditure has been pegged at 11.37% % of GDP in FY 2024-25 (B.E.) against 11.61 % in FY 2023-24 (B.E.).
- The Gross Fiscal Deficit (Gross Borrowing) is pegged at 4.94 % of GDP in FY 2024-25 (B.E.) compared to 5.92 % in FY 2023-24 (B.E.), suggesting an appreciable reduction.

- In 2024-25 (B.E.), Revenue Deficit is estimated to be funded by 35.96 % of Gross Borrowing, while Capital Outlay is supported by 52.50 % of the same.

8. Fiscal Impact on the States

- The total devolution to States as a percentage of Gross Tax Revenue (GTR) has increased from 30.39 % in 2023-24 (B.E.) to 32.48 % in 2024-25 (B.E.).
- **Odisha's share in shared tax is budgeted at Rs. 56,473.74 crore in 2024-25 (B.E), while Rs. 46, 251.18 crore in 2023-24 (B.E.).**
- **Devolution to Odisha has increased from 1.38 % of GTR in 2023-24 (B.E.) to 1.47 % in FY 2024-25 (B.E.), which amounts to Rs. 10, 222.56 crore.**

9. Cess & Surcharges: Decentralization of Revenues

- **Cess & surcharges are budgeted at Rs. 3,90,700 Crore in FY 2024-25 (B.E.) compared to Rs 4,07,788.75 core in FY 2023-24 (B.E.), suggesting a decrease of 4.19 % in 2024-25.**
- The introduction of Agriculture Infrastructure Development Cess under Customs and Union Excise Duties in FY 2023-23 continues in FY 2024-25.
- **Cess and surcharges comprise 10.17 % of GTR in FY 2024-25 (B.E.) against 12.13 % in FY 2023-24 (B.E.), indicating a sizable decrease in cess and surcharges. This provision can potentially increase the size of the divisible pool and, therefore, the states' shares in central taxes.**

10. Provision on Food & Fertilizer Subsidies

- In FY 2024-25 (BE), the subsidies on food and fertilizers stand at 5.53% and 4.42 % of total revenue expenditure, respectively, compared to 5.64% and 5% in FY 2023-24 (B.E.).

11. Top Ten Ministries on the basis of CAPEX

SL.No	Sectors	Budget Estimates 2024-2025 Capital Expenditure (Rs. in Crores)
1	MINISTRY OF ROAD TRANSPORT AND HIGHWAYS	272241.15
2	MINISTRY OF RAILWAYS	252000.00
3	MINISTRY OF DEFENCE	182240.85
4	MINISTRY OF COMMUNICATIONS	85758.86
5	MINISTRY OF HOUSING AND URBAN AFFAIRS	28628.26
6	MINISTRY OF HOME AFFAIRS	19434.51
7	DEPARTMENT OF ATOMIC ENERGY	13860.79
8	DEPARTMENT OF SPACE	5567.53
9	MINISTRY OF HEALTH AND FAMILY WELFARE	3613.15
10	MINISTRY OF PETROLEUM AND NATURAL GAS	1128.97

- The Ministry of Road Transport and Highways, Ministry of Railways, Ministry of Defense, and Ministry of Communications have received major thrust in Capex in FY 2024-25. This will improve supply chain management and will help to reduce inflation.

12. Special Focus: Odisha

- Odisha finds mention in the Purvodaya plan, an engine to attain Viksit Bharat. Envisaged for the all-round development of India's culturally strong eastern states, the plan focuses on Human Resource Development, Infrastructure, and generating economic opportunities.
- An Eastern Industrial Corridor has been planned to effectuate trade and industrial development of the ancient centers of cultural importance. Any additional allocation to support capital investments will be provided.
- Odisha's rich marine stocks will be financially supported by setting up Nucleus Breeding Centers for Shrimp Broodstocks. NABARD will be supervising the cultivation and export.
- Odisha comprises of 25% tribal population. Pradhan Mantri Janjatiya Unnat Gram Abhiyan (PMJUGA) aims to the upliftment of tribal communities through improvement in health, education, drinking water, sanitation, and nutrition. The PMJUGA is preceded by the Pradhan Mantri PVTG Vikas Mission launched in FY 2023-24.

- The Critical Mineral Mission will undertake the development of technology, skill enhancement of the workforce, extension of the producer responsibility framework, and a financing mechanism to amplify domestic production of critical minerals.
- Odisha, blessed with flourishing scenic beauty, temples, serene beaches, craftsmanship, and wildlife sanctuaries, will receive central assistance towards enhancing tourism potential for the next 5 years.

-----**End**-----