

IN PURSUIT OF VIKSIT BHARAT

**Interim Budget 2024-25 Reiterates the Commitment
to Fiscal Discipline and Growth**

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Interim Budget 2024-25 Reiterates the Commitment to Fiscal Discipline and Growth

India's Interim Budget 2024-25 aptly proposed the vote on account to enable authorized expenditures till the next government presents a full budget for FY 2024-25. As it opens with the resolve that, "We are working to make India a 'Viksit Bharat' by 2047", it spells out the vision for a developed India in harmony with nature and modern infrastructure, and with opportunities for all - citizens and regions.

Interim Budget 2024-25 speaks highly of the country's attainments in macroeconomic stability, infrastructural development, societal changes and wide ranged initiatives from improving ease of living to ease of doing business. And more importantly, it has reaffirmed the government's commitment to fiscal discipline and growth during the 'Amrit Kaal' (2022-2024).

Trimming the deficit, resolve to be prudent than populist

Estimates of Deficits, Government of India (In Rs Crore and Percentage)				
	2022-2022	2023-2024	2023-2024	2024-2025
	Actuals	BE	RE	BE
Revenue Deficit	10,69,926	8,69,855	8,40,527	6,53,383
	-3.9	-2.9	-2.8	-2
Effective Revenue Deficit	7,63,662	4,99,867	5,19,337	2,67,801
	-2.8	-1.7	-1.8	-0.8
Fiscal Deficit	17,37,755	17,86,816	17,34,773	16,85,494
	-6.4	-5.9	-5.8	-5.1
Primary Deficit	8,09,238	7,06,845	6,79,346	4,95,054
	-3	-2.3	-2.3	-1.5

Source: Interim Budget 2024-25, Government of India

Remarkably, the government, in its interim budget, revised its estimate for fiscal deficit for FY 2023-24 to 5.8% from 5.9% estimated earlier.

Going a step ahead and beating market expectations of 5.3%, the interim budget targeted the fiscal deficit for FY2024-25 to be at 5.1%. It also resolved to taper it down further to 4.5% by FY2025-26. This implies that budget in FY 2025-26 would advocate stricter fiscal controls.

Trimming the deficits also implies that the government's borrowings would come down while that also enhances the possibilities of interest rate cuts by the RBI in the upcoming months.

Trimmed fiscal deficit estimates as spelt out in the interim budget bode well in choosing to be prudent than populist during the upcoming years. And that is apt and necessary to evolve both as a maturing democracy and economy.

Improvement in the quality of fiscal deficit and hence quality of spending

The budget figures reveal an improvement in the quality of the fiscal deficit. The ratio of revenue deficit to fiscal deficit has come down 3.9:6.4 to 2:5.1. This is the portion of expenditure allocated to meet revenue expenditure as against capital expenditure. This leaves a larger room for the government to allocate to capital expenditure.

Thrust on capex to continue

Estimates of Expenditure on Capital Account, Government of India (in Rs Crore)				
	2022-2022	2023-2024	2023-2024	2024-2025
	Actuals	BE	RE	BE
Capex	7,40,025	10,00,961	9,50,246	11,11,111

Source: Interim Budget 2024-25, Government of India

The budget reflects the continuity in the government's thrust on capital expenditure. The capital expenditure is estimated to rise by 17% to Rs 1111111 crore in FY 2024-25. This is estimated to be 3.4% of the GDP.

Capex spending is expected to strongly support growth in the upcoming year. Capex support to states is also likely to be enhanced. This will encourage private investments.

The three major economic railway corridor programmes, viz. i) energy, mineral and cement corridors, ii) port connectivity corridors, and iii) high traffic density corridors, to be implemented soon would enhance logistic efficiency while also reducing costs. Resolving on e-buses, metro rail, green energy, etc. would speed up the growth engine.

The government's thrust on capex is likely to boost investor confidence further in the long run.

(For a detailed view on the government's thrust on capex, please refer to our Economic Brief titled, **'GOVERNMENT'S THRUST ON CAPEX -- Improving the Quality of Spending and Crowding in Private Capex'** dated November 15, 2023: https://www.brickworkratings.com/Research/Economic-Brief_Governments-Thrust-on-Capex.pdf)

Foreign Direct Investment (FDI) to *"First Develop India"* ...

The Interim Budget 2024-25 is being identified for the new interpretations, phrases and concepts that it attempts to propagate. It strongly interprets Foreign Direct Investment (FDI) as *"First Develop India"*, and underlines the perspective and the priority of the government to attracting FDI to various sectors of Indian economy. It also underlines the crucial role FDI plays in economic growth of a country.



