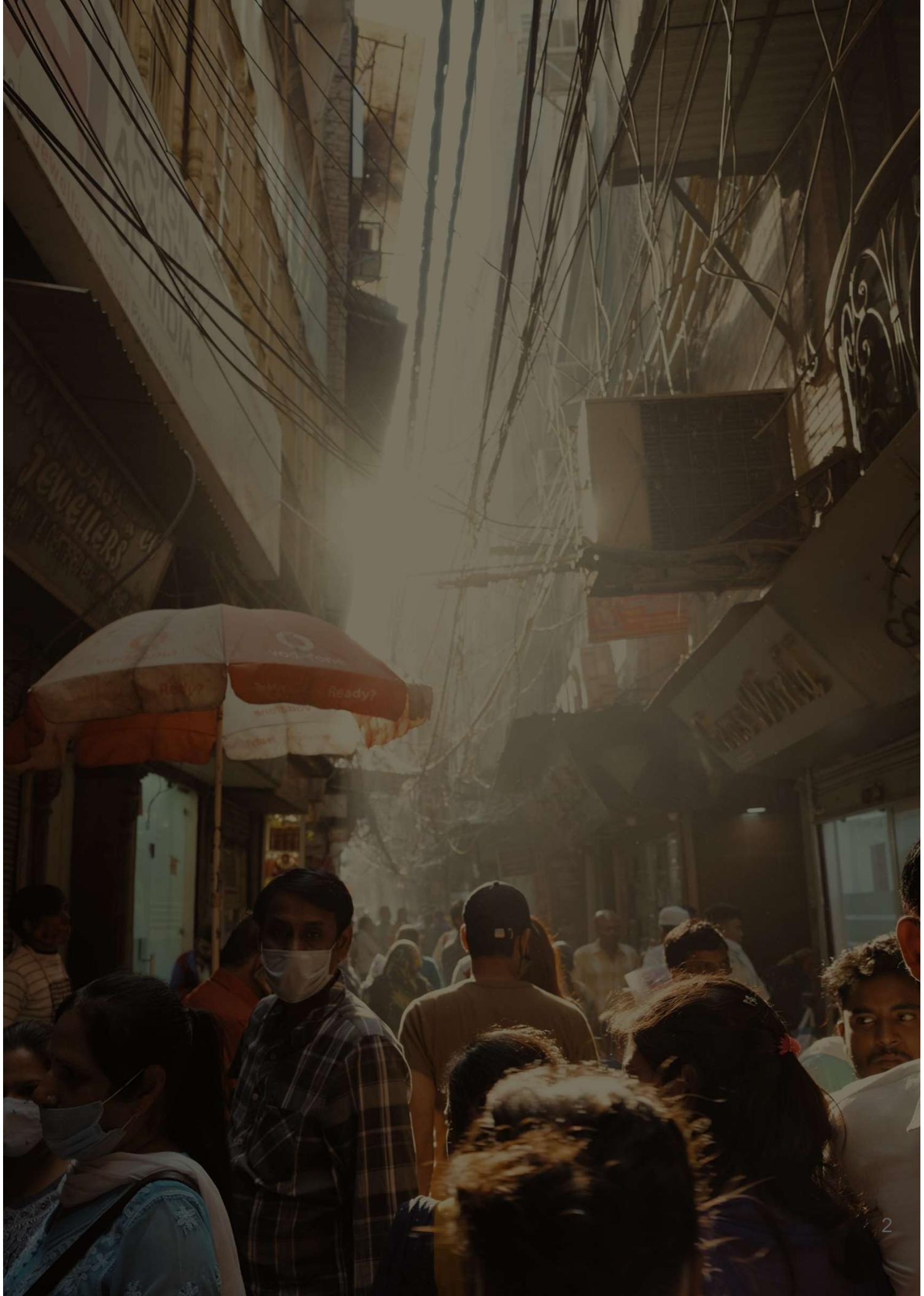




# MAKING SENSE OF THE UNION BUDGET 2023-24



As echoed by one of the most respected Secretaries to have led the Department of Economic Affairs, the Union-Budget assumes an unparalleled significance for our country.

For the Union Budget is a consolidated policy statement, which does not just assume its structure from the priorities of the day, but also provides a teaser for the pathways of the future.

