

● POLITY

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● ECOLOGY

## UNION BUDGET 2024 – 25

### ECONOMICS & DEVELOPMENT

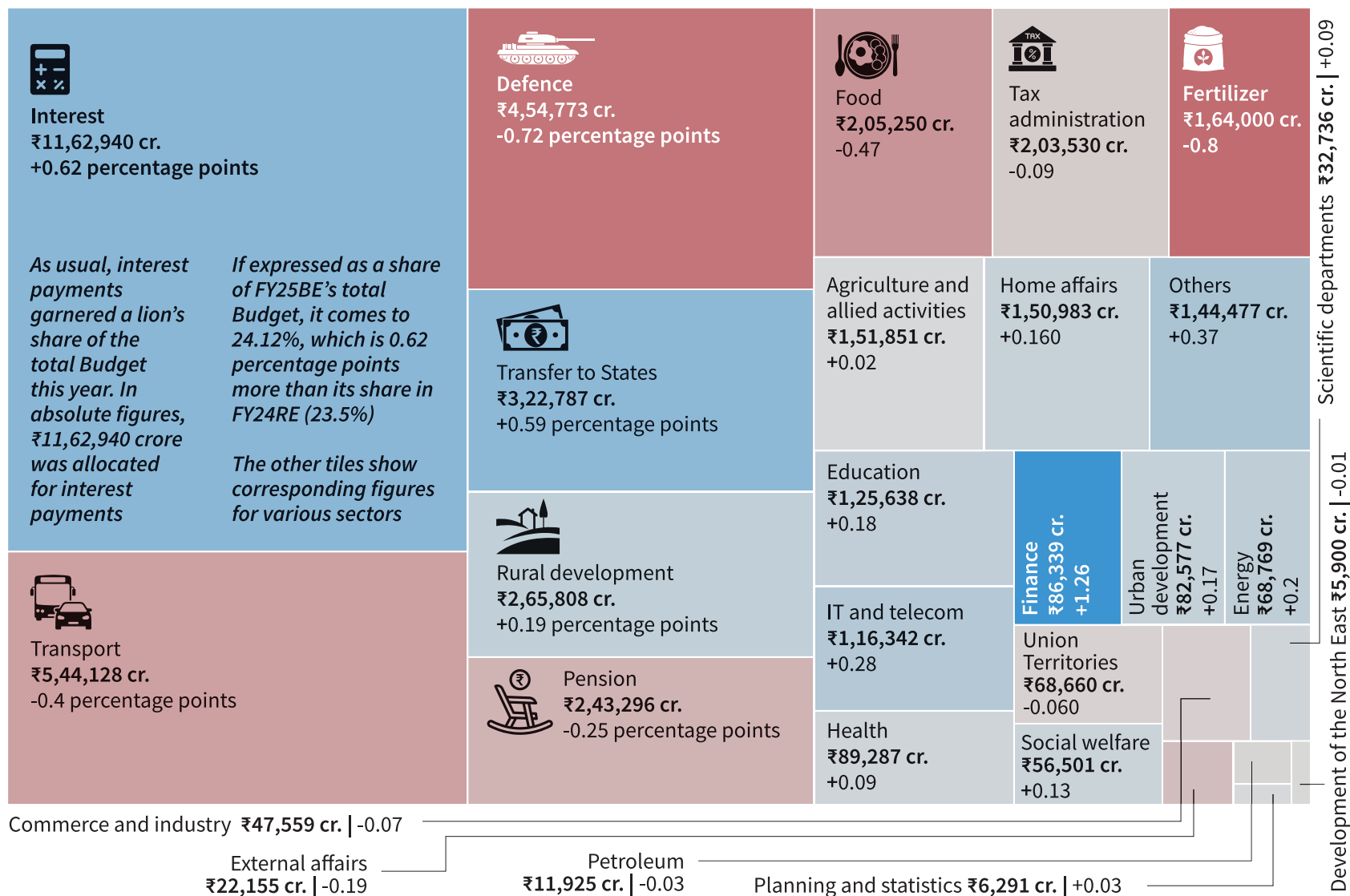
“This is a Budget that will take the country’s villages, poor and farmers on the path of prosperity. This is for the continuation of the empowerment of the neo middle class”

**NARENDRA MODI**  
Prime Minister



## Budget breakdown

The outlay for the transport sector (apart from interest payments) formed the bulk of the expenditure in FY25BE. However, transport’s share in total Budget came down by 0.4% points from last year (11.69% in FY24RE to 11.29% in FY25BE). The graphic depicts budgeted expenditure (₹ crore) and the change from FY24RE in percentage points



