



# Public Finance and Development: Evaluation of India's Budgetary Priorities

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**Finance Minister's seventh consecutive Union Budget emphasises support for the poor, women, youth, and farmers. It targets employment generation, skilling, MSME support, and balanced regional development. Key initiatives include transforming agriculture for climate resilience, promoting natural farming, and achieving self-sufficiency in pulses and oilseeds. The budget also focuses on urban development, energy security, infrastructure investment, and next-generation reforms to drive inclusive economic growth.**

**O**n 23 July 2024, Finance Minister Smt Nirmala Sitharaman made history by presenting her seventh consecutive Union Budget in Parliament. The core of the 2024-25 budget focusses on the 'Garib' (poor), 'Mahilaayen' (women), 'Yuva' (youth), and 'Annadata' (farmer). Key areas of emphasis include employment generation, skilling, Micro, Small, and Medium Enterprises (MSMEs), and the middle class. The budget proposals aim to create a virtuous cycle

of economic growth and employment, provide ample opportunities for all, facilitate balanced regional development, and benefit the most vulnerable sections of society.

To achieve these objectives, the Finance Minister highlighted nine priority areas in her speech: productivity and resilience in agriculture; employment and skilling; inclusive human resource development and social justice; manufacturing and services; urban development; energy



**UNION BUDGET 2024-25**

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**Employment & Skilling**

Prime Minister's Package: 3 schemes announced under 'Employment Linked Incentive'

**Scheme A: First Timers**

- Direct benefit transfer of 1-month salary in 3 installments up to ₹ 15,000 to first-time employees registered in EPFO

**Scheme B: Job Creation in Manufacturing**

- incentive to be provided directly to both employee and employer as per their EPFO contribution, in the first 4 years of employment

**Scheme C: Support to Employers**

- Reimbursement to employers up to ₹ 3,000 per month for 2 years towards their EPFO contribution for each additional employee

security; infrastructure; innovation, research and development; and next generation reforms. Let's discuss and evaluate these nine priorities.

### Priority 1: Productivity and Resilience in Agriculture

Agriculture plays a pivotal role in the Indian economy, providing livelihood support to 42.3 per cent of the population and contributing 18.2 per cent to the country's GDP. Recognising its critical importance, the budget rightly focusses on transforming India's agricultural sector to ensure food security, enhance farmers' income, and make agriculture more productive, sustainable, and resilient to climate change. The agriculture and allied sectors have received a generous allocation of Rs 1.52 lakh crore in the budget. Key initiatives announced to enhance productivity and resilience in agriculture are as follows:

#### i. Transforming Agricultural Research:

Achieving a quantum leap in agricultural productivity requires transforming research to enhance productivity and develop climate-resilient varieties. The government has decided to comprehensively revamp the country's agricultural research setup. The budget also proposes to provide funds for agricultural research in a challenge mode for both the public and private sectors. Additionally, it aims to provide 109 new, high-yielding, and climate-resilient varieties of 32 field and horticultural crops to farmers.

ii. **Promotion of Natural Farming:** Natural farming, or *Bhartiya Prakratik Krishi Paddhati*, is rooted in Indian tradition and relies on desi-cows and locally available resources, avoiding chemical fertilisers and pesticides. It is climate-resilient, cost-effective, rejuvenates soil health, reduces water requirements, and produces safe and healthy food. The budget proposes to initiate and support one crore farmers across the country in natural farming over the next two years, setting up 10,000 need-based bio-input resource centres and supporting farmers through certification and branding.

#### iii. Self-Sufficiency in Pulses and Oilseeds Production:

Pulses are environmentally friendly crops that put minimal pressure on natural resources and fix atmospheric nitrogen in the soil. They are also crucial for nutrition and health. Currently, there is a gap of 4.4 million tonnes between the demand and supply of pulses, met by imports. Similarly, India heavily depends on imports to meet its edible oil requirements. The budget emphasises achieving self-sufficiency in the production of pulses and oilseeds by strengthening their production, storage, and marketing.

#### iv. Vegetable Production and Supply Chains:

India, with a production of 256 MT (Metric Tonnes), is the second-largest producer of fruits and vegetables globally. However, significant post-harvest losses occur due to inefficient supply chains, inadequate infrastructure, transportation issues, and poor market linkages. To address these challenges, the Finance Minister announced plans to develop large-scale clusters for vegetable production near major consumption centres and promote Farmer Producer Organisations (FPOs), cooperatives, and startups for vegetable supply chains.

