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An analysis of interim union budget 2024: An overview on its key highlights and targeted sectors

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Abstract

An interim budget is submitted by a government in transition or in its final year of power prior to general elections. The interim budget's objective is to ensure that government expenditure and critical services continue until the next government can present a full budget after taking office.

The present study is descriptive in nature. Smt Nirmala Sitharaman, the Finance and Corporate Affairs Minister, presented the Interim Union Budget for 2024-2025 to Parliament on February 1, 2024. The present study is descriptive in nature and it provides a insight of the Interim Budget 2024 on various areas such as capital expenditure, economic growth projection, revenue and expenditure, GST collection, priorities areas embracing poor, farmers, poor, women, youth and major development in reference to infrastructure, clean sector, housing sector, healthcare, agriculture, fishery etc.

Keywords: Budget, GDP, Infrastructure, Green energy, fiscal, Indian Economy

1. Introduction

Ministry of Finance and Corporate Affairs Minister, presented the Interim Budget 2024-2025. It envisions 'Viksit Bharat' by 2047, with all-round, widespread, and inclusive growth. An interim budget is submitted by a government in transition or in its final year of power prior to general elections. The interim budget's objective is to ensure that government expenditure and critical services continue until the next government can present a full budget after taking office.

According to Article 112 of the Indian Constitution, a statement of the estimated receipts and expenditures of the Government of India for a certain fiscal year - referred to as the 'annual financial statement' - is submitted before both houses of Parliament. The Centre asks consent from both Houses to withdraw the necessary cash from the Consolidated Fund of India; this statement must be passed by both Houses. The Finance Minister emphasized the Centre's various projects for women, youth, and the underprivileged, as well as the "profound" change of the Indian economy and the implementation of structural reforms. The budget emphasized the government's attention on four primary 'castes' - women, youth, poor, and farmers - since the BJP government believes that "the country progresses when these four aspects: women, youth, poor, and farmers progress."

Review of Literature

Surabhi Prasad (2024) ^[3] in her article, "Interim Budget 2024-25: Planning for the next five years?" The interim Budget presented a roadmap for the future while intentionally refraining from making any great promises, opting instead for budgetary restraint. It aimed to maintain at least 6.5-7% GDP growth in the future years while also giving the means to ensure that the benefits of this growth reach everyone.

The Hindu Bureau (2024): The Interim Budget focused on the Centre's many projects for women, youth, and the underprivileged. It stated that the Indian economy has undergone a "profound" transition and that the government has implemented structural reforms. It underlined the government's attention on four key 'castes' - women, youth, the poor, and farmers, as it is considered that "the country progresses, when they progress,"

Rajeev Dimri (2024) ^[1]: The interim Budget focused on boosting infrastructure keeping in mind the vision of “Viksit Bharat”. The budget included significant funding for R&D efforts. The budget prioritizes skill development and education, recognizing the importance of a competent workforce in driving economic growth and at the same time emphasized on sustainable development and green initiatives.

Simran Arora (2024) ^[4]: Interim Budget listed seven cornerstones. The seven priorities are saptarishi pillars. The 7 priorities are sustainable growth, financial sector, infrastructure & investment, unleash potential, youth power, reach to last mile, and inclusive development.

Livemint (2024): The Interim Budget 2024 prioritized youth and women empowerment while consolidating finances and continuing capex. FM Sitharaman cut FY25 budget deficit target to 5.1% of GDP. There were no direct or indirect tax rate adjustments.

Objectives of the Study

1. To study the key highlights of the Interim Budget 2024 in context of tax & expenditure.
2. To study the priorities highlighted in the Interim Budget 2024.
3. To study the major development plans highlighted in the Interim Budget 2024.
4. To highlight the potential impact of Interim Budget 2024 on the economic growth of Indian Economy.

Scope of the Study

This study focuses exclusively on the Interim Union Budget 2024-2025 of India presented by Finance Minister, Smt. Nirmala Sitharaman. The analysis concentrates on the primary features and key areas of emphasis in the budget.

Limitation of the study

This study focuses on the key points provided in reports published by the Government and on the websites of different authors and news agencies.

Research Methodology

Research design

Descriptive research is a method used to describe the features of a population or phenomenon being examined. This descriptive methodology emphasizes the "what" aspect of the research issue rather than the "why" aspect. The strategy mainly aims to characterise a demographic group without delving into the causation of a specific phenomena. It defines the research subject without explaining the cause behind it.

Data Collection

Secondary Data

Secondary data refers to knowledge that is gathered by someone other than the user. Censuses, data gathered by government agencies, operational records and data originally gathered for other research purposes. In the present study, published reports of the Government such as PIB report, official website of indiabudget.gov.in, investindia.gov.in, press release by Ministry of Parliamentary Affairs.