SOURCE: THE FIGURES ARE SOURCED FROM “THE EXPENDITURE OF MAJOR ITEMS” PAGE WHICH FEATURES IN THE “BUDGET AT A GLANCE” DOCUMENT

# Most sectors shed pandemic blues

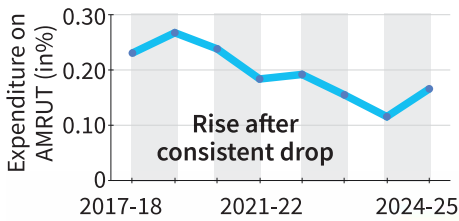
Growth of Gross Value Added (GVA) accelerated across most sectors, except agriculture, in Q4FY24. Growth in agriculture stagnated, recording the lowest figure in over five years in Q4FY24 (considering only the last quarter). In contrast, manufacturing and industry sectors posted significant growth. Table shows y-o-y% increase in GVA

Quarter	Agriculture	Industry	Mining	Manufacturing	Electricity	Construction	Services
FY18Q4	7.8	9.5	-8.9	11	11.2	14	5.9
FY19Q4	-0.9	3	0.4	1.7	5.1	6.6	7.7
FY20Q4	8.8	-2.1	-1.2	-4.7	2.8	2.3	5.6
FY21Q4	3.3	16.3	-2.9	19.6	2.7	19.4	1.3
FY22Q4	5.5	2.3	1	-0.3	7.2	7	5.3
FY23Q4	7.6	3.4	2.9	1	7.3	7.4	7.2
FY24Q4	0.6	8.4	4.3	8.9	7.7	8.7	6.7

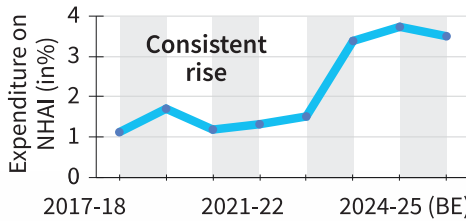
## A mixed bag

Outlays to implement housing in urban & rural areas, and other basic amenities in urban areas as a share of total Budget have improved in FY25BE. The allocation to smart city mission as a share of total Budget, on the other hand, has plunged

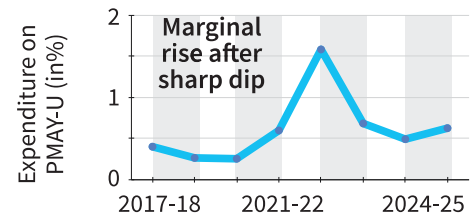
**AMRUT:** Water supply, sewerage, transport, and parks in urban areas



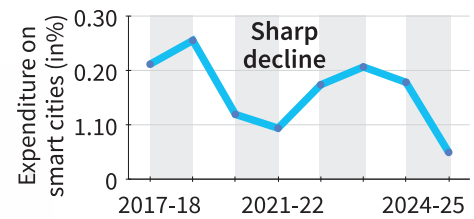
**NHAI:** Responsible for the execution of the Bharatmala Pariyojana



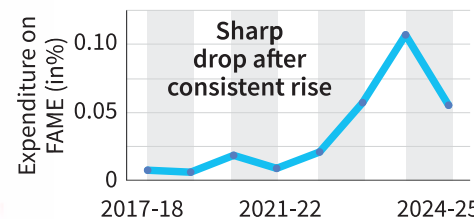
**PMAY-U:** Aims at providing pucca houses to beneficiaries in urban areas



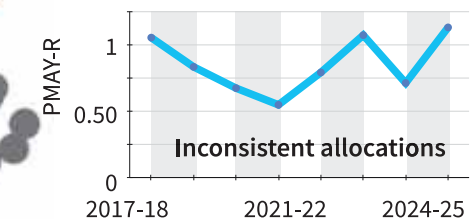
**Smart cities mission:** Aims at transforming cities through better infrastructure



**FAME:** Supports the electrification of public and shared transportation

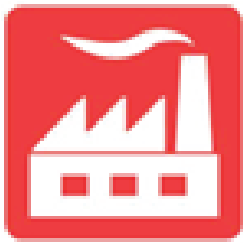


**PMAY-R:** Aims at providing pucca houses to beneficiaries in rural areas



**EMPLOYMENT AND EDUCATION** - Proposed a prioritised approach in the fields of employment and skilling announcing 5 schemes with an outlay of ₹ 2 lakh crore to generate jobs for the youth. The Centre will implement three schemes for “employment-linked incentive” as part of the Prime Minister’s package. based on enrolment in the Employees’ Provident Fund Organisation (EPFO) focussing on recognition of first-time employees, and support to employees and employers.