#### v. Digital Public Infrastructure for Agriculture:

Digital Public Infrastructure (DPI) will enable the development of innovative, farmer-centric solutions and services to improve agricultural productivity and profitability. It will assist in providing relevant information services on crop planning and health, improve access to farm inputs, credit, and insurance, aid in crop estimation and market intelligence, and support the growth of the Agri-Tech industry



and startups. The budget proposes that the central government implement DPI in agriculture in partnership with states, with a digital crop survey for Kharif to be conducted in 400 districts in the current fiscal year. Additionally, the details of 6 crore farmers and their lands will be included in the farmer and land registries.

Besides these measures, the Finance Minister announced the government’s thrust on shrimp production and export. To facilitate this, a network of nucleus breeding centres for shrimp broodstock will be set up, and financing will be provided for shrimp farming, processing, and export. The government will also introduce the National Cooperation Policy to ensure systematic, orderly, and all-round development of the cooperative sector, fast-tracking rural economic growth and generating large-scale employment opportunities.

Thus, the budget aims to transform the agricultural landscape of the country, making it more resilient to climate change and market fluctuations. Comprehensive support for farmers to achieve this objective is outlined in the budget too.

**Priority 2: Employment and Skilling**

India’s demographic dividend offers a significant advantage, but challenges like skill mismatches, regional disparities in job opportunities, underemployment, and unemployment must be

addressed to realise this potential. Employment and skilling are thus central objectives of the budget.

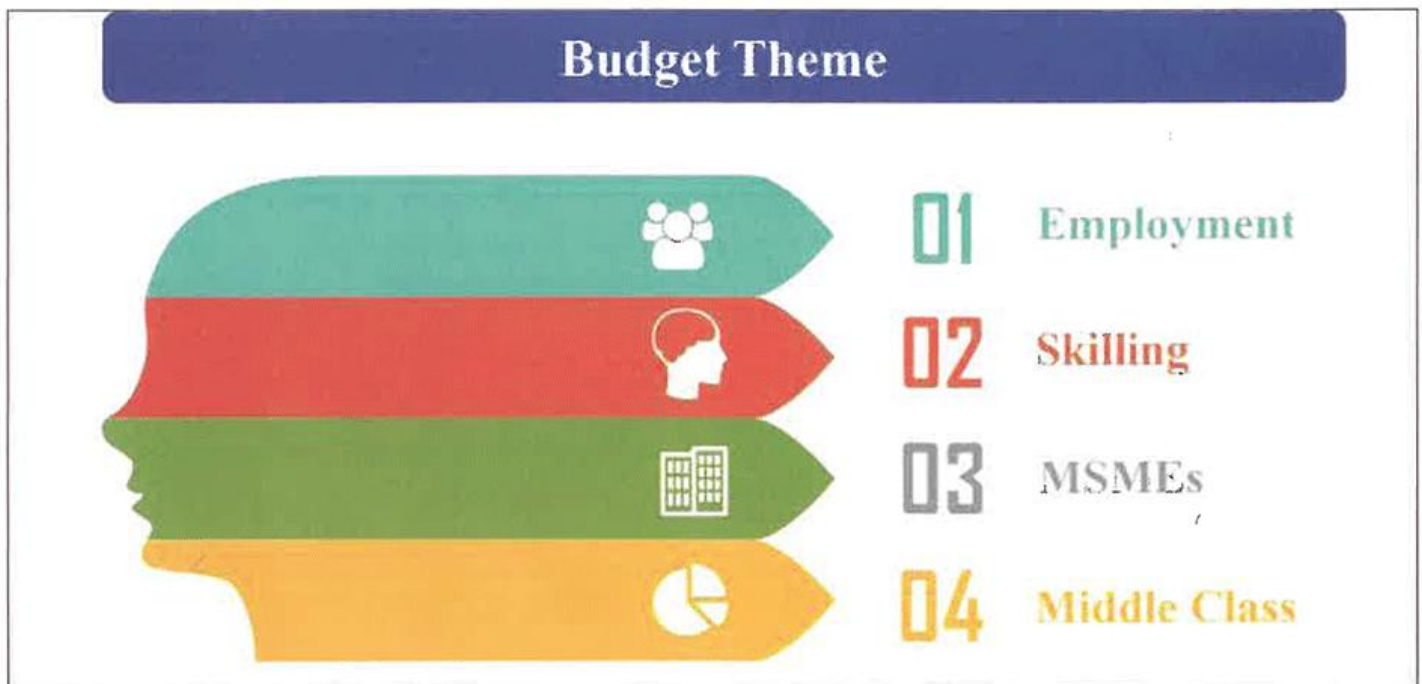
To harness the demographic dividend and build an inclusive economy, the Finance Minister announced the Prime Minister’s Package of five schemes and initiatives with an allocation of Rs 2 lakh crore, aiming to benefit 4.1 crore youth over five years. Here’s a closer look at the ambitious package:

**i. Employment Linked Incentive Scheme-A (for First Timers):**

This scheme targets 2.1 crore youth entering the workforce with salaries up to Rs 1 lakh per month. The government will pay one month’s salary, up to Rs 15,000, directly to the employee’s bank account in three instalments. All formal sectors are covered, but employers must refund the subsidy if employment ends within 12 months of recruitment.

**ii. Employment Linked Incentive Scheme-B (Job Creation in Manufacturing):**

Benefiting 30 lakh youth, this scheme promotes the substantial hiring of first-time employees in manufacturing. Incentives are provided if employers hire at least 25 per cent more EPFO employees compared to the previous year or at least 50 previously non-EPFO workers. The government will pay 24 per cent of the wage or salary for the first two years, 16 per cent in the third year, and 8 per cent in the fourth year. The scheme covers employees with salaries up to Rs 1 lakh per month, but incentives for those earning over





**Table-1 Prime Minister's Package for Employment and Skilling****Coverage and Estimated Central Outlay**

<b>Schemes</b>	<b>Beneficiaries (in lakh)</b>	<b>Central Outlay (Rs in crore)</b>
Employment Linked Incentive Scheme A (First Timers)	210	23,000
Employment Linked Incentive Scheme B (bulk hiring of first-timers in manufacturing)	30	52,000
Employment Linked Incentive Scheme C (job creation)	50	32,000
Internship Programme (Phase-1)	30	19,000
Internship Programme (Phase-2)	70	44,000
Upgradation of ITIs	20	30,000
<b>Total</b>	<b>410</b>	<b>2,00,000</b>

Rs 25,000 are capped at Rs 25,000/month. This subsidy is in addition to Scheme-A benefits.

### iii. Employment Linked Incentive Scheme-C (Support to Employers):

This scheme is expected to incentivise the employment of 50 lakh people and cover additional employment in all sectors. Employers with fewer than 50 employees who increase their EPFO employees by at least two, and other employers who increase EPFO employees by five are eligible for incentives. The government will reimburse up to Rs 3,000 per month for two years towards EPFO contributions for each additional employee. This subsidy is in addition to Scheme-A but is not available for employees under Scheme-B.

### Skilling

Enhancing employability is another focus of the budget. For this, the government plans to introduce advanced skill training programs and upgrade Industrial Training Institutes (ITIs) in collaboration with the industry. Key skilling schemes include:

#### i. New Scheme for Skilling and Upgradation of ITIs:

Under the Prime Minister's package, a new Centrally Sponsored Scheme (CSS) with an outlay of Rs 60,000 crore will be launched to skill 20 lakh youth over five years. The central government, state governments, and industry will contribute Rs 30,000 crore, Rs 20,000 crore, and Rs 10,000 crore, respectively. The scheme will upgrade 1,000 ITIs in a hub-and-spoke model with industry collaboration,

aligning course content with industry needs and introducing new courses for emerging demands. Capacity at five national institutes for training trainers will also be augmented.

#### ii. Internship at Top Companies

The Prime Minister's Internship Scheme will skill one crore youth, aged 21-24, over five years through internships at India's top companies. Interns will receive a Rs 5,000 monthly allowance for one year, with the government covering Rs 54,000 annually towards the allowance and Rs 6,000 for incidentals. Companies will contribute Rs 6,000 monthly and bear training costs through CSR funds.

The coverage and estimated central outlay of the schemes in the Prime Minister's package for employment and skilling are summarised in Table-1.

Additionally, the Finance Minister announced the construction of working women hostels and creches to facilitate higher workforce participation by women, as well as skilling loans and education loan schemes. One lakh students will benefit from education loans up to Rs 10 lakh with a 3 per cent interest subvention, and 25,000 youth will receive skilling loans annually.

Thus, the Union Budget 2024-25 presents a comprehensive strategy to address India's employment challenges, create a robust framework for job creation, and drive inclusive economic growth. The employment generation initiatives are ambitious, targeting multiple sectors and addressing diverse aspects of the employment landscape.



