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GENERAL STUDIES 3: ECONOMY

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TOPIC: TAX & BUDGET

Budget 2025, a catalyst for growth

Tax Relief for the Middle Class

- **Income Tax Exemption Increased:** Finance Minister Nirmala Sitharaman raised the income tax exemption limit from ₹7 lakh to ₹12 lakh, benefiting the middle class.
- **Impact:** More disposable income for the middle class is expected to boost spending, production, and job creation.

Challenges in Consumer Markets

- **Decline in Consumer Spending:** Sales of daily-use products like oils, pulses, soaps, and shampoos have dropped.
- **Possible Reasons:** Growth of the gig economy (e.g., food delivery apps like Swiggy and Zomato) may be shifting spending patterns.

Manufacturing Sector Growth

- **Job Creation:** Manufacturing is a key job provider globally, and India has seen 7.5% growth in FY 2023, employing 18.5 million people.
- **Gig Economy Boom:** The gig sector is growing rapidly, employing around 10 million people, with projections to reach 23.5 million by 2029-30.
- **Definition of Gig Work:** Non-permanent work outside traditional employer-employee relationships.

Social Security for Gig Workers

- **New Measures:** The budget introduced social security benefits for gig workers, including health coverage under PM Jan Arogya Yojana.
- **Existing Welfare:** Many gig companies already offer some welfare measures for their workers.

Focus on Manufacturing and Capital Inflows

- **Infrastructure Spending:** The government continues to use infrastructure projects to boost employment.



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- **Need for Capital:** Attracting domestic and foreign investment into labour-intensive industries remains a challenge.
- **Defence and Shipbuilding:** Defence manufacturing has shown growth, and shipbuilding has been granted industry status to encourage expansion.

Regulatory Reforms

- **Ease of Doing Business:** The FM emphasized the need for regulators to adapt to technological innovations and global policies.
- **Light-Touch Framework:** A high-level committee will create a modern, flexible, and trust-based regulatory system.
- **Jan Vishwas Bill 2.0:** Decriminalization of 100 legal provisions to further improve the ease of doing business.

Conclusion

The 2024 budget focuses on empowering the middle class through tax relief, boosting consumption, and addressing challenges in the manufacturing and gig sectors. It also emphasizes regulatory reforms to attract investment and improve the ease of doing business. While short-term measures like infrastructure spending provide relief, long-term solutions require increased capital inflows into labour-intensive industries and a modernized regulatory framework.

Source: <https://indianexpress.com/article/opinion/40-years-ago/february-8-1985-forty-years-ago-crisis-in-congress-i-9823949/>

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