

INTERIM BUDGET 2024-25

Prime Minister Narendra Modi characterised the interim Budget tabled on Thursday as “inclusive and innovative”, one that “carries the confidence of continuity”, a reference to Finance Minister Nirmala Sitharaman’s assertion that the Modi government will present the full Budget in July after the Lok Sabha poll.

Fertilizer subsidy decline, food subsidy increase

Union Finance Minister Nirmala Sitharaman announced expansion of application of Nano Di Ammonium Phosphate (Nano DAP) on various crops to all agro-climatic zones after the successful adoption of Nano Urea.

The increase in domestic production of essential fertilizers such as urea and improvement in Ukraine will result in decreasing fertilizer subsidies is expected to reduce fertiliser subsidies.

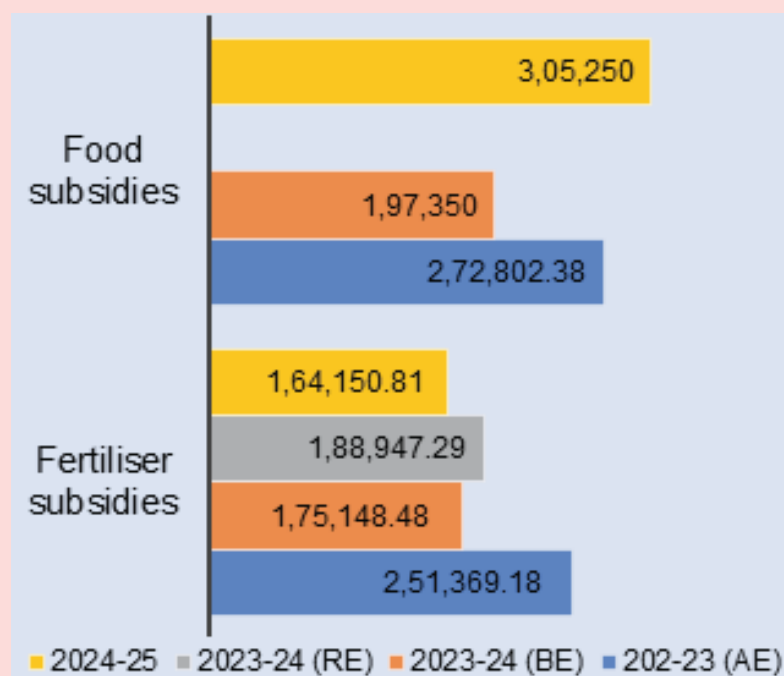


FIGURE: Bar chart representation.

The total food subsidy includes ₹ 2,05,250 Cr. for the Pradhan Mantri Garib Kalyan Anna Yojana (PM-GKAY) and ₹1 lakh Cr. for the Sugar Subsidy payable under Public Distribution System. In the last Budget, the amount was 1,97,350 Cr., while in 2022-23, the actual expenditure was ₹ 2,72,802.38 Cr.

Markets unimpressed with interim Budget

The stock markets remained unimpressed with the proposals announced in the interim Budget and key indices, after witnessing a see-saw movement throughout the day, ended with losses. The S&P BSE Sensex lost 107 points, or 0.15%, to close at 71,645 points. The NSE Nifty 50 Index closed at 21,697 points, down 28 points, or 0.13 %. Among the Sensex stocks, L&T was down 2.38 %, UltraTech 2.26 %, and JSW Steel 2.03 %. This is despite several positive announcements concerning the infrastructure sector.

COMMITTEE WILL STUDY ‘FAST POPULATION GROWTH’ AND DEMOGRAPHIC CHANGES: FM

Finance Minister Nirmala Sitharaman in her interim Budget speech announced constitution of a High-Power Committee (HPC) to consider the challenges arising from “fast population growth and demographic changes. The committee would be mandated to make recommendations to comprehensively address these challenges in relation to the goal of Viksit Bharat, or a developed India.

The latest Sample Registration System report for 2020 said that the total fertility rate (TFR), or the average number of children born to a woman over her lifetime, dropped to 2, from 2.1 in 2019. The National Family Health Survey-5 for 2019 to 2021, released in May 2022, stated that the TFR declined from 2.2 to 2 at the national level, in comparison to the last such survey held in 2015 and 2016.

