

Analysis of Union Budget 2024-25¹

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Abstract

Budgets of the government need to fair on transparency, accountability, growth and social security that ensure governance that builds Pareto Optimal welfare. Open Economic system with laissez faire need merit goods to be provisioned in a sustained manner by the government through building system on generative social capital sustained development goals. Efforts in agriculture, industry and infrastructure are observed through branding, subsidising industry employment and output with specific area developments with focus on coalition partners. There is continued focus on strengthening the centre, its documentation and procedures through digitalisation of records with little regard for its fallouts. Social Security measures that safeguard human values and dignity are less focus of the government putting powers in the hands of the privileged. The ambition of Viksit Bharat and its euphoria guide the plans and projects of government to position the country as an emerging forceful voice in the world missing the big picture of Bharat and the disadvantaged.

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I. Introduction

A GOVERNMENT'S KEY role is to work for the progress and welfare of its people. It is in this interest and accountability that the government every year presents the budget, its priorities and make allocation for its people. A budget document is not only the account of what has been spent and earned and also how the change in the development allocations can define the course of a nation but also stand the test of the people's confidence in the working of the government (Agarwal, 1998; Agarwal and Agarwal, 2022).

"प्रजासुखे सुखं राज्ञः प्रजानां च हिते हितम् । नात्मप्रियं हितं राज्ञः प्रजानां तु प्रियं हितम् ।।"

"Dev Dantreliya, Chanakya Niti on Corruption : Glimples of how Chanakya tackled menace of corruption 300 BCE in India ?"

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The Budget 2024-25 is a budget presented by a coalition government over the BJP majority government keeping the top positions in the same line as the previous government. A change in the mandate of the people and coalition is likely to make way to the cooperative policies over majority rule government outlook. The pace and force of the recent reforms have had a deep and strategic effect on the nation and its development policies.

A majoritarian rule developed a precedent of passing laws when 141 Member of Parliament were suspended. The election mandate has changed the stance of acceptability of the ideology of the previous government. The last budget of the previous government could not raise the confidence in the capital markets and this time it was observed the budget saw a nominal downward movement of 73 points or 0.1% after its announcement. The budget being the third Term of Prime Minister Modi's ambitious vision of Viksit Bharat for 2047 had much more to offer than just the numbers in the ambit of expenses and incomes of the government.

II. Budget Proposals

The budget outlined well through out 9 priorities namely (a) Productivity and resilience in Agriculture; (b) Employment and Skilling; (c) Inclusive Human Resource Development and Social Justice; (d) Manufacturing & Services; (e) Urban Development; (f) Energy Security; (g) Infrastructure (h) Innovation, research and development and (i) Next Generation reforms. The outlining challenges before the government set its pace with present inflation expectation of 4%, core inflation of 3.1%. The present government keeps its focus on 4 major castes namely- Garib (Poor), Mahilayen (Women), "Yuva" (Youth) and "Annadata" (Farmers). The farmers have been given the support of MSP for all major crops with 50% margin over cost prior to the budget. A 5 year period with outlay of ₹ 2 lakh crore has been identified for employment, skilling and other opportunities for 4.1 crore youth.

The budget outlines that transformative changes shall be based on 9 priorities and clearly outlines the objectives of the same. In productivity and resilience in agriculture it provides for transforming the agricultural research, release of 109 high yielding and climate resilient varieties of 32 field horticulture crops. It also identifies a new certification and branding roles to support 1 crore farmers in natural farming and setting up of 10,000 need based bio-input resource centres. The budget also envisages the strategy for no atmanirbharta for oil seeds such as mustard, groundnut, sesame, soyabean and sunflower though with no particular allocations identified. Promotion of farmer-producer organisations, cooperative and start ups for vegetable supply chains is also identified through large scale clusters development for vegetable production to be developed, again with no specific allocations in this regard. Development of Digital Public Infrastructure for agriculture covering 6 crore farmers and their land with registries and digital crop survey of Kharif crop is also envisaged. Financial support for a network of Nucleus Breeding Centres for Shrimp Broodstocks is also provided with

financing of shrimp farming through NABARD. The agricultural development sought in the past 6 budgets of the finance minister provides for infrastructure development and government support to open the sector.

