

A GLIMPSE AT INDIA'S UNION BUDGET 2024-25

By
Muhammad Ahmad Khan
Research Associate
India Study Centre (ISC), ISSI

Edited by
Dr Khurram Abbas

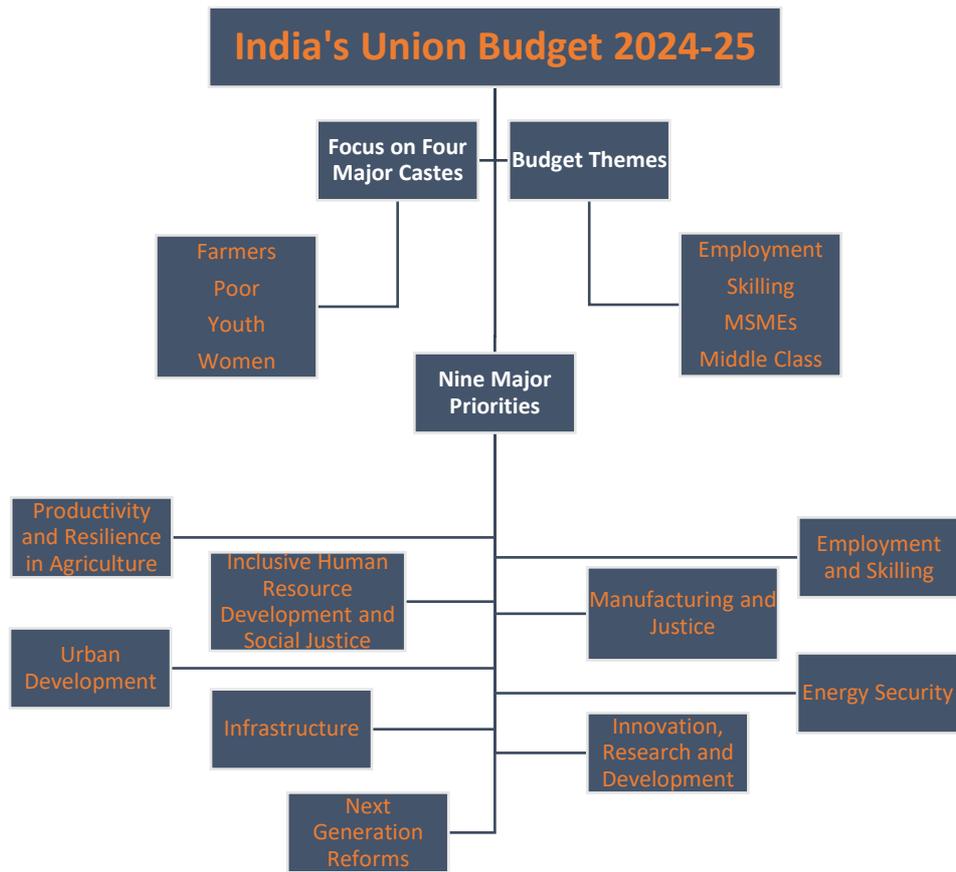
September 6, 2024

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Image courtesy: The Leaflet

Finance Minister Nirmala Sitharaman presented the Union Budget 2024-25 on 23 July 2024 in the Indian Parliament. This first Budget after the BJP's electoral victory in the 18th Lok Sabha elections envisages myriad schemes to boost employment, infrastructure, and various economic sectors of India. While major initiatives were announced, the Budget has also been criticized for increased taxes that ultimately will impact the investment sectors. Moreover, the Budget entails enhanced spending for the states governed by the BJP's allies such as Andhra Pradesh (Telugu Desam Party) and Bihar (Janata Dal-United).



Who seeks what from the Budget?

In the year 2024, the Finance Minister presented two Union Budgets; one in February, and the other in July, raising confusion regarding India's budgetary structure. However, there is a need to understand that two budgets in a year are an exception because of this being an election year. In the election years, the government announces an interim Budget for a shorter period to cater for government spending until the new government is established after the elections. The latest Budget presented in July 2024 is the full-fledged Budget that would cover spending for the fiscal year 2024-25. India's fiscal year starts on April 1 and ends on March 31. Usually, the government avoids announcing major initiatives in the interim Budget.¹

In her Budget Speech, Finance Minister Sitharaman announced that the government's spending will cover four major groups in the country: farmers, youth, poor, and women. Based on four themes,

¹ "Budget 2024: Why India has two budgets for Fy25," CNBC, July 17, 2024, <https://www.cnbc18.com/economy/budget-2024-why-india-has-two-budgets-for-fy25-19444492.htm>.

the Budget covers nine priority sectors as shown in the figure.² To strengthen the agriculture sector, the Budget aims at raising production capacity and strengthening the supply chain to resolve storage and marketing issues. Around 10 million farmers will be supported for natural farming. Moreover, the Budget commits to initiating digital crop surveys in 200 districts and issuing Kisan Credit Cards. Amidst major employment challenges, the Budget has announced initiatives for youth employment and skills development. The new entrants in all formal sectors will get INR 15000. In the next five years, the skill development program aims to train two million youth according to the industry needs. The government will establish 1,000 Industrial Training Institutes (ITIs) for this purpose. Moreover, loans up to INR 7.5 lakh and INR 10 lakh will be provided to youth for startups and education purposes.