Expenditures on primary sector

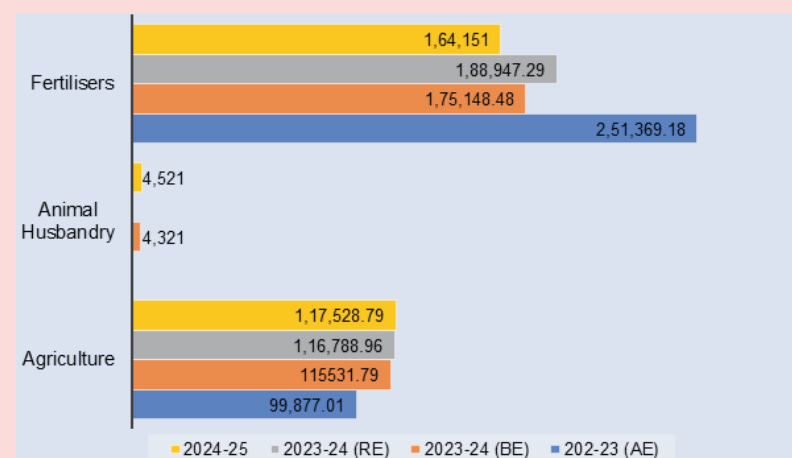


FIGURE: Bar chart representation

Expenditures on social sector

Schemes such as PM Schools for Rising India (PM SHRI) got almost 50 % more allocation than the last Budget. Pradhan Mantri Poshan Shakti Nirman (PM POSHAN), previously known as the mid-day meal scheme, received an outlay of ₹ 12,467.39 Cr. For PM SHRI, the allocation is ₹ 6,050 Cr.

The interim Budget presented by Finance Minister Nirmala Sitharaman for the financial year 2024-25 on Thursday left the allocations for the Social Justice Ministry and Tribal Affairs Ministry largely unchanged with marginal increases seen in the estimated allocations for both Ministries compared with the 2023-24 Budget Estimates. This comes even though the Revised Estimates for 2023-24 saw expenditures reduced by 3 8% and 23 % for the Tribal Affairs Ministry and Social Justice Ministry, respectively, from the allocations set aside in the Budget Estimates.

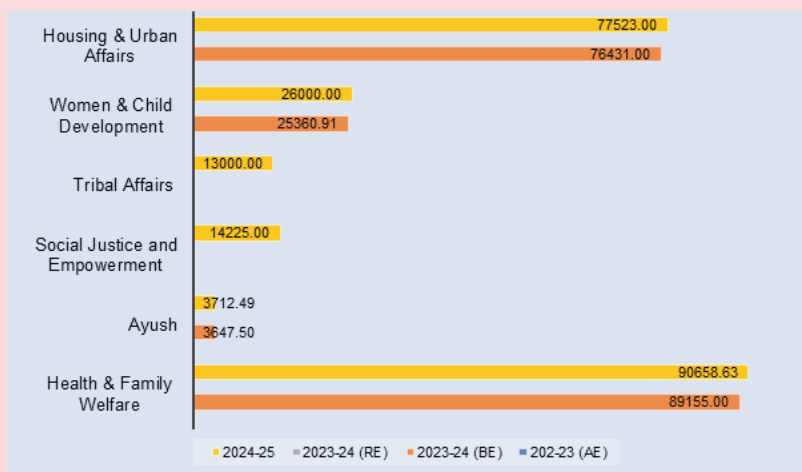


FIGURE: Bar chart representation.

Expenditures on ministries in the infrastructure sector

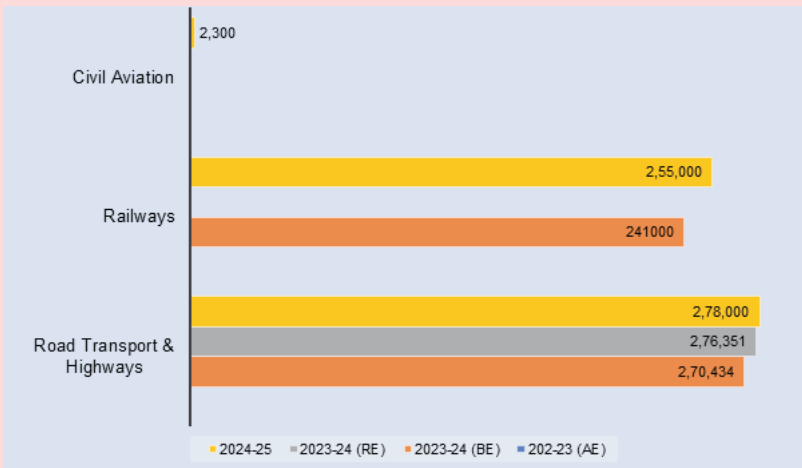


FIGURE: Bar chart representation.

