



## CONSCIENCE OF THE BUDGET – (2024 – 25)

The Union Budget for FY 2024-25, presented by Finance Minister Nirmala Sitharaman, represents a pivotal moment in India's fiscal policy. This budget, the seventh consecutive one by Sitharaman, reflects a comprehensive approach to address India's immediate needs while laying the groundwork for future economic stability and growth.

The key highlights include a record allocation of Rs 6.22 lakh crore to the Ministry of Defence, focusing on modernization and self-reliance, and a reduction in the fiscal deficit from 5.1% to 4.9% of GDP.

Sitharaman's budget emphasizes a balanced approach between bolstering national security and adhering to fiscal discipline. The increase in defense expenditure is designed to enhance India's military capabilities and foster domestic manufacturing. At the same time, the commitment to fiscal consolidation demonstrates a focus on long-term economic stability.

### Long-Term Objective

The long-term vision of this budget is to accelerate India's transformation into a major global economic power while maintaining fiscal prudence. The budget sets ambitious targets, including achieving a fiscal deficit of 4.5% by the next fiscal year and contributing to the goal of a \$5 trillion economy by 2027.

### Key strategies include:

- **Defence Modernization:** With a substantial increase in defence spending, the budget aims to strengthen India's military capabilities and promote self-reliance in defence technology.
- **Economic Stimulus:** Allocations for infrastructure, innovation, and strategic industries are intended to stimulate economic growth, create jobs, and enhance India's competitive edge on the global stage.
- **Fiscal Discipline:** The reduction in the fiscal deficit and careful management of public borrowing are central to ensuring long-term economic stability and maintaining investor confidence.

### Focus on Employment

Employment generation is a critical focus of this budget. Several measures are introduced to create and sustain job opportunities:

- **Support for MSMEs:** The introduction of a credit-guarantee scheme for MSMEs will facilitate access to term loans for purchasing machinery and equipment without collateral. This initiative aims to boost the MSME sector, which is a significant source of employment.



- **Enhanced Mudra Loans:** The upper limit for Mudra loans is increased to Rs 20 lakh, helping entrepreneurs, especially those in the MSME sector, expand their businesses and create jobs.
- **Innovation and Startups:** The enhanced budget for the Innovation for Defence Excellence (iDEX) scheme aims to support startups and MSMEs in developing indigenous technologies, potentially leading to new job opportunities in the tech and defence sectors.

These measures are designed to foster a dynamic job market by supporting small and medium enterprises, encouraging entrepreneurship, and promoting technological innovation.

## Focus on Fiscal Consolidation

Fiscal consolidation remains a cornerstone of the budget, demonstrating the government's commitment to managing public finances responsibly. Key aspects include:

- **Reduced Fiscal Deficit:** The fiscal deficit for FY 2025 is targeted at 4.9%, down from the 5.1% projected in the Interim Budget. This reduction is achieved without compromising on capital expenditure, highlighting a balanced approach to fiscal management.
- **Borrowing Adjustments:** Gross and net market borrowings are slightly reduced compared to previous projections, reflecting a cautious approach to debt management. The estimated borrowings for FY 2025 are lower than those in the previous year, aiming to maintain financial stability.
- **Revenue Enhancements:** Increased dividends from the Reserve Bank of India and public-sector undertakings, along with improved tax revenues, contribute to the reduced fiscal deficit.

Overall, these measures aim to ensure that India's public finances remain sustainable, supporting economic growth while avoiding excessive debt.

## Focus on Federal Relations

The budget underscores the importance of federal relations through various allocations and initiatives that reflect cooperation between the central and state governments:

- **Infrastructure Development:** Significant funding is allocated for strategic infrastructure projects, including those in border areas and infrastructure development by the Border Roads Organisation (BRO). This supports not only national security but also regional development, benefiting states with critical infrastructure needs.
- **MSME Support:** The introduction of a new credit-guarantee scheme and the enhancement of Mudra loans reflect a collaborative approach to support state-level economic activities and local enterprises.



- **Debt Recovery and Financial Sector Reforms:** Changes in insolvency laws and strengthening of debt-recovery tribunals aim to improve the financial ecosystem at both central and state levels, facilitating better credit access and financial stability.

These initiatives are designed to strengthen the partnership between central and state governments, ensuring that resources and policies effectively address regional and national priorities.