To support inclusive human resource development and social justice, under the theme, *Vikas bhi Virasat bhi*, the Union government aims to create economic opportunities in different states including West Bengal, Odisha, Jharkhand, Bihar, and Andhra Pradesh. Around INR 3 Lakh crore will be utilized for schemes to benefit women and girls. The Budget has also kept INR 15000 crore for the Andhra Pradesh Reorganization Act, incorporating different social and infrastructural development projects in the State. For Bihar, a range of roads, airport, and power projects are sanctioned. To boost the manufacturing sector, twelve industrial parks will be established under the National Industrial Corridor Development Programme (NICDP).

The Indian government has also announced plans for urban development and energy security. Around 10 lakh crore will be invested in addressing the needs of 10 million poor and middle-class families. More than 10 million households will obtain free electricity under *PM Surya Ghar Muft Bijli Yojana*. The Budget has also allocated 3.4 percent of the GDP for infrastructure purposes. In Assam, Sikkim, Uttarakhand, and Himachal Pradesh, the funds will be utilized for irrigation and flood mitigation purposes. The government also aims to refurbish tourist sites. Last, but not the least, the Budget aims to support the innovation and research sector and complete some next-generation reforms through digitalizing the inheritance and ownership systems.

Besides these allocations, the Budget has increased taxes on the investment sector also. Tax on short-term capital gains investment has increased to 20 percent from 15 percent, and tax on long-term capital gains investment has increased to 12.5 percent from 10 percent. However, tax relief is provided to foreign companies reducing from 40 to 35 percent.

² Union Budget 2024, Ministry of Finance, <https://www.indiabudget.gov.in/>.

Response to the Budget

The opposition parties severely protested against the Budget and alleged government biases towards particular states. On 24 July, the opposition walked out of the Rajya Sabha as a protest. Opposition leader Rahul Gandhi said this is a "kursi bachao" Budget.³ He added that the Budget aims to "appease the allies and there is no relief for the common Indian." Samajwadi Party's Ram Gopal Yadav said that in actuality, very little will be achieved compared to what has been announced. Shiv Sena (UBT)'s Priyanka Chaturvedi also criticized the Budget by saying that this is actually "PM Sarkar Bachao Yojana."⁴

There are three major arguments which contend that the current Budget favors particular states of BJP allies and ignores some technical problems. Firstly, contrary to its second tenure between 2019-2024 when the BJP secured a landslide majority in Parliament, this time the BJP is dependent upon the allies – JD and TDP. The allies had mentioned earlier that they would not let the government come up with any policy that will be controversial to their states' interests. Chandrababu Naidu had supported a no-confidence motion in 2018 against the BJP due to the latter's lack of interest in providing the special status to Andhra Pradesh. This time in the Budget the Union government has promised to arrange a significant amount for Andhra Pradesh to appease Chandrababu Naidu and his party. The Modi government cannot risk losing the allies' support for the coalition during its third term. Secondly, the reason behind the opposition calling it an Andhra Pradesh and Bihar Budget is that the Union government has the obligation to treat all states equally. States like Manipur and Kerala did not get significant mention in the Union Budget. The Budget could have spared extra funding to help bring peace to the conflict-ridden state, but Manipur was not mentioned even for once in the speech.⁵ Thirdly, there is no doubt that India is growing at a fast pace with a growth rate of around 8.1 percent, but the country's economic growth is K-shaped. While the GDP is going higher, social inequality between the poor, middle class, and elite is widening.

Conclusion

Although the Indian government has aimed to cover almost every sector, mainly employment, in the Union Budget 2024-25, the Budget seems to be highly ambitious, which may fall short of its claims

³ Kursi Bachao Budget: Opposition says states ruled by it ignored, slams BJP for appeasing allies," *The Economic Times*, July 23, 2024, <https://economictimes.indiatimes.com/news/politics-and-nation/rahul-gandhi-mallikarjun-kharge-criticise-budget-2024-call-it-kursi-bachao-budget/articleshow/111959113.cms?from=mdr>.

⁴ Nisha Anand, "Budget 2024 reactions: BJP, ally Nitish Kumar and opposition, who said what," *Business Standard*, July 23, 2024, https://www.business-standard.com/budget/news/budget-2024-reactions-bjp-ally-nitish-kumar-and-opposition-who-said-what-124072300660_1.html.

⁵ "Budget 2024-25," Government of India, https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

and promises. Former Finance Minister P. Chidambaram said that most of the initiatives announced in the Budget resemble what was announced in the Indian National Congress (INC) election manifesto of 2024. The BJP leadership negates any such resemblance with the INC manifesto. Overall, with allegedly biased allocation of resources to Bihar and Andhra Pradesh, and subsequent criticism by the opposition, this has become a highly politicized Budget.