- Provide one-month wage in three instalments via direct benefit transfer of up to ₹ 15,000 for an estimated 21 Cr. first-time employees in all formal sectors registered in the EPFO, drawing a salary of ₹ 1 lakh per month.
- Incentivise EPFO contribution of employment of first-time employees in the manufacturing sector in the first four years expected to benefit 30 lakh youth entering employment, and their employers.
- Reimburse employers up to ₹ 3,000 per month for two years towards their EPFO contribution for each additional employee in all sectors.
- Upgradation of thousand Industrial Training Institutes under a hub-and-spoke model to skill 20 lakh youth over a five-year period.
- Internship allowance of ₹ 5,000 per month and a one-time assistance of ₹ 6,000 for 12 months in 500 top companies in the next five years to 1 Cr. youths



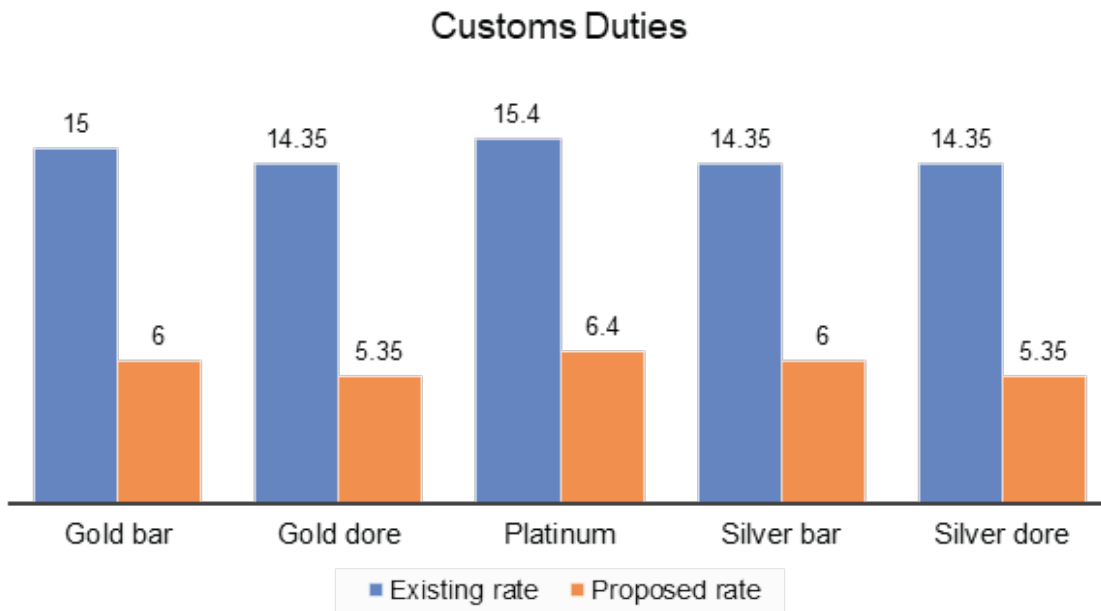
### **MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)** –

Formulated a package covering financing, regulatory changes, and technology support for MSMEs and manufacturing, particularly labour-intensive manufacturing to help them grow and also compete globally. MSMEs contribute 35.4 % to all-India manufacturing output in FY22 and the share of MSME-made products in exports in FY24 was 45.7 %.

- **CREDIT GUARANTEE SCHEME** pooling credit risks of MSMEs to facilitate non-collateral or third-party guarantee term loans for purchase of equipment.
- **GUARANTEE COVER** up to ₹ 100 Cr. to each applicant upon paying an upfront guarantee fee and an annual guarantee fee on the reduced loan balance via independent self-financing guarantee fund.
- **NEW CREDIT ASSESSMENT MODEL** to be developed Public sector banks in-house, based on the scoring of digital footprints of MSMEs in the economy to assess MSMEs for credit.
- **ENHANCING LIMIT OF MUDRA LOANS** from ₹ 10 lakh to ₹ 20 lakh for those who have repaid previous loans under the ‘Tarun’ category.
- **E-COMMERCE EXPORT HUBS** to be set on public-private-partnership (PPP) mode to facilitate MSMEs and traditional artisans to sell their products in the international markets.
- **INVESTMENT-GRADE ENERGY AUDIT** of traditional MSMEs in 60 clusters to financially support for transition to cleaner forms of energy.
- **RENTAL HOUSING WITH DORMITORY TYPE ACCOMMODATION** for industrial workers will also be facilitated on PPP mode.