1. Key Highlights of Interim Union Budget 2024-2025 of India

The key highlights of the Interim Union Budget 2024-2025 are outlined in the following areas:

1. **Capital Expenditure:** An 11.1% rise in the capital expenditure budget for 2024-2025 was declared. The capital expenditure is fixed at Rs 11, 11, 111 crore, which accounts for 3.4% of the GDP.
 2. **Economic Growth Projections:** The predicted real GDP growth for FY 2023-24 is 7.3%, in line with the RBI's updated growth forecast. India's growth prediction for FY 2023-24 was raised to 6.3% by the International Monetary Fund. It also predicts that India would become the third-largest economy by 2027.
 3. **Revenue and Expenditure Estimates (2024-25):** Total Receipts are estimated to be Rs 30.80 lakh crore, excluding borrowings. Total Expenditure is estimated to be Rs 47.66 lakh crore. Tax receipts are estimated to be Rs 26.02 lakh crore.
 4. **GST Collection:** In December 2023, the amount reached ₹1.65 lakh crore, surpassing the ₹1.6 lakh crore milestone for the eighth time.
 5. **Fiscal Deficit:** The projected fiscal deficit for 2024-25 is 5.1% of GDP, in line with the target of decreasing it to less than 4.5% by 2025-26 as set in the 2021-22 budget.
 6. **Market Borrowing:** Market borrowings through dated securities in 2024-25 are projected to be Rs 14.13 trillion gross and Rs 11.75 trillion net.
 7. **Taxation**
 - The Interim Budget keeps the current rates for direct and indirect taxes, as well as import charges.
 - Corporate taxes are set at 22% for established domestic enterprises and 15% for specific new manufacturing companies.
 - Taxpayers with income up to ₹7 lakh have no tax burden under the new tax regime.
 - Tax incentives for start-ups and investments extended for an additional year till March 31, 2025.
- ## 2. Priorities highlighted in the Interim Budget 2024
- The concentration is on the marginalized groups: the poor, women, youth, and farmers.
1. **Poor**
 - Successfully transitioning 250 million people out of multidimensional poverty.
 - 78 lakh street vendors received credit help under the Prime Minister's initiative, SVANidhi.
 - The government supplied free food to 80 crore individuals through different programs.
 - Direct transfers of Rs. 34 lakh crore via PM Jan Dhan Yojana accounts resulted in savings of ₹2.7 lakh crore.
 2. **Woman**
 - Women business owners will receive loans totaling thirty crores under the Mudra Yojana program.

- 43% of female students are enrolled in STEM-related classes.
- Assistance to one crore of women through 85 lakh self-help groups, with the goal of cultivating "Lakshpati Didis."
- The number of women enrolling in higher education has increased by 28 percent during the past ten years.

3. Youth

- Training of one and a half billion young people as part of the Skill India Mission.
- Aspirations of entrepreneurs being encouraged with the provision of 43 crore loans through the Prime Minister's Mudra Yojana.

4. Farmers

- Financial aid was directly given to 118 million farmers through PM-KISAN.
- 4 crore farmers have been provided crop insurance through the Fasal Bima Yojana.
- 1,361 mandis have been integrated into the eNAM system to facilitate efficient agricultural commerce.

3. Major development plans highlighted in the interim budget 2024

I. Infrastructure

1. Railways

- Three primary economic railway corridor programs will be executed: energy, mineral, and cement corridors; port connectivity corridors; and high traffic density corridors.
- Forty thousand regular rail bogies will be upgraded to Vande Bharat standards to improve safety, convenience, and passenger comfort.

2. Aviation: Expansion of current airports and extensive establishment of new airports as part of the UDAN project.

3. Urban Transport: Advancement of urban development through Metro rail and NaMo Bharat.

II. Clean Energy Sector

- Viability gap money will be utilized to exploit the potential of offshore wind energy, with the goal of achieving an initial capacity of 1 gigawatt.
- Developing coal gasification and liquefaction capacity of 100 million tonnes by 2030.
- Gradual implementation of compulsory mixing of CNG, PNG, and compressed biogas
- Financial aid for purchasing biomass collection equipment
- 1 crore houses will be equipped for rooftop solar power generation, allowing them to receive up to 300 units of free electricity monthly.
- Enhancing the e-vehicle ecosystem through backing manufacturing and charging infrastructure.
- A new biomanufacturing and bio-foundry strategy will be introduced to promote environmentally friendly alternatives.

III. Housing Sector

- The government intends to provide financial assistance for the development of 30 million cost-effective residences in rural regions.