Therefore, it becomes critical to not just summarize the Union Budget, but to effectively identify and contextualize it as per the priorities of the day, and of the future.

This is what Ardent Co. has sought to achieve through its report *Making Sense of the Budget*.

The Union Budget 2023-24 shall be memorable for multitude of reasons.

It's the last full Budget of the current *administration* before the Lok Sabha polls due in 2024, and it has been presented in a year which is looking ahead towards eight key assembly elections.

It's also the first Budget presented after the announcement of the vision of India's *Amrit Kaal*, for a country standing at the cusp of technological transformation and environmental transition.

In furtherance to socio-political nuances, it is also a Budget which comes after a year that saw India crowning herself as the fifth largest economy on the planet, overtaking the United Kingdom; and it is being presented at the outset of a year glaring at a slowing global economy.

The Indian story, however, continues to be resilient. At a projected GDP growth rate in the range of 6-6.8% India is expected to be the fastest-growing major economy on the planet.

But how fiscally buoyant can the Government be, to support the domestic industry starting at a global slowdown, and further the welfare agenda in *now* the world's most populous country?

At 6.4% for the FY23, fiscal deficit has continued to remain beyond the safety range of the FRBM Act for more than three consecutive financial years now, and impacted by the macro-economic pinch of FY23, the forex reserves are down 7% YoY (Dec '22 end).

Coupled with a sharp impact to industrial output, and broader decline in YoY growth to the GDP, the priorities emerge clear. What becomes important to analyze, is to map, which priorities found themselves at the top of the budget-sheet.

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# 1. For the Average Citizenry

It is critical to analyze the Union Budget '24 from the lens of the priorities for the *average citizen* - individuals hailing from lower-and-middle-income groups across urban and rural India - as, in the preceding year, while the aggregate unemployment rate has moderately improved (YoY), the *average citizen* conspicuously continued with lower discretionary spending, reflected in the lackluster sales last year across key categories of cell phones, two-wheelers, apparels, FMCG goods etc.

*“Taking away the pinch in spending capacity”*

## What the Budget Delivered

### For the average citizen's spending capacity

- After a period of dormancy, bold changes have been made to personal income tax-code, increasing income-tax exemption limit under the *new-scheme*, to allow tax-free income to citizens earning up-to INR7,00,000 per annum, as well reducing the number of slabs under the new *scheme* from seven to five.
- In order to enhance affordability of key electronics items, Budget announced the decision to reduce Basic Customs Duty on input parts used for mobile-phones and televisions.

### For the average citizen's employment opportunities:

- Job creation is expected to find a boost with Government's decision to increase overall Capex by 33%, including a more than 60% increase in allocation for Awas Yojana, and 44% rise in allocation for Railways.
- However, a (*consecutive*) sharp-cut to the allocation for MGNREGA, goes against the woes identified for the rural India.



### For the average citizen's employability

- Fourth iteration of the Pradhan Mantri Kaushal Vikas Yojana (PM-KVY 4.0) has been announced which will aim to skill lakhs of youth within the next three years.
- Announcement to establish 157 new nursing colleges, to enable youth to capitalize on the employment potential in the domestic as well as global nursing industry (as India ranks second after the Philippines in the number of nurses working overseas)

### Our take:

“The Budget does a remarkable job in enhancing spending capacity of the *average Indian*, as well as sustains a focus on enhancing the *average Indian's* employability, however, absence of a more focused approach towards employment generation is being felt.

As drama of the words used in the budget always drive our interest, it becomes interesting to note that the word *jobs* and *employment* were mentioned only twice and thrice, respectively, in the overall speech”

## 2. For the Economic Growth priorities

The industry – MSMEs, Startups, and India Inc. – kept a close watch on the budget, for how the Government shall provide a cushion to the domestic industry amidst headwinds on the global economic growth trajectory, and (YoY) decline in investments from PE&VC industry.

Even with (moderate) increase gross fixed capital formation and broader private sector capex, a sharp decline has been witnessed in overall Industrial growth in FY23, creating a precise priority to support manufacturing enterprises and startups, simultaneous to sustaining the *services* led growth.