## PRODUCTIVITY –

Customs Duty on gold, silver reduced to 6 %



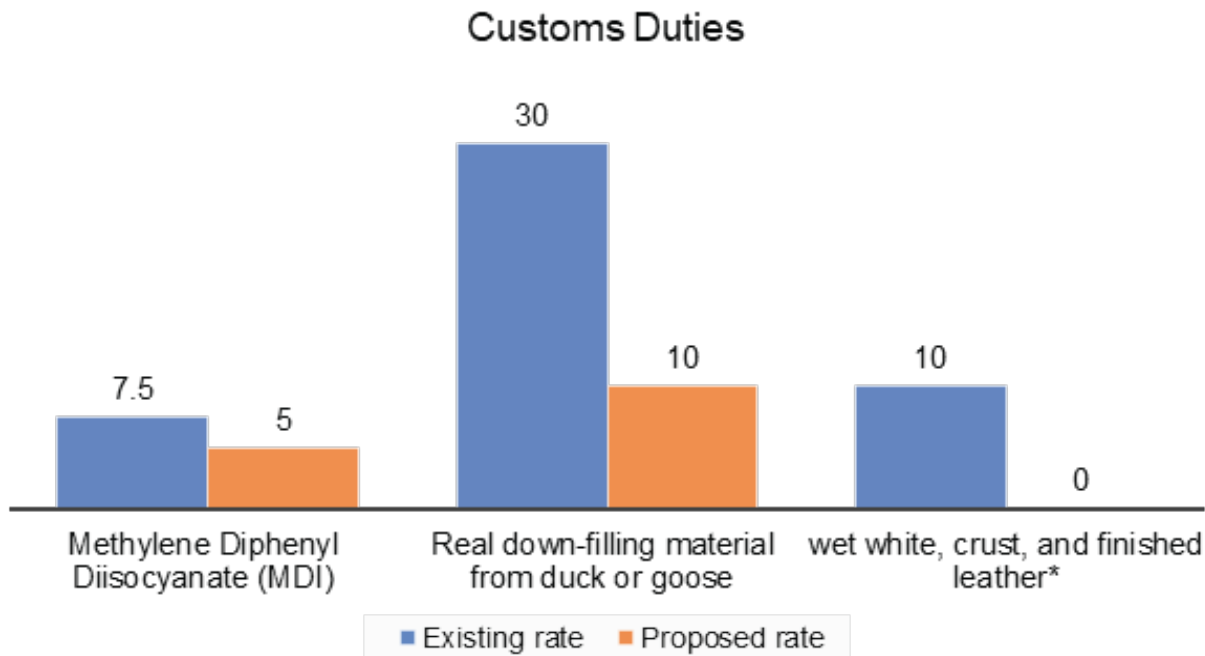
**FIGURE:** Column chart representation of the customs duties of metals. The significant duty cuts would help reduce smuggling and cost the government an annual revenue loss of ₹ 28,000 Cr. based on FY24 import levels. India is a world leader in the diamond-cutting and polishing industry,

employing a large number of skilled workers. The proposal to abolish equalisation levy and announcement of safe-harbour tax on rough diamond trading is expected to fuel the growth of the diamond cutting and polishing industry.

### Customs duty slashed on certain inputs for textile and leather industries



Proposal to reduce import duty some of the additional accessories and embellishments for manufacture of textile and leather garments, leather and synthetic footwear, or other leather products for exports is expected to enhance the competitiveness of exports in the leather and textile sectors.