The government in the past made attempts to enforce the three agricultural laws to induce parity and market linked mechanism for better revenue to the farmers, however they were met with high resistance from the farmers. The agricultural sector has been self sufficient and supported the economy during COVID -19 and also provided for the financial and shelter support to the migrant labourers. It worth noting that with 8 geographical zones and the food grain production of 328.8 million tonnes in 2023-24. In order to open the sector the government introduced the Essential Commodities (Amendment) Ordinance, 2020, which was promulgated on June 5, 2020 that aimed to liberalise the regulatory system while protecting the interests of consumers. The Ordinance provided that the central government may regulate the supply of certain food items including cereals, pulses, potato, onions, edible oilseeds, and oils, only under extraordinary circumstances. These include (a) war, (b) famine, (c) extraordinary price rise and (d) natural calamity of grave nature. The key challenges identified in agriculture sector includes lack of access to credit and finance; small landholdings; outdated farming practices; water scarcity and irrigation; soil degradation and land erosion; inadequate agricultural infrastructure; market volatility and price fluctuations; climate change and natural disaster; limited access to technology and research; lack of farmer's empowerment. The measures adopted in the budget do not provide sufficient coverage to the issues of the farmers and lack the ability to provide for relief of to the small and marginal farmers and market support mechanism for those who suffer most in market economic systems. The present provision does add the flavour for the growth but for those who already meet the present requirements of leveraging their strength but does not envisage a future for the weak, poor and downtrodden and most importantly the dis-advantaged.

The Budget in the second priority of Employment and skilling aims to provide for the demographic dividend of the youthful India. It provides to implement 3 schemes for Employment linked Incentives which will be based on enrolment of EPFO; recognition of first time employees and support to employees and employers. Scheme A which provides first timers one-month salary in 3 instalments registered with EPFO with eligibility limit of salary of ₹ 1 lakh per month expected to benefit 210 lakh youth. Scheme B is aimed at providing incentive to employee and employer in manufacturing sector with respect to their contribution in first 4 years of employment expected to benefit 30 lakh youth. Scheme C aims to reimburse employers up to ₹ 3000 per month for 2 years their EPFO contribution for each additional employee within a salary of ₹ 1 lakh per month. It also envisages the bringing creches and women hostels with industry to support women workforce together with women specific skilling programmes. The budget also envisages skilling program for 20 lakh youth will be skilled over 5 year period for which 1,000 industrial training institutes will be upgraded in hub and spoke arrangements with outcome orientation.

The government also in the budget provides for revising the facilitation of loans up to ₹ 7.5 lakhs with government guarantee under Model Skill Loan Scheme. Also provides for educational loans up to ₹ 10 lakh with e-vouchers being given to 1 lakh students. The schemes aim to subsidise the employers with employee benefits on EPFO enrolments to improve formalisation of employment opportunities. A good step to mark the beginning of small and medium enterprises in offering formal set ups for employment of the employees. Yet does it resolve the issue of unemployment in the country. Skilling aimed to bridge the gap between the employable and employed aims at providing livelihood jobs and not permanent solutions to the growing needs of the youth. A current discontentment on the growth and continuous subsidy by the government to the employers through PIL schemes and the present scheme supports the industry and not the common man with his struggles of unemployment and livelihoods. It is essential to note that country with its present population has to take serious steps to identify the opportunities in the growing world with respect to the agriculture, industry and services sector. Domestic Consumption and world markets with their long-term needs and short-term requirements have not been developed for a thoughtful policy plan for the youth of India. Growth through subsidies to industry with open economic systems and constant disinvestment plans burden the economy with crony capitalism and do not provide for development of social capital that provides community development and safety. The questions that arise in the mind while these steps are taken by the government are whether they meet the challenges identified in the economic survey which are generating productive employment; Skill gap challenge; tapping full potential in agriculture sector; Compliance and financing requirements of MSME; managing India's green transition; deepening corporate financing through bond markets; Inequality; health and productivity in the youth of India.

The Priority 3 of the government of Inclusive Human resource development and social Justice saturation approach provides for implementation of schemes such as PM Vishwakarma, PM SVA Nidhi, National Livelihood Missions, and Stand Up India for economic activities supported by Craftsmen, artisans, self-help groups, scheduled caste, scheduled tribe, women entrepreneurs and street vendors. It envisages a plane for the development of eastern regions covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh through human resource development, infrastructure, and generation of economic opportunities. A thought that has not been given shape or concrete plan in the present budget. Industrial Node at Gaya is provided for industrialisation. The budget also provides for road connectivity projects namely Patna-Purnea Expressway; Buxar-Bhagalpur expressway; Bodhgaya, Rajgir, Vaishali and Dharbhanga spurs and addition two lane bridge over river Ganga at Buxar. Power plants, new airports, medical colleges and sports infrastructure is provided for the coalition partner Bihar. It also provides for the an additional support of ₹ 15,000 crore to its other coalition partner Andhra Pradesh under the Andhra Pradesh Reorganisation ACT.