Roadways

After a massive jump of 75 % and 35 % in allocation over the past two consecutive years, the budgetary allocation for the road sector for the current year saw a measly 2.7% increase. Of the total budgetary grant, ₹ 1,68,464 is for investment in National Highways Authority of India (NHAI) for the development of national highway corridors under Bharatmala Pariyojana. As of November 2023, a total of 15,045 km of the total project of 26,418 km have been completed and an amount of ₹ 4.10 lakh Cr. has been spent under Bharatmala Pariyojana up to October 2023.

Separately, a sum of ₹ 78,349 Cr. has been set aside for road works, which includes six landing of crowded sections of the Golden Quadrilateral, road development in Naxal-hit areas and provisioning last-mile connectivity through State government's Public Works Department.

Railways

The Railways has spent up to 82 % of last year's allocation by the end of January. The Railway Ministry could only utilise ₹ 1.6 lakh Cr., based on the actual numbers released for 2022-23. The revised operating ratio for 2023-24 was 98.7%, which is the ratio of working expenses to traffic earnings.

The Centre will implement three major economic corridor programmes — energy, mineral, and cement corridor, also being referred to as Energy Economic Corridor; port connectivity corridor aka Rail Sagar; and high-traffic density corridors, aka Amrit Chaturbhuj. A total of 434 projects with an investment of ₹ 11 lakh Cr. will be rolled out under these programmes.

An integrated approach to Railway planning has been undertaken by consulting 18 Ministries and this plan has been in the works for the past two years. We are in the process of preparing detailed project reports, freezing final alignments, and interacting with State governments for the smooth working of the development along these corridors.

Over the next five years, it is planning to overhaul 40,000 coaches to provide a better passenger experience similar to that of the Vande Bharat trains. The entire exercise is expected to cost ₹ 15,200 Cr.

Experts say this is because the Railways is interested in opening up the market to private players. The bullet train project by National High Speed Rail Corridor has attracted the maximum chunk of allocation, up from ₹ 19,592 Cr. to ₹ 25,000 Cr.

Aviation

The budgetary allocation for the regional connectivity scheme UDAN (Ude Desh Ka Aam Nagrik) spent on reviving unused and underused airports in tier-2 and tier-3 cities has been slashed by 60 % after a record-high grant last time.

The number of airports in the country had doubled to 149 since 2014, and that "expansion of existing airports and development of new airports will continue expeditiously" at a time Indian airlines have placed an order of more than 1,000 aircraft. Traditionally, the largest chunk of allocation for the aviation sector has gone to Air India, which continues even after its privatisation though to a much-smaller extent, with ₹ 1,158 Cr. set aside for the airline as the government has to service the interest on some of the remaining debt.

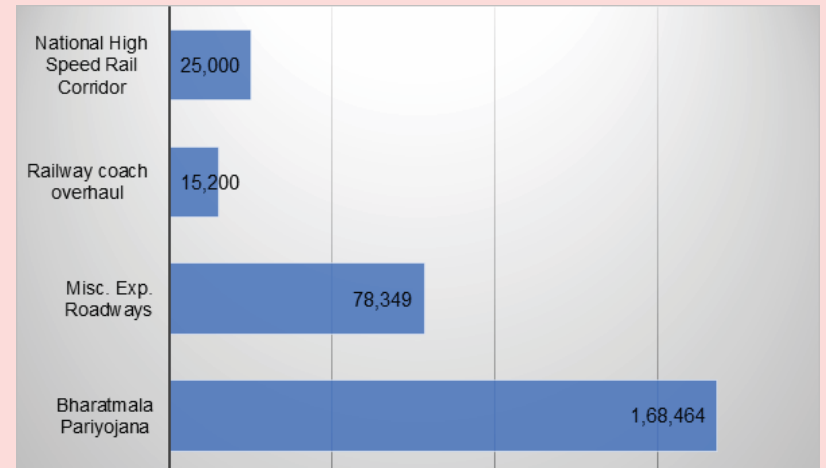


FIGURE: Bar chart representation.