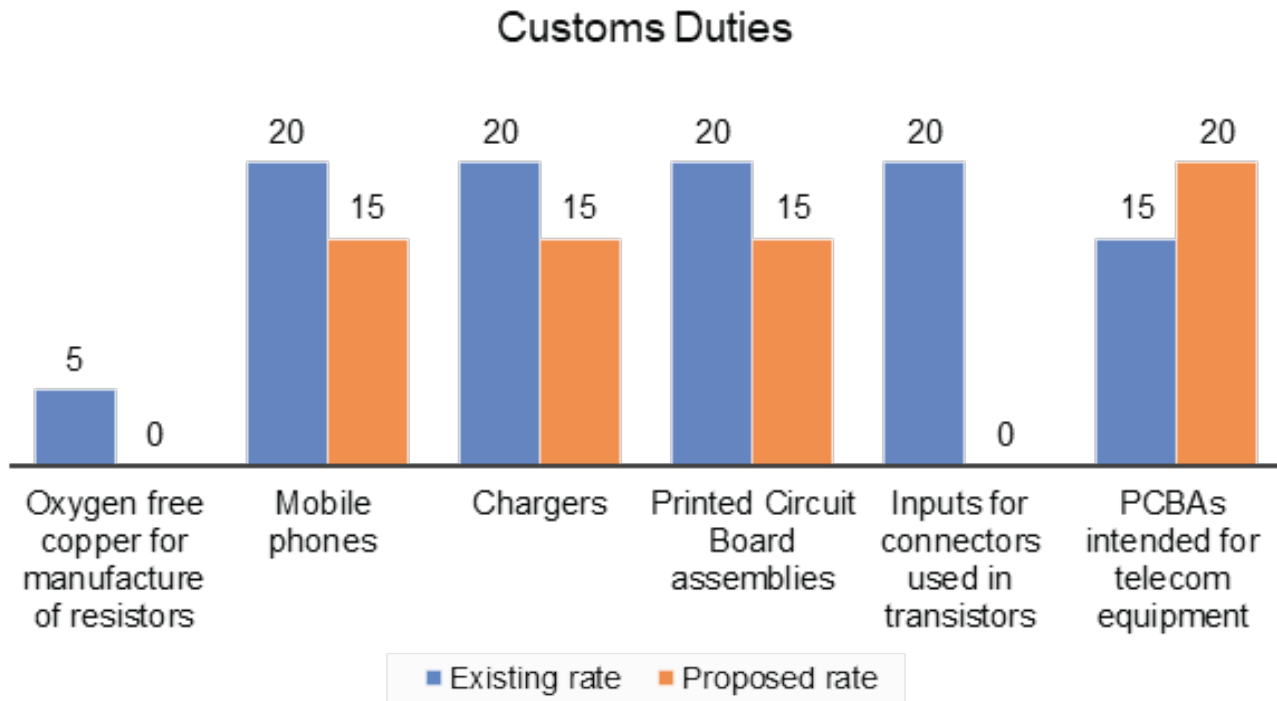


**FIGURE:** Column chart representation of the customs duties of metals. \* for manufacture of garments, footwear, and other leather products for exports.

## Customs duty reduced on mobile phones, chargers, and electronic components



Slashed basic customs duty on mobile phones, chargers, and some components as part of the Budget.



**FIGURE:** Column chart representation of the customs duties on mobile phones, chargers, and electronic components.

## ₹1,000-cr. venture capital fund for space start-ups



Announced a pool of ₹1,000 Cr. (US \$ 120 million) as Venture Capital Funding (VCF) for space start-ups with the goal of “expanding the space economy by five times in the next 10 years. The total funds raised in 2023-2024 by all our space start-ups combined was a paltry US \$ 134 million.

### Farming sector

- Review the agriculture research set-up to bring focus on raising productivity and developing climate-resilient varieties. New 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers.
- Initiate one crore farmers across the country into natural farming supported by certification and branding in the next two years.
- Implementation of Digital Public Infrastructure for Agriculture, and digital crop survey of kharif crop in 400 districts.
- Financial support for setting up a network of Nucleus Breeding Centres for shrimp broodstocks through NABARD.

*“Doing nothing is very hard to do. You never know when you’re finished.”—Leslie Nielsen*



**LAND**– Land-related reforms and actions, both in rural and urban areas, will cover land administration, planning and management, and urban planning, usage and building bylaws”. The 2024-25 Union Budget presented by Finance Minister

Nirmala Sitharaman promised a few reforms related to land and land use in the country ranging from their identification to planning and potentially drawing from multiple domains.

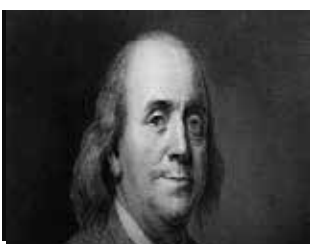
- The Centre “in partnership with States will facilitate the implementation of the Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands in three years”, including a “digital survey” of the kharif crop in 400 districts and the land details being brought into a “land registry”.
- Rural land-related actions will include assignment of unique land parcel identification numbers or Bhu-Aadhaar for all lands, digitisation of cadastral maps, survey of map sub-divisions as per current ownership, establishment of land registry, and linking to the farmers registry.
- Land records in urban areas will be digitised with Geographic Information System (GIS) mapping that facilitate improving the financial position of urban local bodies. An IT-based system for property record administration, updating, and tax administration will be established.