*“Need for taking the growth-engine on full-steam”*

# What the Budget Delivered

## For the infrastructure and cap-ex led growth:

- The Hon'ble Finance minister introduced cap-ex as a key strategy for providing a “cushion to domestic industry against global headwinds” increasing the overall cap-ex target by 33%.
- Furthering the cap-ex strategy, the extension to 50 years interest-free loans granted to state-governments – with an outlay of 1.3 Lakh Cr. – has also been provided with the mandate that the entire fifty-year loan to states must be spent on capital expenditure, *within 2023-24*.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified, and will be taken up on priority with investment of ` 75,000 crore, including ` 15,000 crore from private sources.

## For the MSMEs and EoDB Priority:

- MSMEs which face a failure to execute contracts during the Covid period, 95 per cent of the forfeited amount relating to bid or performance security *will be returned*.
- All the state-governments have been encouraged to setup Unity Malls in their state capital or most prominent tourism center for promotion and sale of their own ODOPs (one district, one product), GI products and other handicraft products. *This is supported with the capex outlay provided through the 50 years loan scheme.*
- Aligned with the high-indications from the Central Government ahead of the budget, announcement has been made for the PAN to be used as the common identifier for all digital systems of specified government agencies.



## For promoting growth in emerging sectors and industries:

- Extension to the date of incorporation for income tax benefits to new start-ups, from 31.03.23 to 31.3.24.
- Tourism sector assumed priority, as the Government announced the intention to “develop tourism sector in mission mode”, and went further for announcing identification of more than 50 hubs which will be developed as a complete package.
- With an aim to resolve input cost pressure for key industries, reduction in Basic Customs Duties were announced for input materials used in the steel sector, mobile-phones, televisions, Li-ion batteries etc.
- Push to the Lab-grown diamond (LGD) industry** – which as per data has overtaken traditional rough-cut polished diamond industry in growth trajectory – by reducing the BCD on the seeds used for LGDs.
- Viability Gap Funding announced for Battery Energy Storage Systems projects with capacity of 4,000 MWH, as well as for Coastal shipping projects.

### Our take:

“While the current administration has remained consistent with its strategy of cap-ex led economic growth, *targeted focus on promoting manufacturing has been an ironic miss*, along with a broader strategy for the industry dealing with strong global headwinds ”

### **3. For welfarism, with a *sprinkle of politik***

The Union Budget 2024 is the last full-budget presented by the current administration, ahead of about eight key assembly elections in the year 2023, and the Lok Sabha polls in 2024.

Simultaneous to the political considerations, the broader socio-developmental needs of the country continue to underline key priorities, including the need for a focused public-health strategy, enhancing the contribution of women in the country's GDP, and formalization and strengthening of the fledgling informal sector and rural-and-agriculture economy of the country.

*“For our people, who reflect the soul of India”*

# What the Budget Delivered

## For the development of tribal communities:

*Accounting for 8.6% of country's population, tribal communities emerged as the key constituency for the welfare-agenda*

- A massive 70% increase in the allocation for Ministry of Tribal Affairs.
- Announcement for the launch of the Pradhan Mantri PVTG Development Mission, which will - with an outlay of 15K Cr - in the next three years develop PVTG habitations with basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, road and telecom connectivity.
- Announcement of the Sickle cell Anemia mission to eliminate Sickle Cell Anemia by 2047. It will entail awareness creation, universal screening of 7 crore people in in affected tribal areas.
- Enhancing capacity of Eklavya schools - which serve 3.5 lakh tribal students - with announcement to recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools.

## For the welfare of farmers and agriculture:

- Agriculture credit target increased to ` 20 lakh crore, with focus on animal husbandry, dairy and fisheries.
- Launch of a new sub-scheme of PM Matsya Sampada Yojana with targeted investment of ` 6,000 crore to further enable activities of fishermen, fish vendors etc.
- Enhance the export competitiveness of marine products, particularly shrimps, by reducing duty on key inputs for domestic manufacture of shrimp feed.
- Drought prone central region of Karnataka, will be given INR5,300 Cr. under central assistance to Upper Bhadra Project to facilitate sustainable micro irrigation.
- An Agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas

## For inclusive welfare:

- PM Garib Kalyan Anna Yojana Extended from 1st January 2023, for the next one year, to supply free food grain to about 80Cr persons from Antyodaya and priority households.
- A special scheme focused on traditional artisans and craftspeople - PM Vishwakarma Kaushal Samman (PM VIKAS) Yojana - announced to provide a special package for upskilling and scaling up of India's traditional artists and craftspeople economy, who are also amongst the country's economically weakest.
- Vision announced to enable all cities and towns with 100 per cent mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode.
- Announcement of the National Apprenticeship Promotion Scheme to provide stipend to 47 lakh youth in 3 years via direct benefits transfer (DBT) pan-India.
- Vision announced to transform 81 lakh Women Self Help Groups - under the Deendayal Antyodaya Yojana National Rural Livelihood Mission - into large producer enterprises or collectives with each having several thousand members and managed professionally.

## Our take:

“With the precision of a scalpel, the welfarism agenda of the budget delivers gains for all the key constituents of the polity, our ST and SC communities, women, youth and for the economically weakest in the society.

A unique flavor of focus is being realized towards fish which swim in the Southern seas”



## 4. For the Amrit Kaal Journey

The coming decades hold monumental opportunities and challenges for India.

With estimates of becoming the third-largest economy by the second half of the coming decade,, equally daunting developments are expected from the changing climate.

Therefore, it becomes critical for India, to orient her capabilities and actions, to help her capitalize on the global economy's technological transformation, as well as, adapt and become resilient to planet's environmental transition.

*“Making it the India’s century”*

# What the Budget Delivered

## For India's technology revolution:

- Setting the stage for creating the work-force of the future, the Pradhan Mantri Kaushal Vikas Yojana 4.0 announced in the budget will this time also focus on new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills.
- Furthering India's work in creating Public Digital Infrastructures, Budget has announced for creation of a Unified Skill India Digital platform - for streamlining skilling - a Digital Public Infrastructure for Agriculture, and a National Digital Library for children and adolescents.
- Designating focus on *deployment of emerging technologies*, with the announcement for creation of 3 Artificial Intelligence labs - to identify A.I. applications in areas of health, education, agriculture - and 1005G Labs to identify new range of opportunities, business models, and employment potential through 5G.

## For making India's lifestyle Green:

- Announcement of PM-PRANAM program to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers - which should support lowering emissions from fertilizer use in the agriculture sector.
- Announcement for launch of Atmanirbhar Clean Plant Program to boost availability of disease-free, quality planting material for high value horticultural crops.
- Announcement of vision to facilitate 1 crore farmers to adopt natural farming over the next 3 years.
- Launch of a Green Credit Programme announced, which shall seek to incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies.



## For making the energy-mix green:

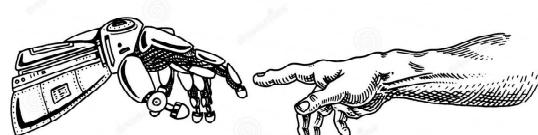
- Announcement of INR 35,000 crore for priority capital investments towards energy transition and net zero objectives.
- Strong push for Bio-gas, through announcement for launch of GOBARdhan scheme, for development of 500 new 'waste to wealth' plants; a 5 per cent CBG mandate for all organizations marketing natural and bio-gas, and proposal to exempt excise duty on GST-paid compressed bio-gas contained in blended compressed natural gas.

## For conservation of our key ecosystems:

- Announcement of Amrit Dharohar scheme that will be implemented over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock etc.
- Announcement of MISHTI program ('Mangrove Initiative for Shoreline Habitats & Tangible Incomes') for mangrove plantation along the coastline and on salt pan lands, wherever feasible, through convergence between MGNREGS, CAMPA Fund and other sources.

