

Analysis of the Union Budget 2024-25: Emphasis on Political, Economic, and Social Dimensions



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Abstract:

The Union Budget for 2024-25 was presented by Finance Minister Nirmala Sitharaman, outlines a multifaceted approach to India's economic and social development under the third NDA government led by Prime Minister Narendra Modi. This budget strategically addresses key areas such as regional development, tax reforms, MSME support, employment generation, rural infrastructure, innovation, and energy security. By focusing on politically significant states, revising tax structures, and introducing mechanisms to support various sectors, the budget aims to create a balanced and sustainable economic framework. The emphasis on inclusive growth, technology-driven reforms, and sectoral allocations reflects the commitment of government to foster a resilient and equitable economy. This analysis explores the political implications, economic measures, and support for MSMEs, sectoral allocations, and technological initiatives outlined in the budget, highlighting its comprehensive strategy for sustainable development.

Keywords:

Union Budget 2024-25, regional development, tax reforms, MSME support, employment generation, rural infrastructure, innovation, energy security, inclusive growth, India

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Political Implications: Targeted Allocations for Crucial States

One of the notable features of this budget is the substantial allocation for politically significant states such as Andhra Pradesh and Bihar. Andhra Pradesh, for instance, has been allocated Rs 15,000 crore for the development project of Amaravati, its new capital. Similarly, Bihar will see investments in new airports, medical facilities, and sports infrastructure. These allocations not only underscore the government's commitment to regional development but also reflect strategic political considerations, given that these states are governed by major NDA allies.

Economic Measures: Revenue Generation and Tax Reforms

A key economic measure in the budget is the hike in Long Term Capital Gains (LTCG) tax from 10% to 12.5%. This move appears to be a response to the recent surge in equity investments and profit booking by investors. The Economic Survey for 2023-24 hinted at this change, suggesting that high equity market claims could signal market instability rather than resilience.

Additionally, there have been revisions in the Income Tax slabs under the New Tax Regime (NTR), which now propose the following structure:

- 0-3 lakh: 0%
- 3-7 lakh: 5%
- 7-10 lakh: 10%
- 10-12 lakh: 15%
- 12-15 lakh: 20%
- Above 15 lakh: 30%

Moreover, the standard deduction has been increased to Rs 75,000 from Rs 50,000. These changes are expected to provide relief to taxpayers, especially those in the highest tax bracket, who will save Rs 7,500 due to the enhanced standard deduction.

Support for MSMEs and Employment Generation

Acknowledging the challenges being faced by Micro, Small, and Medium Enterprises (MSMEs), the budget introduces mechanisms to facilitate the continuation of credit to these sectors. This includes a credit guarantee scheme and term loans for the purchase of machinery. Furthermore, a significant focus has been placed on employment and skilling, with comprehensive schemes aimed at offering internships in top companies to one crore youth over five years. The budget also proposes a direct benefit transfer (DBT) scheme that will provide one month's salary up to Rs 15,000 in three instalments to first-time employees in formal sectors.

Sectoral Allocations and Initiatives

The budget continues to emphasize a balanced approach between agriculture and manufacturing, integrating elements of the services sector. Rs 2.66 lakh crore has been allocated for rural development, including rural infrastructure and the construction of three crore additional houses under the PM Awas Yojana.

Key initiatives include:

- Development of small and modular nuclear reactors in collaboration with the private sector.
- Energy transition pathways emphasizing employment and sustainability, highlighted by the PM Surya Ghar Muft Bijli Yojana, which provides free electricity up to 300 units per month to one crore households.
- Enhanced infrastructure for tourism, such as the development of corridors at Vishnupad Temple and Mahabodhi Temple and the promotion of Nalanda as a tourist center.

Technological and Innovation-Driven Reforms

To boost innovation and research, the budget proposes the development of Digital Public Infrastructure (DPI) applications at a population scale in areas such as credit, e-commerce, law and justice, and corporate governance. Additionally, a Rs. 1,000 crore Venture Capital Fund for the space economy will be set up to promote entrepreneurship in this emerging sector.

Conclusion

The Union Budget 2024-25 reflects a comprehensive strategy aimed at addressing regional disparities, boosting economic growth, and enhancing social welfare. By targeting crucial states, revising tax structures, supporting MSMEs, and promoting innovation, the budget aims to create a robust framework for sustainable development. The focus on employment, skilling, and rural development underscores the government's commitment to inclusive growth, making this budget a significant milestone in India's economic planning.

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