

Budget 2024-25: A Step Towards Viksit Bharat

This article analyses Budget 2024 announcements, especially those related to the manufacturing and services sectors. This elucidates the 'Whole of Government' approach adopted in the Budget priorities and the action points contained therein. It also provides examples of linkage of on-going schemes and the new initiatives which underscore the Government's commitment to Viksit Bharat. The Budget announcements instill renewed vigour in recent initiatives taken by the Government of India.

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The Union Budget, presented by Hon'ble Finance Minister on 23 July 2024, is for a period of eight months, much shorter than a financial year. Yet, it is a continuum of initiatives which builds on the foundations laid by recent Budgets, including the Interim Budget presented in February,

2024. It also provides the foundation on which future plans and programmes can be built, which can lead to a *Viksit Bharat*.

Economic Survey 2023-24 was presented in the Parliament a day before the Budget. The *Survey* mentions that the Indian economy grew at 9.7 percent and 7.0 percent in 2021-22 and 2022-23, respectively,

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and is estimated to grow at 8.2 percent in real terms in 2023-24. The figures compare well with those of other economies of the world. The high growth rates have been a result of prudent fiscal and monetary measures. The *Survey* mentions that the inflation rate is under control; the trade deficit in 2023-24 is lower than that of the preceding year; the foreign exchange reserves are sufficient and public sector investment has caught a momentum. In this backdrop, this paper analyses some Budget 2024 announcements, especially those related to the manufacturing and services sectors.

Budget Priorities

The focus of the Interim Budget 2024 was on the Poor, Women, Youth and Farmers. Taking this forward, the recent Budget emphasizes on employment, skilling, Micro, Small and Medium Enterprises (MSMEs) and the middle class. There is a common thread, underscoring all-round development, which runs through all the nine priorities of Union Budget 2024-25. The *nav ratna* priorities are as follows:

- i. Productivity and Resilience in Agriculture;
- ii. Employment and Skilling;
- iii. Inclusive Human Resource Development and Social Justice;
- iv. Manufacturing and Services;
- v. Urban Development;
- vi. Energy Security;
- vii. Infrastructure;
- viii. Innovation, Research and Development; and
- ix. Next Generation Reforms



As clear from the above list, the priorities are not mutually exclusive. For example, one of the actions envisaged for priority number two on 'Employment and Skilling' is 'Job Creation in Manufacturing', which is clearly linked to priority number four on 'Manufacturing and Services' priority. The proposal for job creation in manufacturing is envisaged to incentivize both employer and employee for ensuring additional employment in the manufacturing sector. It is expected that 30 lakh youth will benefit from it. Complementing this proposal, is another announcement which states that the Government will reimburse employers up to Rs. 3,000 per month for 2 years towards their Employees' Provident Fund Organisation contribution for each additional employee. This scheme is intended to benefit 50 lakh additional employees. Such a convergence highlights the significance of a 'Whole of Government' approach to growth.

Another example is the announcement of stepping up of programmes such as PM Vishwakarma under priority number three on 'Inclusive Human Resource Development and Social Justice'. With a Budgetary provision of Rs. 13,000 crore for five years aimed at benefitting 30 lakh artisans and craftspeople, who work with their hands, using tools, the PM Vishwakarma Scheme was launched on 17 September 2023. The Scheme envisages a holistic support to the beneficiaries through the three-fold objective of *Samman*, *Samarthya* and *Samridhhi* by providing them recognition; skill upgradation; loans up to Rs. 3 lakh; toolkits up to Rs. 15,000; incentives for digital transactions; and marketing support. Within 10 months since the launch, there have been more than 2.3 crore enrolments in the Scheme, with 15 lakh having successfully registered, after the three-stage verification process of the applicants. The overlap between priorities three and four is explained by the fact that artisans and craftpeople in 18 trades are eligible under PM Vishwakarma to avail of the benefits. These 18 trades which span across manufacturing and services are armourers, barbers, basket/mat/broom makers/coir weavers, blacksmiths, boat makers, carpenters, cobblers, doll and toy makers, fishing net makers, garland-makers, goldsmiths, hammer and toolkit makers, locksmiths, masons, potters, sculptors/stone breakers, washermen and tailors.