The Interim growth lauds the period FY 2013-14 to FY 2022-23 as a golden era when the economy bagged FDI inflows worth \$ 596 billion which are double the inflows during FY 2004-5 to FY 2013-14. Aptly, the budget states that government would make sustained efforts to negotiate bilateral investment treaties with foreign investors.

(For a detailed view on FDI in India, please refer to our Economic Brief titled **'NEVER TO LOSE SIGHT OF THE FDI, For Projects Make The Country...'** to be published soon.)

Improving tax payer services – an ingredient of “ease of living and ease of doing business”

Being an interim budget, this budget did not propose any new taxes but in line with the government’s vision to ensure “ease of living and ease of doing business”, it proposed to withdraw outstanding direct tax demands up to Rs 25,000 pertaining to the period up to FY 2009-10 and up to Rs 10,000 pertaining to FY 2010-11 to FY 2014-15. This will benefit around a crore tax-payers wherein there are disputed direct tax demands, dating as far back as 1962. This is an initiative to improve tax payer services, which the government has interpreted as a necessity to provide ease of living and ease of doing business in India.



Stress on research and innovation

The interim budget stresses on research and innovation to trigger growth and promote employment among youth. It has announced establishing a corpus of Rupees One Lakh Crore with fifty-year interest free loan. It will facilitate long-term financing/refinancing with long tenors and low or zero interest rates. It will enable private sector to enhance research and innovation in sunrise fields.

Further, a new scheme is proposed for firming up deep-tech technologies in defence and enhancing the country’s expediting ‘atmanirbharta’ or self –reliance in defence.

Sectoral

The expenditure budget reveals that defence and infrastructure development particularly transport infrastructure are accorded top priority. This underlines the aims of attaining self - reliance in defence and upgrading infrastructure in the country.

Budget estimates for expenditure also stand higher for consumer affairs, food and public distribution, home affairs, chemicals and fertilizers, rural development, agriculture and farmer’s welfare and communication budget estimates.



Expenditure Budget 2024-25, Ministry Wise Budget Estimates (in Rs Crore)	
Defence	6,21,540.9
Road Transport & Highways	2,78,000.0
Railways	2,55,393.0
Consumer Affairs, Food And Public Distribution	2,13,323.4
Home Affairs	2,02,868.7
Rural Development	1,80,233.4
Ministry of Chemicals and Fertilisers	1,68,379.8
Communications	1,37,255.1
Agriculture and Farmers Welfare	1,27,469.9

Source: Interim Budget 2024-25, Government of India

Inclusive Development

- The budget resolves to focus on social inclusivity and work for the aspirations and welfare of 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmer).
 - Budget mentions 'Direct Benefit Transfer' of Rs 34 lakh crore from PM-Jan Dhan Yojana towards welfare of the poor which has resulted in savings of Rs 2.7 lakh crore for the government. Further, 78 lakh street vendors have received credit assistance and out of those, 2.3 lakh have received credit for the third time.
 - Budget states that farmer's welfare is being sought through PM-KISAN SAMMAN Yojana wherein direct financial assistance is provided to 11.8 crore farmers.
 - Budget highlights that Skill India Mission has provided training to 1.4 crore youth while young entrepreneurs have benefitted from PM Mudra Yojana with 43 crore loans sanctioned, making up Rs 22.5 lakh crore.
 - The budget speaks proudly about women empowerment initiatives including sanctioning of thirty crore Mudra Yojana loans, making 'Triple Talaq' illegal, providing reservation of one-third seats for women in the Lok Sabha and State legislative assemblies, and giving over 70% houses under PM Awas Yojana in rural areas to women as sole or joint owners
- As per the budget, healthcare cover under Ayushman Bharat scheme will be extended to all ASHA workers, Anganwadi Workers and Helpers.
- As part of inclusive development, the budget stressed on Aspirational Districts Programme and focus on development of the Eastern region of the country.

Outlook

Interim Budget 2024-25 advocates how government delivered on macro-economic parameters so far and reiterates its stance to follow the same style and substance if it is voted to power in the upcoming general elections slated soon. If so, the economy and stakeholders including investors would see continuity of policy and projects, thereby supporting India's growth trajectory.

Interim Budget 2024-25 also enhances expectations of higher doses of fiscal prudence and more focused initiatives for growth by the government, in its full budget in July 2024, in pursuit of **Viksit Bharat** during the **Amrit Kaal**.

* Views are personal.

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