Budgetary outlays for schemes

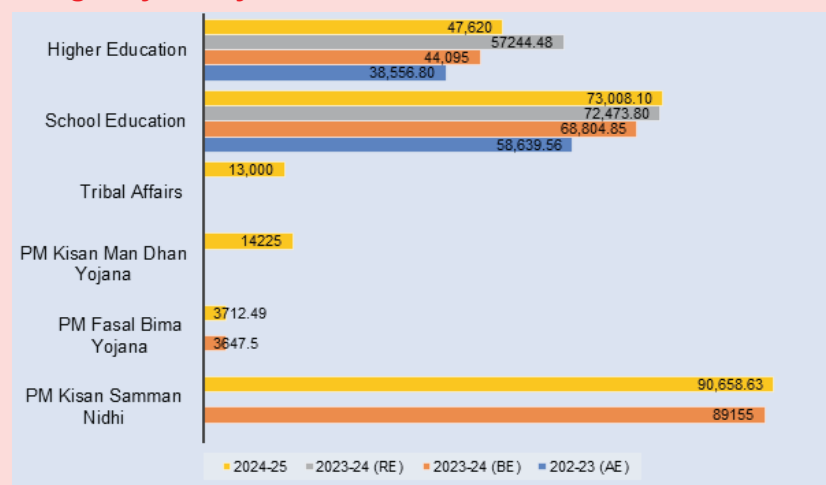


FIGURE: Bar chart representation.

Affordable housing scheme for middle class

The Union Finance Minister Nirmala Sitharaman announced launching a scheme to help “deserving sections of the middle class living in rented houses or slums or chawls and unauthorised colonies” buy or build houses. Approximately, two Cr. more houses would be built under the flagship Pradhan Mantri Awas Yojana (PMAY)-Rural.

The PMAY has two components — PMAY (Urban) for the urban poor under the Ministry of Housing and Urban Affairs, and PMAY (Rural) for rural India under the Ministry of Rural Development. The total allocation for PMAY is ₹ 80,671 Cr., of which ₹ 54,500 Cr. is for PMAY (Rural).

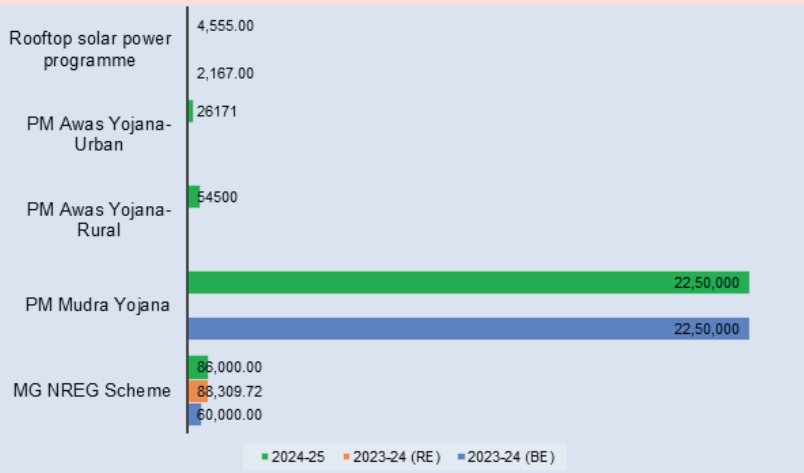


FIGURE: Bar chart representation.

As per the statistics available on the Union Rural Development Ministry website, the allocated budget at a mere ₹ 86,000 Cr. for 5.6 Cr. households are registered under the Mahatma Gandhi National Rural Employment Guarantee Scheme can provide for 25 to 30 days at most of work in a year. A crucial ₹ 3 lakh Cr. is essential to meet the employment needs of registered households under MGNREGS.

However, the allocated budget falls significantly short at a mere ₹ 86,000 Cr. Considering the outstanding dues in West Bengal that need clearing and the additional work requirements for the workers in the State this year, coupled with the historical trend of 15 to 20 % of the Budget being spent on clearing past dues, the allocation seems increasingly inadequate.