- A project called "Housing for Middle Class" will be introduced to encourage middle-class individuals to own or construct their own homes.

IV. Healthcare sector

- Encouraging Cervical Cancer Vaccination for girls (9-14 years).
- U-WIN platform for immunization efforts of Mission Indradhanush to be rolled out.
- Expanding the Ayushman Bharat scheme to include all ASHA workers, Anganwadi workers, and helpers.

V. Agricultural Sector

- Promoting the use of 'Nano DAP' for various crops in all agro-climatic regions.
- Developing policies to aid dairy farmers and address Foot and Mouth Disease.
- Planning for self-reliance in oilseeds, including research, procurement, value addition, and crop insurance.
- Nano-DAP (Di-ammonium Phosphate) is a nanotechnology-based agricultural input created by the Indian Farmers Fertilizer Cooperative Limited (IFFCO). It assists in rectifying Nitrogen & Phosphorus deficiencies in growing crops.

VI. Fishery Sector: Creating a new department called 'Matsya Sampada' to cater to the need of fisherman.

VI. For States Capex

- The extension of the fifty-year interest-free financing program for capital expenses to states was declared.
- An expenditure of Rs 1.3 lakh crore, including Rs 75,000 crore allocated for interest-free loans over fifty years to assist state-driven reforms.
- Special focus will be given to the eastern area to enhance its role as a significant catalyst for India's economic development.

VII. Others

- Creation of a fund of Rs 1 lakh crore through a fifty-year interest-free loan to promote research and innovation in emerging fields.
- Additionally, seeking to enhance private sector involvement in research and innovation.
- The government will establish a high-powered group to tackle rapid population growth and demographic changes.
- The committee will offer thorough recommendations in line with the objective of 'Viksit Bharat.'
- A new initiative will be introduced to enhance advanced technological capabilities for defense objectives and accelerate self-reliance.

4. Potential Impact of Interim budget 2024 on Economic Growth

Rajeev Dimri, National Head of Tax, KPMG in India, highlighted the potential impact of Interim Budget 2024 on economic growth of Indian Economy in the following five heads:

1. Enhancing infrastructural development

The Government has earmarked significant sums for the construction of highways, railways, airports, and other vital

infrastructure projects to meet its goal of developing infrastructure for Viksit Bharat. Recognizing the infrastructure sector as vital to the economy, this investment is anticipated to provide new business prospects, improve connectivity, and boost economic growth.

2. Emphasize Research and Development

The Interim Union Budget 2024 allocates substantial money for research and development (R&D) programs, emphasizing the significance of innovation and technology. This action is anticipated to promote innovation, boost competitiveness, and encourage the private sector to significantly improve research and innovation endeavors, leading to growth in technology, pharmaceuticals, and manufacturing sectors.

3. Education and Skill Enhancement

The budget emphasizes empowering the youth via skill development and education, acknowledging the importance of a trained workforce in stimulating economic growth. Funds have been granted by the Government to improve vocational training programs, encourage digital literacy, and develop centers of excellence.

4. Sustainable development and environmentally friendly projects

The Interim Union Budget 2024 prioritizes sustainable growth and green projects in alignment with global sustainability goals and net zero commitments. Funding has been granted by the Government for renewable energy initiatives, waste management, and pollution control efforts.

5. Tax Suggestion

There are no significant alterations in taxation. However, there were announcements about extending the sunset dates for specific tax benefits to start-ups, investments by sovereign wealth funds/pension funds, and certain International Financial Services Centre units from 31 March 2024 to 31 March 2025. The expiration date of 31 March 2024 for claiming a concessional tax rate by a new domestic manufacturing company has not been extended.

The regulations concerning Tax Collection at Source on remittance under the 'Liberalised Remittance Scheme' and payment for overseas travel program package have been streamlined.

The GST initiative is emphasizing voluntary compliance by making the input Service Distributor mechanism compulsory for distributing input tax credit. Additionally, penalties will be imposed for not registering specific machines used in manufacturing designated tobacco-based products.

Conclusion

The 2024 interim budget has set forth an admirable plan to strengthen many areas that are vital to India's economic growth. All aspects of development, including housing affordability, healthcare, agriculture, connectivity, the environment, tourism, and the fulfillment of duties, are prioritized by the government. Although there have been notable improvements, the budget still has room for improvement in many sectors.

One example is the potential for increased savings and economic activity that could result from reevaluating tax laws to benefit middle-income groups. For equitable growth

to be achieved, it is absolutely necessary to focus on expanding healthcare and educational infrastructures to the grassroots levels, particularly in rural areas. Also, the demographic dividend could be a boon to the economy if funds were put into vocational and skill training programs.

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