### Priority 3: Inclusive Human Resource Development and Social Justice

The budget for fiscal 2024-25 underscores the government's commitment to comprehensive and inclusive development, particularly for farmers, youth, women, and the poor. Human capital development and social justice ensure growth that benefits all sections of society. Key initiatives in this direction include:

- i. Saturation Approach to Promote Social Justice:** The government will ensure all eligible people are covered in various programs for education, health, and other sectors. Accelerated implementation of schemes will support economic activities for craftsmen, artisans, self help groups, scheduled castes, scheduled tribes, women entrepreneurs, and street vendors.
- ii. Purvodaya:** The eastern part of India, rich in cultural traditions and resources, will see comprehensive development under the 'Purvodaya' plan. This initiative aims to develop human resources, infrastructure, and economic opportunities, transforming the region into an engine for a *Viksit Bharat*.
- iii. Women-Led Development:** The budget allocates over Rs 3 lakh crore for schemes benefiting women and girls, emphasising their role in economic development. Enhanced funding targets their health, nutrition, and education.

- iv. Pradhan Mantri Janjatiya Unnat Gram Abhiyan:** To improve the socio-economic conditions of tribal communities, the government will launch this initiative, covering tribal families in tribal-majority villages and aspirational districts. Over five crore tribal people in 63,000 villages will benefit.
- v. Enhanced Coverage of India Post Payment Bank:** To expand banking services and spur economic growth in the North East, more than 100 branches of India Post Payment Bank will be opened in the region.
- vi. Increased Funding for Education, Healthcare, and Housing:** The budget raises the allocation for education by 12 per cent to Rs 1.2 lakh crore, aiming to improve quality and expand access to digital learning tools. Healthcare funding has increased by 15 per cent to Rs 3.8 lakh crore. To address housing needs, the central government will support constructing three crore additional houses under the PM Awas Yojana.

The government's focus on human capital development and social justice in the budget is a welcome move, promoting inclusive growth and ensuring that development benefits all sections of society.

### Priority 4: Manufacturing and Service

Revitalising the manufacturing and service sectors to boost economic growth and create jobs is a key priority of the budget. Special attention has been paid to promoting MSMEs and labour-intensive manufacturing. MSMEs, the backbone of the Indian economy, are crucial for employment generation. The budget earmarks Rs 1.5 lakh crore for the MSME sector, including measures to enhance credit availability, reduce compliance burdens, and provide technical support. Key initiatives include:

- i. Credit Guarantee Scheme for MSMEs:** The government will introduce a credit guarantee scheme to facilitate term loans for MSMEs to purchase machinery and equipment without collateral or third-party guarantees. An amount of Rs 9,812 crore is allocated in the budget for the scheme. This will enable small businesses to expand, improve credibility, and create more jobs.





**UNION BUDGET 2024-25**  
**विश्व मंत्रालय MINISTRY OF FINANCE**

**Employment & Skilling**  
**Special Focus on Women & Students**

- Setting up of working women's hostels & creches in collaboration with industry
- Model Skill Loan Scheme to be revised to facilitate loans up to ₹ 7.5 lakh with a guarantee from a government-promoted fund; expected to help 25,000 students every year
- E-vouchers for loans upto ₹ 10 lakh for higher education in domestic institutions to be given directly to 1 lakh students every year for annual interest subvention of 3% of loan amount

**ii. New Assessment Model for MSME Credit:** Public sector banks will develop a credit assessment model based on the digital footprints of MSMEs rather than traditional asset or turnover criteria, improving credit eligibility assessment.

**iii. Credit Support to MSMEs During Stress Periods:** For MSMEs in the 'special mention account' (SMA) stage, a new mechanism will facilitate the continuation of bank credit through a government-promoted fund guarantee, helping them avoid NPA (Non Performing Asset) status.

**iv. Enhanced Scope for Mandatory Onboarding in TReDS:** The budget reduces the turnover threshold for mandatory onboarding on the TReDS (Trade Receivables Discounting System) platform from Rs 500 crore to Rs 250 crore, unlocking working capital for MSMEs by converting trade receivables into cash. This measure will bring 7,000 more companies onto the platform.

Additionally, new branches of SIDBI will expand their reach to MSME clusters, providing direct credit. The government will support the setup of 50 multi-product food irradiation units in the MSME sector and establish e-commerce export hubs in PPP mode to help MSMEs and traditional artisans sell internationally.