The budget also provides for Three (3) crore additional houses under the PM Awas Yojana in rural and urban areas though no allocations are specified therein the budget. To enhance the role of women in economic development an allocation of more than ₹ 3 Lakh crore for schemes benefitting women have been made by the government which is a welcome move. The launch of Pradhan Mantri Janjatiya Unnat Gram Abhiyan for tribal families covering 63,000 villages for the benefit of 5 crore tribal people is likely to disturb the cultural conservation of the Tribal areas. To provide opportunities to the Tribals it would have been better if the tribes moving out of their conserved zone were provided support programs.

The Budget also provides 100 branches of India Post Payment Bank to expand banking services and rural development provision of ₹ 2.66 lakh crores. Payment Services have been enhanced by the government through digital networks and support to 11 payment banks. It is difficulty to understand why with Public Sector Banks and their presence in North Eastern Region, the India Post Payment Bank is being propelled at the North Eastern Region.

A self financing guarantee fund with a guarantee cover up to ₹ 100 crore is less likely to benefit the MSME that continue to struggle with working capital requirements since the Covid Period that has nullified their savings and added the burden of interest costs. The introduction of scoring of digital footprints can establish the presence of the MSME but not the trust and credibility for the lenders which is still dependent on the financials that institutions put their stakes on. MSME categorisation as “Special Mention Account” to avoid getting them into the NPA stage could come as a relief from RBI rather than the government. Financing through Treads platform is welcome move but the possibility existed through the Bill discounting measures and banks in every corner of the country, the platform by itself is a creation of digital market space more than a solution to the working capital needs of MSME. Mere procedural changes in the policies of identifying the MSME and offering them external assessment would not resolve the present challenges of MSME that face stiff competition in the present era. The fast globalisation and standardisation of things have made it difficult for MSME to cope with the changing environment. The main competitive edge that MSME have over the large and MNC is their flexibility, customisation and local reach which has not been put to advantage in any manner in the budget.

Rental Housing and Dormitory type accommodation of industrial workers facilitated through PPP model is welcome step to remove the woes of the migrant workers. A lot in the Budget speech comes as what will be done rather than what is done or is to be done.

The present dispensation of the government has been on setting up digital platforms over the real economic activities. The platform are integrating the system but do they really create real economic systems versus digitisation of the real economic systems is a debate by itself. We observe that the budget offers yet another platform called the Integrated Technology

for Insolvency and Bankruptcy Code ecosystem. They do ease the business and make data available at the click of the button but does one need to debate the dangers of data centralisation and its spill over effects to understand whether Centralised Systems like the digital platforms may threaten the ecosystem of federal structure of the economy in the hands of those having influence, power and capital.

A good initiative of the government is development of PM SVAnidhi Scheme transforming the lives of the street vendors with the development of 100 weekly haats and street food hub in select cities.

There is also continuous support provided for private players to adopt to renewable energy sources through the incentivisation programs of the government. One does find mention of energy transition, PM Surya Ghar Muft Bijli Yojana, Pumped Storage Policy, research and development of small and modular nuclear reactors, Advanced Ultra Super Critical Thermal Power Plants, roadmap for “hard to abate” industries and investment in infrastructure namely Pradhan Mantri Sadak Yojana, Irrigation and Flood mitigation, tourism but nothing concrete in policy changes is observed.

The budget also provides for spurring private sector driven research and innovation on commercial scale with a financing pool of Rs. 1 lakh crore and also for the space economy an establishment of ₹ 1,000 crore venture capital fund is again a subsidy to the corporates or commercial works over social works which much debateable to the existence and role of the government.

An interesting measure undertaken by the government is for land reforms is the assignment of Unique land parcel identification number or Bhu Aadhar for all lands, digitalisation of cadastral maps, survey of map sub-division as per current ownership and establishment of land registry and linking to farmers registry. The speed with which infrastructure is being developed with the high dividend payouts of RBI and PSU banks and transfer of tax revenue it is difficult to envisage that the government may need to bring food secured lands bills with ownership rights under lack of understanding of digitalisation, privacy and literacy.

The variable company structure in aircrafts and ships may put the Air and sea security of the country at risk as it may not envisage the change of transactional responsibilities and much loss the country had in the earlier circumstances.