Manufacturing and Services

The contribution of industry and services sectors at 27.6 percent and 54.7 percent, respectively, to Gross Value Added (GVA) at current prices in 2023-24, justify the focus of the Budget on manufacturing and services. Manufacturing is a sub-sector within industry. *Economic Survey 2023-24* analyses that the high output share of manufacturing indicates its tremendous backward and forward linkages. The average annual growth rate of the manufacturing sector over the past decade has been 5.2 percent, despite the adverse impact of the pandemic. The services sector recorded a real growth rate of more than 6 percent in most years of the past decade, i.e. except 2020-21. In 2023-24, estimates indicate a growth of 7.6 percent for the services sector.

Entrepreneurship

Entrepreneurship development, bolstered by facilitating access to finance, technology and marketing, along with easing out doing business, have been at the forefront of Govt's policies and programmes. Entrepreneurs are known to grab opportunities, even in the worst adverse situations, the case in point being the challenges posed by the recent global COVID pandemic of 2020 to 2022, which debilitated a substantial part of the world. But the enterprising ones were quick to seize the chance and transformed challenges into opportunities viz. developing and distributing vaccines; reaching the unreached through contactless home deliveries, devising innovative ways of working from home, and encouraging online services at workplaces to help reducing overall consumers' and producers' costs.

Irrefutably, the factor of production in a business venture, which deals with the vagaries of risk and uncertainty, is entrepreneurship. Besides nurturing the other three factors of production, viz. land, labour and capital, for an enterprise to flourish, it is imperative to hone entrepreneurial skills. Schumpeter's competitive strategy advocated 'creative destruction', resting on the principle of continuous replacement through new innovation and invention, entailing new product performance, new processes, new markets, new technologies and new forms of organisations.

Two necessary conditions for entrepreneurship are ensuring flexibility in establishing business venture, creativity and innovation; and enabling economic conditions that give enterprises an opportunity to gain and grow. Recent surveys have observed that the level of entrepreneurial activity varies across all regions and income groups, with the highest levels of entrepreneurial activities being found in the Latin American and Caribbean region, as illustrated in 'Global Entrepreneurship Monitor, 2024'. Further, an environment encouraging entrepreneurship development may exist despite the level of income of the economy and the examples of India and China illuminate the point.

Economic Survey 2023-24 prescribed "greater formalisation of smaller manufacturers, alleviating their supply chain bottlenecks, facilitating market access and improving access to finance". Recent Government initiatives, through the Budget announcements or otherwise, have focussed on exactly this prescription. Since the adoption of twin criteria of investment in plant and machinery and turnover for categorizing enterprises as micro, small and medium in 2020, as many as 4.81 crore enterprises have registered on Government of India's Udyam Registration Portal and Udyam Assist Platform. This has been a result of special formalisation drives taken up by the Government along with other stakeholders. While 30 percent of these enterprises are into manufacturing, the remaining provide services. The registered MSMEs together provide employment to 21 crore people. As expected, on an average, registered MSMEs involved in the manufacturing provide employment to 7 people per enterprise and registered MSMEs rendering services, excluding traders, provide employment to 4 people per enterprise. In this backdrop, Budget 2024 rightly



UNION BUDGET 2024-25

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MINISTRY OF FINANCE

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Manufacturing & Services

MSMEs

- New mechanism announced for facilitating continuation of bank credit to MSMEs during their stress period
- Limit of Mudra loans increased from ₹ 10 lakh to ₹ 20 lakh
- Turnover threshold of buyers for mandatory onboarding on TReDS platform to be reduced from ₹ 500 Cr to ₹ 250 Cr
- Financial support for 50 multi-product food irradiation units in MSME sector
- E-Commerce Export Hubs to be set up in PPP* mode to enable MSMEs & traditional artisans to sell their products in international markets

2,33,72,101
 enrolments;
15,85,634
 successful registrations
 (as on 20.08.2024)
 under
PM Vishwakarma

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provides special attention to MSMEs, especially the labour-intensive ones which are into manufacturing. The comprehensive package for MSMEs consists of financing, regulatory changes and technology support, with the objective of making them globally competitive.

Financing

The objective of loan guarantees is to protect the lender against default by the borrower, who typically has a low credit rating and may not have any collateral. Based on this principle, the Ministry of MSME implements the Credit Guarantee Scheme for Micro and Small Enterprises with the objective of providing guarantee coverage of 75-85 percent on loans up to Rs. 5 crore. Since the roll out of the Scheme in 2000, more than 93 lakh guarantees worth Rs. 7 lakh crore have been provided to Micro and Small Enterprises. Complementing this Scheme, is the announcement of Budget 2024 regarding the introduction of another Credit Guarantee Scheme, which would be for strengthening the manufacturing sector by facilitating term loans to MSMEs for the purchase of machinery and equipment, without collateral or third-part guarantee.