**Other schemes to promote manufacturing:** Besides boosting MSMEs, the budget includes initiatives to promote manufacturing and services:

**i. Industrial Parks:** The government will develop investment-ready 'plug and play' industrial parks with complete infrastructure in 100 cities in partnership with states and the private sector. Twelve industrial parks will also be sanctioned under the National Industrial Corridor Development Programme.

**ii. Rental Housing for Industrial Workers:** The government will facilitate rental housing with dormitory-type accommodation for industrial workers in PPP mode with Viability Gap Funding (VGF) support and commitments from anchor industries.

**iii. Digital Public Infrastructure (DPI) Applications:** DPI applications will be developed at a population scale to enhance productivity, business opportunities, and innovation in areas such as credit, e-commerce, education, health, law, logistics, MSME, service delivery, and urban governance.

**iv. Production Linked Incentive (PLI) Scheme:** The budget allocates Rs 2 lakh crore for the PLI scheme, aiming to boost domestic manufacturing, attract investment, and generate jobs in key industries such as electronics, automobiles, textiles, and pharmaceuticals.

**v. Bolstering Startups:** To spur investments in startups and promote ease of doing business, the budget proposes abolishing the 'Angel Tax' on all classes of investors.

These initiatives will stimulate industrial growth and enhance the global competitiveness of Indian manufacturers, paving a new path for small traders and MSMEs. The focus on the service sector leverages India's strengths in IT and digital services, driving inclusive economic growth.

### Priority 5: Urban Development

Urban development is a key priority of the budget, with a range of initiatives proposed to revitalise cities, including creative redevelopment, transit-orientated development, and incentives for urban renewal projects.

**i. Cities as Growth Hubs:** The Union government will collaborate with state governments to develop cities as growth hubs through economic and transit planning and the orderly development of peri-urban areas using town planning schemes.



- ii. **Creative Redevelopment of Cities:** The government will design a framework for enabling policies, market-based mechanisms, and regulations to facilitate the creative brownfield redevelopment of existing cities with transformative impacts.
- iii. **Transit-Orientated Development:** Development plans, implementation, and financing strategies for transit-orientated development will be formulated for 14 large cities with populations over 30 lakh.
- iv. **Urban Housing:** The government will invest Rs 10 lakh crore to build 1 crore houses for urban poor and middle-class families over the next five years, addressing housing needs. The scheme also envisages a provision of interest subsidies to facilitate loans at affordable rates. An efficient and transparent rental housing market with enhanced availability will also be put in place through enabling policies and regulations.
- v. **Water Supply and Sanitation:** Through bankable projects, the government will promote water supply, sewage treatment, and solid waste management services in 100 large cities, partnering with state governments and multilateral development banks.

Urban development is crucial for accommodating the growing population and ensuring sustainable cities. The government's proposed initiatives aim to develop cities as growth hubs, create jobs, enhance urban sustainability, and improve the quality of urban life.

### Priority 6: Energy Security

Ensuring energy security is crucial for sustaining economic growth and reducing dependence on fossil fuels. The budget underscores the government's commitment to high, resource-efficient economic growth and energy security. Key initiatives announced are:

- i. **Energy Transition:** The government will introduce a policy on energy transition pathways, balancing employment, growth, and environmental sustainability. Rs 1.5 lakh crore has been allocated for renewable energy projects, including solar, wind, and green hydrogen.
- ii. **PM Surya Ghar Muft Bijli Yojana:** This scheme aims to install rooftop solar plants, providing 1 crore households with free electricity up to 300 units per month. The Finance Minister earmarked Rs 6,250 crore for it in the current fiscal year due to its remarkable response.

**Budget Priorities**  
Path of strong development and all-round prosperity

Productivity and resilience in Agriculture	Employment & Skilling	Inclusive Human Resource Development and Social Justice
Manufacturing & Services	Urban Development	Energy Security
Infrastructure	Innovation, Research & Development	Next Generation Reforms

iii. **Pumped Storage Policy:** A policy will be introduced to promote pumped storage projects for electricity storage, facilitating the integration of renewable energy with its variable and intermittent nature.

iv. **R&D of Small and Modular Nuclear Reactors:** Nuclear energy is set to play a significant role in the energy mix for *Viksit Bharat*. The government will partner with the private sector, providing R&D funding for Bharat Small Reactors and Bharat Small Modular Reactors, along with new nuclear technologies.

v. **Advanced Ultra Super Critical Thermal Power Plants:** India has developed indigenous technology for Advanced Ultra Super Critical (AUSC) thermal power plants. Fiscal support will be provided for setting up an 800 MW