According to some estimates, as on February 1, the Centre owes ₹ 16,000 Cr. in wages to the State governments. The government has argued that MGNREGS is a dynamic scheme and the dues are cyclically paid. But for the last two years, the Centre has halted the programme in West Bengal, claiming corruption in implementation of the scheme. The Centre owes almost ₹ 7,000 Cr. to the State.

The 2024 Budget, though, breaks the continued trend of slashing the budget for the programme. In the 2023 Budget, only ₹ 60,000 Cr. was allocated which was 18 % lower than the ₹ 73,000 Cr. Budget estimates and 33 % lower than the ₹ 89,000 Cr. revised estimates for financial year 2023-24 for the scheme.

Solar panels to give free power to 1 cr. homes

Union Finance Minister Nirmala Sitharaman reiterated that commitment to electrify 1 Cr. households via rooftop solar installations. The scheme enable households to obtain up to 300 units of free electricity every month, translating to benefits of ₹ 15,000 to 18,000 annually for households from free solar electricity, and selling of the surplus to the distribution companies.

The average all-India household consumption of electricity is about 100 units a month, with only a few places such as Delhi approaching close to 300 units. The net-metering policy allows users of rooftop solar power to supply their surplus power back to the grid, thus offsetting their electricity bills.

At present, India has about 11 GW of installed rooftop solar capacity, of which only 2.7 GW is in residential units and the rest in commercial or industrial spaces. About 20-25 GW worth of rooftop solar capacity could be supported through solarisation of one Cr. households. Residential consumers receive subsidised electricity from distribution companies, and if such households were to be ‘solarised’, it would save discoms about ₹ 2 lakh Cr. over the next 25 years (the solar plant’s life). All States can leverage this opportunity as rooftop solar potential exists everywhere, unlike utility-scale solar (solar parks), which is primarily restricted to seven RE-rich States.

Offshore wind

The Budget announced a ‘viability gap funding’ to support the capital-intensive offshore wind sector, of up to 1 GW capacity. This is expected to encourage private sector investments in the sector. These are wind farms located in the sea. Because solar power is only available during the day and battery storage systems are expensive, the global experience with rooftop solar is that most households with solar panels also rely on electricity from the grid.

Govt. to drop old tax demands, small payers get relief

The Union Finance Minister Nirmala Sitharaman proposed to withdraw small, non-reconciled, and disputed direct tax demands. This implies that tax demands of up to ₹ 25,000 of the period up to FY 2009-10, and up to ₹ 10,000 for FY 2011 to 2015 would be withdrawn. She held that that the moves were part of the treasury’s intent to improve “ease of living and doing business”.

There existed a “large number of petty, non-verified, non-reconciled or disputed direct demands”, many of which went as far back as 1962. As they continue to remain on the books, they were “causing anxiety to honest taxpayers and hindering refunds of subsequent years”.

Ms. Sitharaman proposed to retain the same tax rates for direct and indirect taxes, including import duties. This is in contrast to the last interim Budget, which proposed amending Section 87A of the Income Tax Act to increase the income base for tax rebates from ₹ 3.5 lakh to ₹ 5 lakh.

Tax exemption expiry date for start-ups gets one year extension

Although the interim Budget for 2024-25 did not propose any changes in existing taxation, start-ups are offered certain tax benefits by way of extension of exemptions.

According to the Budget document, certain tax benefits for start-ups and investments made by sovereign wealth or pension funds and tax exemption on certain income of some International Financial Services Centre (IFSC) units are expiring on March 31, 2024.

Finance Minister Nirmala Sitharaman proposed to extend the exemption expiry date by a year to March 31, 2025, to provide continuity in taxation and trigger growth in the sector. This gesture along with initiatives such as PM Mudra Yojana, Fund of Funds, Start-up India, and Start-up Credit Guarantee schemes highlighted the government’s proactive stance in supporting entrepreneurial aspirations and generating employment for youth, according to industry players. The Budget’s emphasis on the growth and global competitiveness of start-ups and micro, small and medium

enterprises (MSMEs) reflect the government's commitment to fostering a robust ecosystem. Adequate finances, relevant technologies, and targeted training showcase a comprehensive approach towards empowering MSMEs.

According to the Finance Minister, under PM Mudra Yojana, the government has sanctioned 43 Cr. loans aggregating to ₹ 22.5 lakh Cr. for entrepreneurial aspirations of the youth.