**OPPORTUNITIES** – Proposal to scrap Angel tax on foreign investments received by start-ups to help “bolster the Indian start-up ecosystem, boost the entrepreneurial spirit, and support innovation”. Angel taxes are believed to curb foreign investment and deterred the growth of start-ups. Start-up funding fell 60 % in 2023 to \$10 billion.



**YOUTH** – The focus on empowering youth via education will help in reducing the financial burden on students and promoting enrolment in domestic institutions. This initiative will undoubtedly empower many aspiring students to pursue their academic goals without the burden of financial constraints and increase job opportunities.

- New loan scheme with transfer of e-vouchers to one lakh students every year to secure loans up to ₹ 10 lakh to pursue higher education in domestic institutions. The annual interest subvention will be 3 % of the loan amount. ₹ 10 lakh education loan with annual 3 % interest subvention.
- Model Skill Loan Scheme, a revamped version of the Skill Loan Scheme that was launched in 2015 to facilitate loans up to ₹ 7.5 lakh with a guarantee from a government-promoted fund expected to help 25,000 students every year. As per information provided by the Indian Banks Association with respect to 21 banks, a total skill loan of ₹ 29.06 Cr. was disbursed during the year 2018-19.



*“If you invest more in your education, then you are likely to get more interest in it.”*

*–Benjamin Franklin*



**MIDDLE CLASS** – Tax rationalisation has been proposed to benefit the middle class. The tax restructuring would simplify capital gains taxation and the introduction of a 20 % tax on short-term gains is likely to reduce volatility, raise tax revenue, and bring long-term focus. A dramatic rise in derivative trading volumes

has been witnessed since 2020. Retail investor participation in derivatives market surged from 2 % in 2018 to 41 % in 2023. Regulators have expressed concerns that this surge in trading is leading to speculative behaviour that could be detrimental to individual investors and the broader economy. This change in tax policy should encourage retail investors to shift focus from speculative trading to long-term investments.

- Listed financial assets held for more than a year; unlisted financial assets and all non-financial assets would have to be held for at least two years are categorised as long-term instruments. Long-term gains on all financial and non-financial assets would attract a tax of 12.5%.
- Short-term gains on certain financial assets will henceforth attract a tax of 20%, while those on all other financial and non-financial assets would continue to attract the 15% tax rate.
- Unlisted bonds and debentures, debt mutual funds and market-linked debentures, irrespective of the holding period, would attract tax on capital gains at applicable rates.
- Proposal to increase the limit of exemption of capital gains on certain financial assets to ₹1.25 lakh a year benefit of lower and middle-income classes.
- Proposed to increase Securities Transaction Tax (STT) on Futures and Options contracts to 0.2% and 0.1%, respectively for deepening the tax base.



**ENERGY SECURITY** – Nuclear energy is expected to form a very significant part of the energy mix for Viksit (developed) Bharat. Towards that pursuit, our government will partner with the private sector for setting up Bharat Small Reactors, research and development of Bharat Small Modular Reactors, and

research and development of newer technologies for nuclear energy.

- Allocated nearly ₹ 10,000 Cr., more than twice the ₹4,970 Cr that was spent as part of the solar power (grid) last year for Pradhan Mantri Surya Ghar Muft Bijli Yojna to provide subsidised rooftop solar installations to 1 Cr households. The scheme offers 300 units of free electricity and, as The Hindu reported, Households with a suitable roof and an existing connection to the grid can secure a low-interest, collateral-free loan for setting up rooftop solar installations paying a minimum of ₹20,000 depending on the power capacity of the installed system.
- Proposal to invest in construction of Small Modular Nuclear Reactors (SMRs), compact versions of nuclear reactors and provide up to 300MW of power. A proposal from 2018 to develop an Advanced Ultra Supercritical (AUSC) thermal power plant via a collaboration involving the National Thermal Power Corporation (NTPC) and Bharat Heavy Electricals Ltd. (BHEL) was also mentioned.