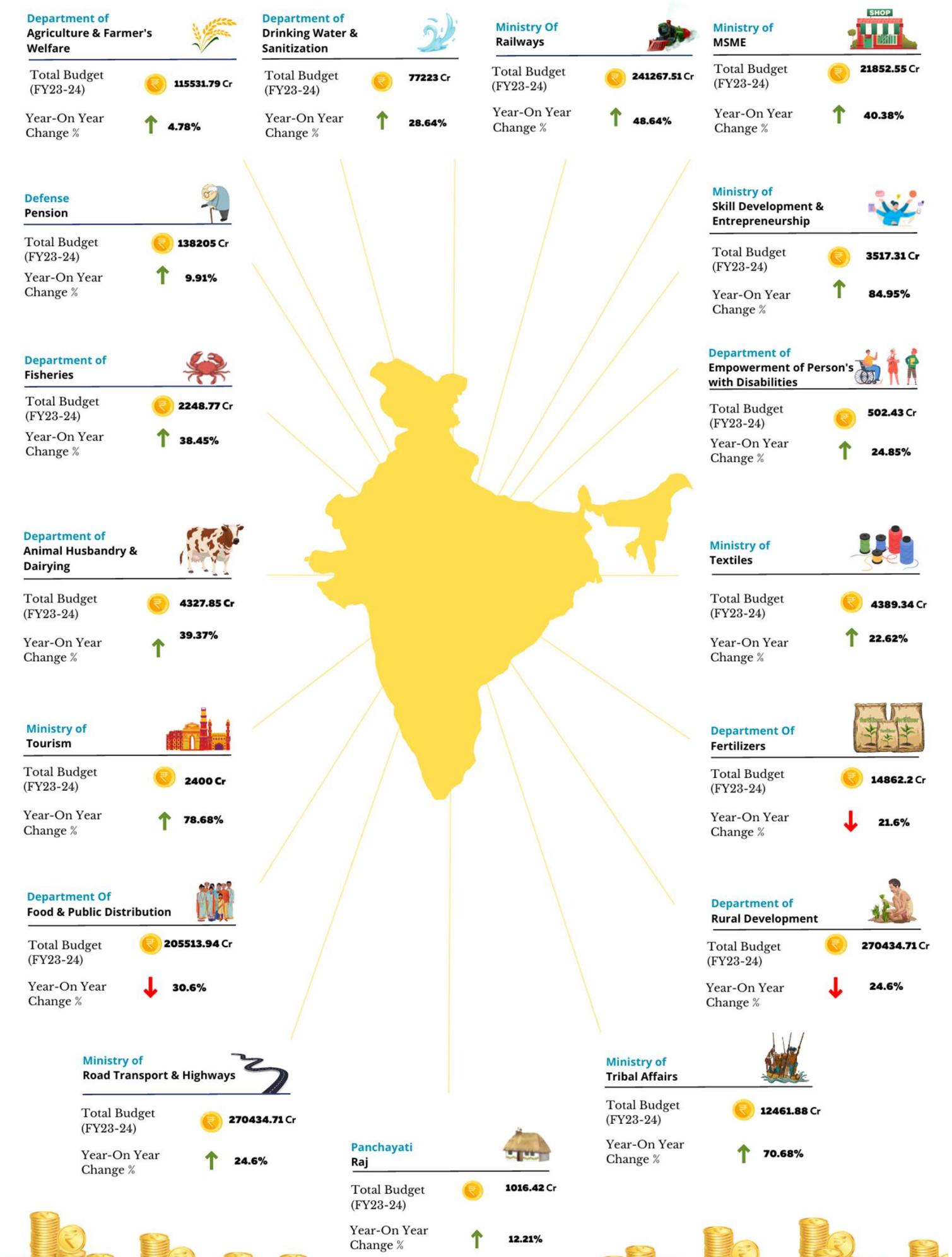
### Our take:

"Staying true the vision of Amrit-kaal announced in the previous budget, the Government has delivered an extremely progressive future-focused budget, maintaining a balanced focus towards work-force transition, and enhancing the life-style and ecosystem adaptability and resilience"



# Our six key takeaways

- In a nutshell, welfarism and future assumed the driving seat, while industry and the average citizen are the passengers who will enjoy the wind of the journey.
- Overall analysis of the Budget reflects that significant future-oriented announcements have been made, which enables India in remaining committed to the vision of Amrit Kaal. A host of foundational announcements have been made, which should contribute to India's agenda of becoming greener through her energy use and economic activities.
- The public-health and healthcare scenario at-large, having emerged from the crisis and learnings of COVID, seemed to have missed core-attention in marquee announcements.
- Manufacturing story could've found greater focus, acknowledging the direness of the day, whilst FDI attraction should've had strategic attention to capitalize on the momentum of China+1 movement.
- The budget is rich with precise interventions for the *politik*, supporting growth in constituencies wherein progress remains to be achieved .
- Ears remained longing, to be warmed by the buzzwords of GST, disinvestments, PLIs, Manufacturing, and FDI. But they remained longing.