ASHA, anganwadi staff get health cover

Health cover under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana will be extended to all Accredited Social Health Activists (ASHA) and anganwadi workers and helpers. India would utilise the services of the newly designed U-WIN platform for managing immunisation and the intensified efforts of Mission Indradhanush.

Other major announcements for the sector included utilising existing hospital infrastructure under various departments to offer medical seats to students and 'encouraging' HPV vaccination for girls in the 9-14 years age group for prevention of cervical cancer. The government also proposed to combine various schemes for maternity and childcare and bring them under one comprehensive programme.

Skill training

As part of the Skill India Mission, youth were being trained at various world-class institutes, including 15 newly constructed All India Institute of Medical Sciences (AIIMS). Anganwadi centres would be upgraded under 'Saksham Anganwadi', while Poshan 2.0 would be expedited to improve nutrition delivery and ensure early childhood care and development.

Centre moots ₹ 1 lakh-Cr. corpus for R&D

Finance Minister Nirmala Sitharaman earmarked a corpus of ₹ 1 lakh Cr., available on 'minimal or nil interest rates' to "encourage" the private sector to invest in research and development in 'sunrise sectors.' It was not clear if this corpus was targeted at a specific Ministry or intended as a more broad-based encouragement to research.

A major long-standing concern of the government has been in getting private sector enterprises to invest in core R&D with nearly three-fourth of such expense now borne by the government. The Department of Science and Technology (DST) envisages an autonomous body with a corpus of ₹ 50,000 Cr., of which nearly ₹ 36,000 Cr. will come from the private sector and non-governmental sources. The DST has provisioned ₹ 2,000 Cr. in 2024-25 towards the NRF.

A new scheme will be launched for strengthening deep-tech technologies for defence purposes and expediting 'atmanirbharta.'

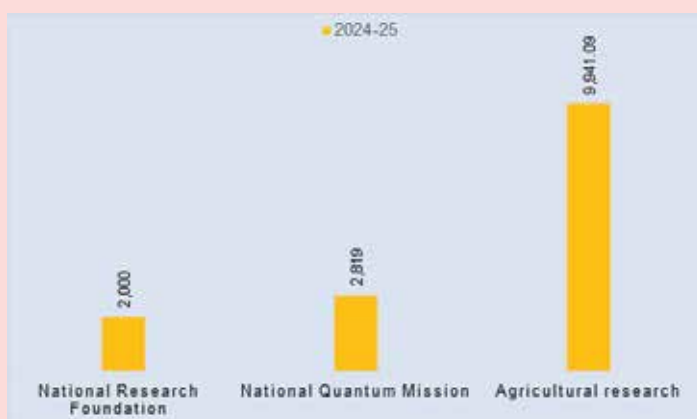


FIGURE: Bar chart representation.

Govt. raises Lakhpati Didi scheme target

The Centre has decided to increase the target for 'Lakhpati Didi' scheme to train women self-help groups (SHGs) to earn a sustainable income of at least ₹ 1 lakh per annum by setting up micro-enterprises within their villages. The Centre targeted for training 'Lakhpati Didi' for 2024-25 would be increased from the existing 2 Cr. to 3 Cr. Eighty-three lakh self-help groups with 9 Cr. women are transforming rural socio-economic landscape with empowerment and self-reliance.

Anganwadi Centres have been upgraded under "Saksham Anganwadi and Poshan 2.0" scheme for improved nutrition delivery, early childhood care and development.

New scheme for bio-manufacturing, bio-foundry on the cards

Finance Minister Nirmala Sitharaman spoke of "a new scheme of bio-manufacturing and bio-foundry" to provide "environment-friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs.

The announcement is part of a bid to have the bio-economy contribute \$300 billion to the Indian economy by 2030, representing a jump of about ₹ 18 lakh Cr. in value from current levels, and \$1 trillion by 2047. The products of the bio-economy also play key roles in India's sustainability and 'green' economy targets.

The way to upskill India's bio-science sector is to put money into bio-manufacturing and not only prioritise research.

In the 2024-2025 Budget, the total allocation for the Department of Biotechnology (DBT) has been cut by 16%, to ₹ 2,251.52 Cr., potentially slowing its recovery from the highs of the COVID-19 pandemic, when it helped develop vaccines, to the pre-pandemic level.