## Impact on the People of India

The Union Budget FY 2024-25 is expected to have a multifaceted impact on the people of India:

- **Enhanced Defence Capabilities:** Increased defence spending aims to improve national security and create employment opportunities in the defence and related sectors.
- **Economic Growth and Job Creation:** The focus on infrastructure, MSMEs, and innovation is likely to spur economic activity and create jobs, particularly in emerging industries and technology sectors.
- **Financial Stability:** The commitment to fiscal consolidation and responsible borrowing enhances economic stability, which is crucial for maintaining low inflation and interest rates, benefiting households and businesses.
- **Support for Veterans and Pensioners:** Increased allocations for veteran care and defence pensions reflect the government's commitment to supporting those who have served the nation and ensuring their well-being.

Overall, the budget aims to balance immediate needs with long-term goals, providing a foundation for sustainable growth and improved living standards across the country.

## Main Practice Questions

1. Discuss the significance of the Union Budget FY 2024-25 in promoting self-reliance and technological innovation in India's defence sector. How do the budget allocations reflect the government's commitment to enhancing national security and fostering Indigenous defense capabilities?
2. Evaluate the impact of the Union Budget FY 2024-25 on employment generation and support for small and medium enterprises (SMEs) in India. What key measures are introduced to boost the MSME sector, and how are these expected to influence job creation and economic development?



## ANSWER

### Question 1

**Introduction** Discuss the significance of the Union Budget FY 2024-25 in promoting self-reliance and technological innovation in India's defence sector. How do the budget allocations reflect the government's commitment to enhancing national security and fostering Indigenous defense capabilities?

**Introduction** : The Union Budget FY 2024-25 significantly emphasizes enhancing India's self-reliance and technological capabilities in the defence sector. This budget reflects a strategic shift towards bolstering indigenous defence capabilities and advancing national security.

**Core** : A record allocation of Rs 6.22 lakh crore to the Ministry of Defence underscores the government's commitment to modernizing the armed forces and reducing dependency on foreign procurement.

A major component of this budget is the allocation of Rs 1.72 lakh crore for capital acquisition to address critical capability gaps. This includes investments in state-of-the-art technology, lethal weapons, fighter aircraft, ships, submarines, unmanned aerial vehicles, and specialist vehicles.

By focusing on domestic procurement, with 75% of the modernization budget (Rs 1.05 lakh crore) earmarked for local industries, the government aims to stimulate the Indian defence manufacturing sector and create jobs.

The budget also enhances support for innovation through the Innovation for Defence Excellence (iDEX) scheme, which has been significantly increased to Rs 518 crore. This initiative is designed to engage startups, MSMEs, and innovators to develop indigenous technological solutions, further reducing reliance on foreign technology.

**Conclusion** : These measures are expected to fortify India's national security by upgrading its defence infrastructure while simultaneously promoting economic growth through the stimulation of domestic industries and innovation. This approach aligns with the broader goal of achieving self-reliance in defence and positioning India as a global leader in defence technology.

### Question 2

## 2. Impact of the Union Budget FY 2024-25 on Employment Generation and Support for Small and Medium Enterprises (SMEs)

**Introduction** : The Union Budget FY 2024-25 introduces several measures aimed at boosting employment and supporting small and medium enterprises (SMEs), which are critical for India's economic development.



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The budget includes substantial provisions for the MSME sector, reflecting the government's commitment to fostering job creation and economic growth through this vital segment of the economy.

**Core :** One of the key measures is the introduction of a credit-guarantee scheme for MSMEs, which facilitates access to term loans for purchasing machinery and equipment without requiring collateral. This scheme, supported by a self-financing guarantee fund, provides guarantee cover up to Rs 100 crore for each applicant. By easing the financing constraints faced by MSMEs, this measure aims to stimulate growth and create jobs within this sector.

Additionally, the budget raises the upper limit for Mudra loans from Rs 10 lakh to Rs 20 lakh. This increase is intended to support entrepreneurs, particularly those in the MSME sector, in expanding their businesses and generating employment opportunities.

Although the record of Mudra borrowers has been mixed, the raise is targeted at non-defaulters, ensuring that funds are used effectively to foster growth.

Furthermore, the budget proposes a new mechanism to ensure bank credit to MSMEs during stress periods, supported by a government-promoted fund. This, along with the reduction of the turnover threshold for the Trade Receivables Electronic Discounting System (TReDS) platform, aims to enhance liquidity for MSMEs and encourage more companies to join the platform.

**Conclusion:** These initiatives are expected to enhance the viability and growth prospects of MSMEs, leading to increased job creation and economic development. By improving access to finance and supporting entrepreneurial activities, the budget seeks to stimulate robust economic activity and employment generation across the country.