## An Ardent Co. publication

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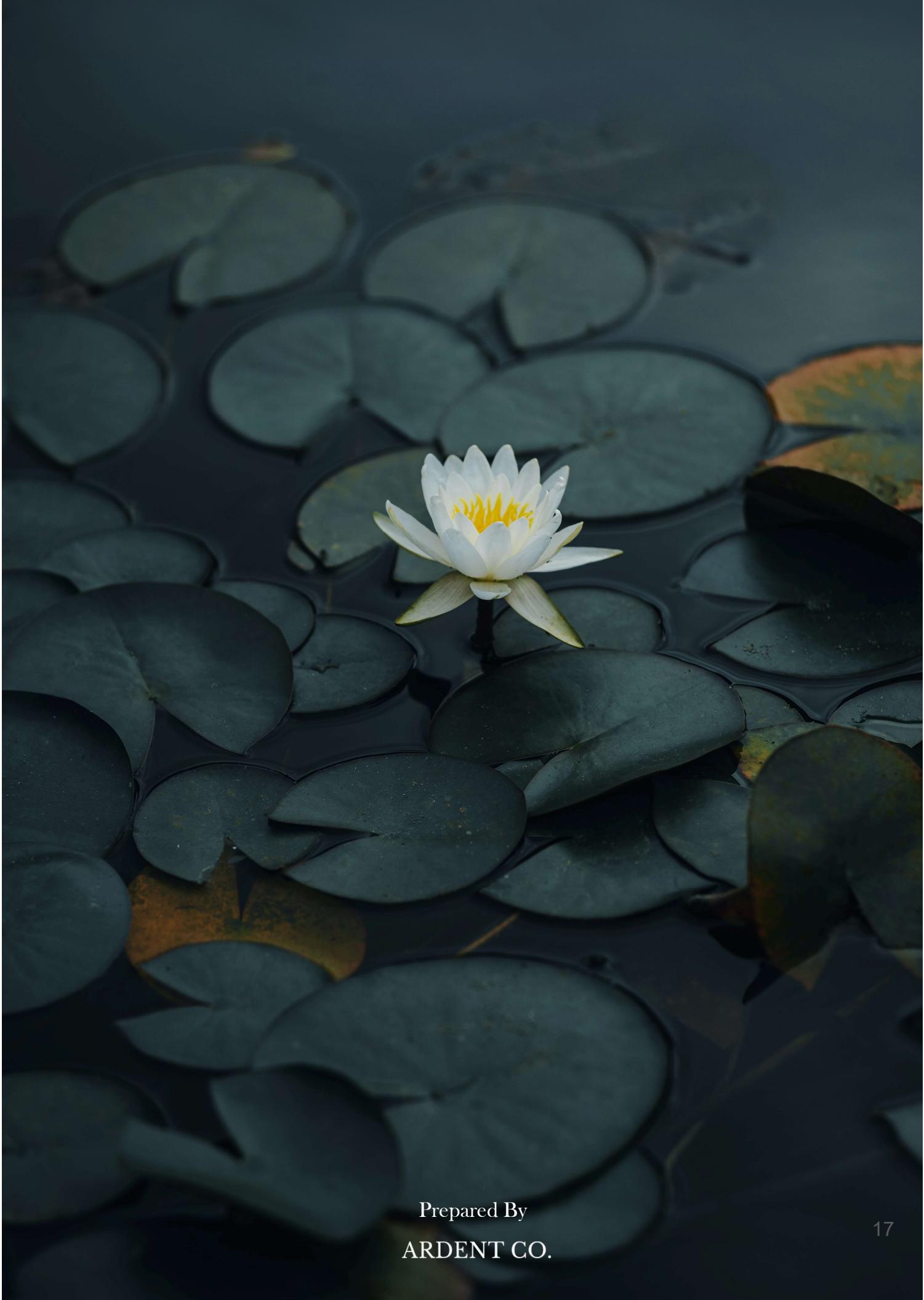
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