An interesting scheme of the government is introduced in the terms of NPS Vatsalya a plan for contribution by parents and guardians for minors which is difficult to understand as any schemes for minors are often risk free. Given the risks of investing in the market, the pension itself is risky and that too for minor becomes more and more risk. It is worth understanding whether to promote financialisation and to deepen capital markets putting the senior citizens and minors funds at risk is worth.

The bills are being introduced in the Parliament without sufficient notice, public debate, understanding and passed with majority. Another bill in question is the Jan Vishwas Bill 2.0. It would be good to read the bill in the parliament like the budget for them to understand what it really means and is likely to change the landscape of the existing business for better or worse.

III. Tax Proposals

Indirect Taxes offer relief to cancer patients by fully exempting three more medicines, changes in BCD on x-ray tubes, flat panel detectors, medical X-ray machines, mobile phone parts. 25 critical minerals custom duties are fully exempt. Exemption for solar energy is extended. Reduction in BCD is observed on certain broodstock, polychaete worms, shrimp, fish feed to 5%. Reduction in BCD is also provided on real down filling material from duck or goose. Custom Duties on gold and silver is reduced to 6% and that on platinum to 6.4%. BCD is removed for domestic electronics industry subject to the condition on oxygen free copper for manufacture of resistors. All these steps are welcome steps to promote the industry.

The budget provides for the increase of BCD on ammonium nitrate from 7.5 to 10%. An increase in BCD of PVC flex from 10% to 25%. BCD is also increased on PCBA from 10% to 15% in telecommunication equipment. There is also an extension of time limit for re-import of goods for repairs under warranty from three to five years. This is aimed at incentivising domestic production in the different industries.

The effects of these tax changes can best be estimated in the forward and backward linkages of the inputs to final outputs and domestic markets presence of domestic players and raw material which appears to be a welcome move by the government.

In the direct taxes short term gains were given a flat rate of 20% on certain financial assets. Long Term gains Tax on financial and non financial assets was increased to 12.5%. Limit of exemption of capital gains on certain financial assets is increased to Rs. 1.25 lakh per year. The budget also abolished angel tax. It also proposed safe harbour rates for foreign mining companies selling raw diamonds in the country. The corporate tax rate on foreign companies was reduced from 40% to 35%. Income on buyback of shares is now taxable in the hands of the recipient. Non reporting of movable asset up to Rs. 20 lakhs has been depenalised by the government. Standard Deduction for salaried employees is increased from ₹ 50,000 to ₹ 75,000/-. A deduction on family pension for pensioners is enhanced from ₹ 15,000/- to ₹ 25,000/-.

A new tax Regime structure (portfolio approach proposed in Agarwal, 1988) is initiated with the view to remove the deduction and exemption that add to much higher benefit to the tax payers. The proposed structure exempts income upto ₹ 3 lakh, taxes ₹ 3-7 lakh by 5%, ₹ 7 to 10 lakh at 10%, ₹ 10 to 12 lakhs to 15%, ₹ 12 to 15 lakhs at 20 % and Above ₹ 15 lakhs at 30% where the government claims that the salaried employee will stand to save upto ₹ 17,500 in income tax.

IV. Conclusion

The new changes are good and provides for consumption-oriented economy. It however does not undertake the lack of social security incentivisation in form of insurance, pension, expenses for parental and children care and other items that other tax structure provides for. It is not welcoming that the corporate tax rates which is taxation on commercialisation is lower than individual tax rates which direct and indirect add to the highest rates that an individual pays. It is unfortunate that given directions of the present government dispensation it provides for more free and open economic systems without adequate social security coverage like registration of each individual with a nearby hospital based on the district. Also housing for the poor and needy in times of difficulty existence. India is yet to provide for un-employment benefit which available with social security numbers in many developed countries. Though Government is making efforts to try and secure the un-organized sector, however the government needs to provide for and lower GST Taxes to provide relief to all. The per capita income does not provide to be a good measure of the income, given the in-equalities that have deepened after Covid which is put on a side under the Viksit Bharat ambition. It is essential to reiterate India continues to struggle with the large population that is poor, underprivileged and in need of basic necessities and social parameters are yet not close to in proportions to the developed economy to fall in trap of the free economic system without providing for the social capital for the people. The projects in the Union Budget 2024-25 are very welcoming and will reap fruits for generations if implemented to totality. India being the fastest growing economy and the most resilient economy with well managed inflation and economic developed is appreciated and has won the hearts of millions by trying to observe most of the findings and structures suggested in the Noble Prize winners works in the last 7 years in particular. India's growth trajectory and diplomacy will reap fruits for the future generations to come, provide the youth energy is well placed through Government / Non-Government efforts in the right direction.

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