**NEW GENERATION REFORMS** – Finance Minister Nirmala Sitharaman's Budget speech, for the first time signalled those polluting industries such as iron, steel, and aluminium will have to conform to emission targets. A road map for moving the 'hard to abate' industries from 'energy efficiency' targets to 'emission

targets' will be formulated. Appropriate regulations for transition of these industries from the current 'Perform, Achieve, and Trade' mode to 'Indian Carbon Market' mode will be put in place". These directives come in the backdrop of the proposed India Carbon Market that has been in the works for a few years. A carbon market or an emission trading scheme works as a trading platform where carbon credits, created as a consequence of preventing carbon emissions, can be bought and sold on negotiated prices on a portal. The system only works if an industry is required to curb annual emissions.

- Proposal to set up an integrated technology platform to improve outcomes under the Insolvency & Bankruptcy Code (IBC) for achieving transparency, consistency, timely settlement and better oversight of all resolution cases. The IBC has resolved 1,000 companies resulting in direct recovery of ₹ 3.3 lakh Cr. to creditors. In addition, cases worth ₹ 10 lakh Cr have been disposed off even before admission.
- Set up additional National Company Law Tribunals (NCLTs) to expedite resolution of cases under the IBC, with some dedicated to resolve cases exclusively under the Companies Act.
- Improving outcomes under the IBC, extending the services of Centre for Processing Accelerated Corporate Exit voluntary closure of LLPs, strengthening of National Company Law Tribunals and establishing more debt recovery tribunals are positive for the banking sector as it enhances speed of recovery processes in the system.



**TECHNOLOGY** - Technological integration will help in identifying sources of delay and corrective measures needed for improving efficiency. The integration of all pillars of IBC ecosystem through a tech platform will increase the utility and efficiency of CIR process. The improvement in legislative framework and

increased strength of tribunals is expected to bring more efficiency in the process

- Proposal to operationalise the Anusandhan National Research Fund for basic research and prototype development, and bring in provisions for enhanced private sector-driven research and innovation at a commercial scale, with a financing pool of ₹1 lakh Cr., in line with the announcement in the interim Budget.
- Allocation for the National Quantum Mission during the Budget 2023-24 that "aims to seed, nurture, and scale up scientific and industrial R&D and create a vibrant and innovative ecosystem in quantum technologies". The Union Cabinet approved it in April 2023 with a total outlay of ₹ 6,000 Cr over eight years.
- Additional allocation of ₹ 400 Cr. on innovation in defence through the Acing Development of Innovative Technologies with iDEX (ADITI) scheme to engage with start-ups/MSMEs and innovators to develop Def-Tech solutions and supply the Indian military with innovative and indigenous technological solutions. A grant of up to 50% of Product Development Budget with enhanced limit (Max) of ₹ 25 Cr per applicant will be awarded as per extant iDEX guidelines.



- The Ministry of Earth Sciences has been given ₹3,064.80 Cr — a modest increase over its actual expenditure of ₹2,879.02 Cr last year but a 7.6% cut from the budgeted value. The capital outlay on oceanographic research has increased by ₹53 Cr to ₹280 Cr whereas that for meteorology has dropped to ₹276.20 Cr.

### New scheme to focus on uplift of tribal villages



Proposed the launch of PM Janjatiya Unnat Gram Abhiyaan modelled along PM-JANMAN with the aim of achieving full saturation of basic facilities among 5 Cr. Scheduled Tribe families across 63,000 villages in tribal-majority areas and aspirational districts. PM-JANMAN was launched to achieve saturation of basic facilities for Particularly Vulnerable Tribal Groups.

### Cancer drugs exempted from customs duty



Announced exemption of customs duty on three cancer treatment drugs — Trastuzumab Deruxtecan, Osimertinib, and Durvalumab and proposed changes in the Basic Customs Duties (BCD) on X-ray tubes and flat panel detectors for use in medical X-ray machines under the phased manufacturing programme.

### A.P. to get ₹15,000 Cr. for capital Amaravati



Special financial support of ₹ 15,000 Cr. through Multilateral Development Agencies (MDAs) for Andhra Pradesh to develop its capital Amaravati. Financial assistance for the Polavaram irrigation project. Grants for Backward Regions.

### Developmental assistance for Bihar



Development projects worth ₹ 58,900 Cr. for Bihar, with ₹ 26,000 Cr. allocated for road projects, ₹ 21,400 Cr. to set up a 2,400-MW power plant in Pirpainti, and ₹ 11,500 Cr. for flood control.