The Biotechnology Industry Research Assistance Council (BIRAC), a public-sector enterprise under the DBT that interfaces between academia and industry, has been allocated ₹ 40 Cr., as in 2023-2024, even though its actual expenditure was higher. The new bio-manufacturing scheme "will also help in transforming today's consumptive manufacturing paradigm to the one based on regenerative principles.

Industry welcomes plan to augment electric vehicle ecosystem

The Centre will focus on strengthening the electric vehicle ecosystem with supporting charging infrastructure in its move towards accelerating net zero emission. It will also push for greater adoption of electric public transport network buses with formal payment mechanism. The Centre has accorded focus on the automotive sector with plans to enhance the EV manufacturing ecosystem and charging infrastructure for boosting green growth.

The proposed move will boost the development and adoption of EVs. The corpus of ₹ 1 lakh Cr. for funding private sector R&D and innovation in sunrise sectors could potentially benefit companies in the EV space.

Space programme gets nominal hike of 4%

The Department of Space has received only a nominal increase of 4% in its allocation in the interim Union Budget for 2024-25, from ₹ 12,545 Cr. to ₹ 13,043 Cr. The Indian space programme will spend much of the year on pre-launch testing milestones for the lunar mission (Chandrayaan), human spaceflight (Gaganyaan) missions etc.

In 2023, the Indian Space Research Organisation (ISRO) launched and successfully executed its long-awaited Chandrayaan-3 mission. The ISRO also launched the Aditya-L1

mission to study the sun, and the XPoSat — short for ‘X-ray Polarimetry Satellite’ — mission to track and study neutron stars and black holes from space. India also signed the Artemis Accords to participate in the U.S. multilateral programme to return humans to the moon by 2025.

The major launches slated for 2024 include an uncrewed Gaganyaan test flight, the third developmental flight of the Small Satellite Launch Vehicle, and the NASA-ISRO Synthetic Aperture Radar mission. ISRO scientists have also been working on propellants, satellite propulsion systems, new launch vehicles, and technology transfer to the industry.

In her Budget speech, Finance Minister Nirmala Sitharaman announced a corpus of ₹ 1 lakh Cr., with five-decade interest-free loans, to boost private sector investment in research and development. While the details are not clear, India’s nascent private spaceflight sector and its 200 or so start-ups are expected to benefit from this infusion. The revenue expenditure of IN-SPACe, the nodal agency setup by the Union Cabinet in 2020 to oversee the activities of this sector, also increased 24%. Similarly, revenue for space technologies — which includes work on Gaganyaan and the development of systems for new launch vehicles and spaceflight missions — increased 27%.

The 8% increase in the allocation for space technologies is, however, out of keeping with the work planned on Chandrayaan-4

and the Lunar Polar Exploration mission, a partially reusable launch vehicle, and others. Then again, the Department of Space underutilised its allocation for space technologies in 2023-24 by more than ₹ 1,500 Cr. Finally, expenditure for INSAT satellite systems was halved from ₹ 531 Cr. in 2023-24 to ₹ 276 Cr. in 2024-25.

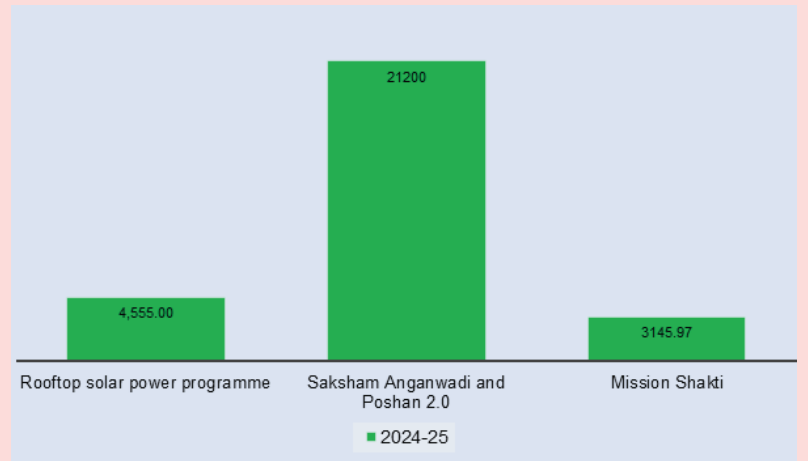


FIGURE: Bar chart representation



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