The guarantee coverage to each MSME applicant will be up to Rs. 100 crore, although the loan amount may be larger. For this purpose, there will be separately constituted self-financing guarantee fund.

Traditional assessments of credit eligibility do not always capture the potential of MSMEs. In this context, the Budget announcement regarding an alternate system of public sector banks to assess MSMEs for their credit eligibility based on their digital footprints is a welcome step. Further, to prevent MSMEs from slipping into a non-performing asset, a new mechanism has been proposed so that they can continue receiving bank credit even when they are under stress. This will ease their financial duress. The ceiling on small-sized loans, i.e. Mudra, has been enhanced from Rs. 10 lakh to Rs. 20 lakh to accommodate the growing demand,

which is encouraging. To ensure timely payments to MSMEs, the Budget has reduced the turnover threshold of buyers on Trade Receivables Discounting System (TReDS) from Rs. 500 crore to Rs. 250 crore. Since the ceiling on turnover for the MSME sector is Rs. 250 crore, this announcement will bring all enterprises larger than MSMEs into the ambit of TReDS.

The concept of enabling enterprises to use common facilities at relatively lower cost rests on the economic principle of reaping benefits of economies of scale. The announcement regarding SIDBI opening new branches to serve all major MSME clusters within 3 years to provide direct credit to them will have a multiplier effect on a large number of MSMEs. Further, the Budget focusses on ensuring quality of MSME products, especially in the food sector, and promotion of e-commerce export hubs.

Holistic Approach

The budget announcements range from incentivizing additional employment to setting up working women's hostels; from designing content of courses as per skilling needs of the industry to Government guaranteed loans;

Table: Expenditure of Government of India (Rs. crore)

2022-23 Actuals	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
41,93,157	45,03,097	44,90,486	48,20,512

from development of infrastructure to enhanced spread of banking network; from developing Digital Public Infrastructure applications to setting up an Integrated Technology Platform for improving outcomes under the Insolvency and Bankruptcy Code; from land reforms to labour reforms; from developing cities as growth hubs to redeveloping existing cities; from investing for housing needs of the urban poor to rental housing for industrial workers; and from internship of 1 crore youth in top 500 companies in 5 years to developing 'plug and play' industrial parks. Further, the announcements include improving the share of Indian shipping industry and generating more employment; promoting water supply, sewage treatment and solid waste management; setting up Critical Mineral Mission; development of weekly *haats*, etc. In line with the global demands, the Budget entails announcements for energy efficient growth.

Budget Provisions

The financial outlays have been commensurate with the targets set by the Budget announcements. Budget provisions of Government of India have grown consistently from 2022-23 to 2024-25 (Table). Compared to the Budget Estimates of 2023-24 and Revised Estimates of 2023-24, there has been a growth of 7.0 percent and 7.3 percent, respectively, of Budget Estimates of 2024-25.

Within the total outlay, some Central Ministries/ Departments which are directly involved in manufacturing and services have proportionately large outlays, e.g. Ministry of Road Transport and Highways



(Rs. 278,000 crore), Ministry of Railways (Rs. 255,393 crore), Ministry of Communications (Rs. 137,294 crore), Ministry of MSME (Rs. 22,138 crore), Ministry of Electronics and Information Technology (Rs. 21,937 crore), Ministry of Heavy Industries (Rs. 7,242 crore), Department of Promotion of Industry and Internal Trade (Rs. 6,455 crore), Ministry of Textiles (Rs. 4,417 crore), Ministry of Food Processing Industries (Rs. 3,290 crore), Ministry of Tourism (Rs. 2,480 crore), Ministry of Ports, Shipping and Waterways (Rs. 2,377 crore) and Ministry of Steel (Rs. 326 crore).

Conclusion

The above exposition elucidates the 'Whole of Government' approach adopted in the Budget priorities and the action points contained therein. It also provides examples of linkage of on-going schemes and the new initiatives which underscore the Government's commitment to *Viksit Bharat*. The Budget announcements instill renewed vigour in recent initiatives taken by the Government of India. The Budget has announced a holistic approach to ensure employment, skilling, welfare of MSMEs and the middle class. The approach spans across a myriad of methods which strengthen accessibility to affordable credit, state-of-the-art technology and strengthened market linkage. As evident from the Budget announcements, a concerted effort by various stakeholders is desirable to achieve the goal of *Viksit Bharat*. □