### Border infrastructure maintenance and capital outlay sees hike



The Budget allocated ₹3,756 Cr. for the border infrastructure maintenance and capital outlay, increasing by ₹ 211 Cr. for the 2024-25 Budget compared with ₹ 3,545 Cr. last year, under the allocation for the Ministry of Home Affairs. The allocation for 'rehabilitation and relief for migrants', which includes Sri Lankan refugees and Tibetans, has been increased from ₹ 301 Cr. in the 2023-24 fiscal to ₹ 539.72 Cr. in 2024-25.

### MGNREGS allocation lower than last year's actual expenditure



For the financial year 2024-25, ₹ 86,000 Cr has been allocated for the MGNREGS, ₹ 26,000 Cr more than last year's allocation of just ₹ 60,000 Cr., but it is still ₹ 19,297 Cr less than the scheme's actual expenditure of ₹1.05 lakh Cr. in the financial year 2023-24. The Budgetary allocation for the MGNREGS is just 1.78 % of the budgetary allocation, a 10-year low in the scheme's funding.

### Allocation for science Ministry



The Department of Science and Technology (DST) received ₹ 8,029 Cr., a marginal increase over the ₹ 7,931 Cr from last year, but nearly two-thirds more than its utilisation of ₹ 4,891.78 Cr.

### Women-led development

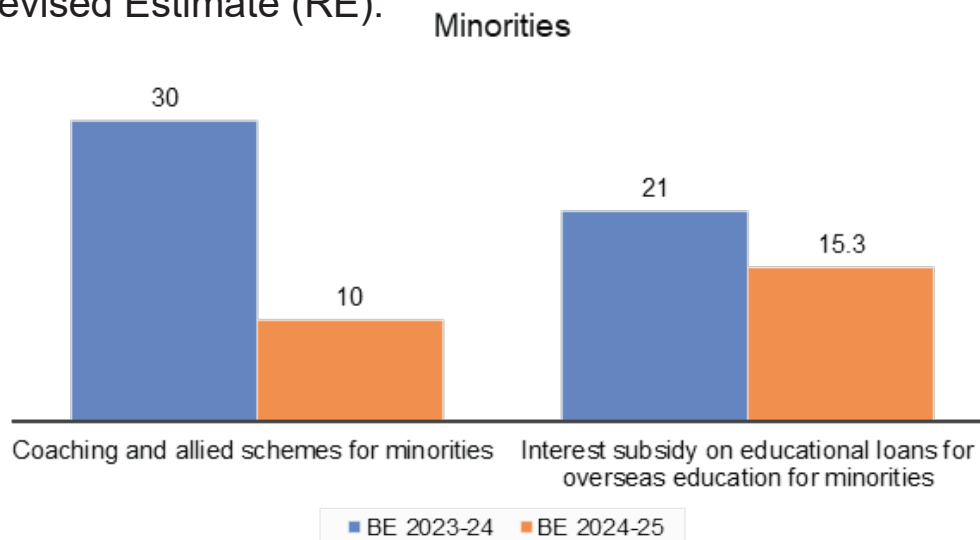
The flagship schemes under the Ministry, including Saksham Anganwadi, POSHAN 2.0, Mission Vatsalya and Mission Shakti, have been given substantial funds to continue their efforts in improving nutrition, child protection, and women’s empowerment. Finance Minister Nirmala Sitharaman announcing more than ₹ 3 lakh Cr. for schemes benefiting women and girls, and promised a look at further lowering duties for properties purchased by women.

- ‘Vatsalya’, a contributory pension scheme will have contributions from parents and guardians. On the child attaining the age of majority, the plan can be converted seamlessly into a regular National Pension System (NPS) account.
- Setting up of special working women’s hostels and creches in collaboration with industries to facilitate women’s employment, and promoting women-specific skilling programmes and support for women’s self-help groups.
- Allocations for schemes coming under the Women and Child Development (WCD) Ministry, including ‘Samarthya’ (supporting projects such as women’s hostels), ‘Swadhar Greh’, and ‘Pradhan Mantri Matru Vandana Yojana’, have also been increased slightly.
- Lower stamp duty for women purchasing property is likely to drive the growth of more first-time home buyers. Digitisation of land records will improve transparency, boost revenue compliance and improve overall credit flow.

### Meagre increase in funds allocated for minority affairs



The Budget earmarked 0.07% of the government’s total outlay for the Union Ministry of Minority Affairs, a mere 2.7% increase, from funds allocated in the previous year’s Budget Estimate (BE), for the financial year 2024-25. This allocation is around 22% of the Revised Estimate (RE).



**FIGURE:** Column chart representation of the budgetary allocation for the Union Ministry for Minority Affairs.



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