

Interim Budget- A Bold Road Map for Bharat@ 2047

Written By

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Indian Economy has been moving ahead with resilience and has become the 5th largest from a fragile tenth position in 2014 and is poised to the 3rd largest Status by 2027. Economic growth is expected to remain robust at 7.3 percent in 2023-24 as against 7.2 in 2022-23 which is highest globally and particularly when most of the large economies are suffering from lower growth and higher inflation. The growth is accompanied by lower inflation of about 5% and reduction in unemployment rate and substantial reduction in multidimensional poverty. The interim budget has assumed a 10.5% nominal growth in GDP from 2023-24 to 2024-25 and a real rate of GDP growth of 7%. This implicitly assumes an inflation rate around 3.5% in the coming financial year as against the prevailing inflation rate around 4.5 to 5%.

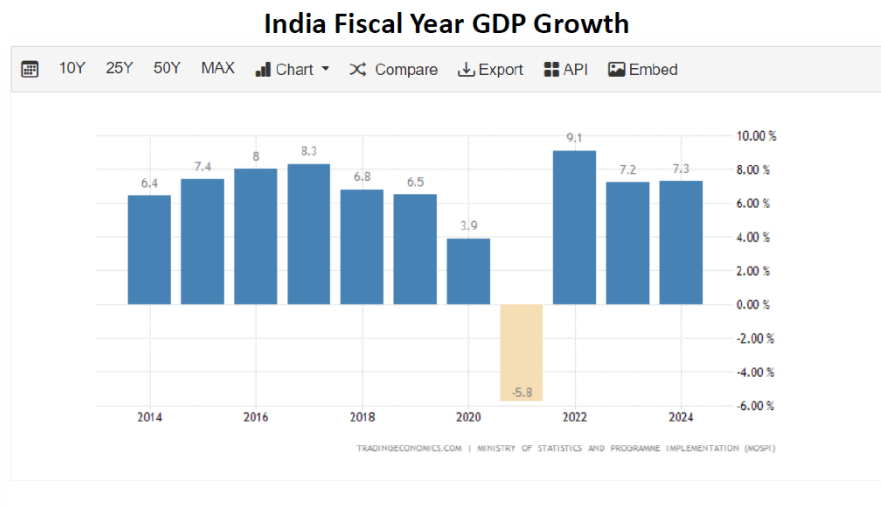


Fig.1

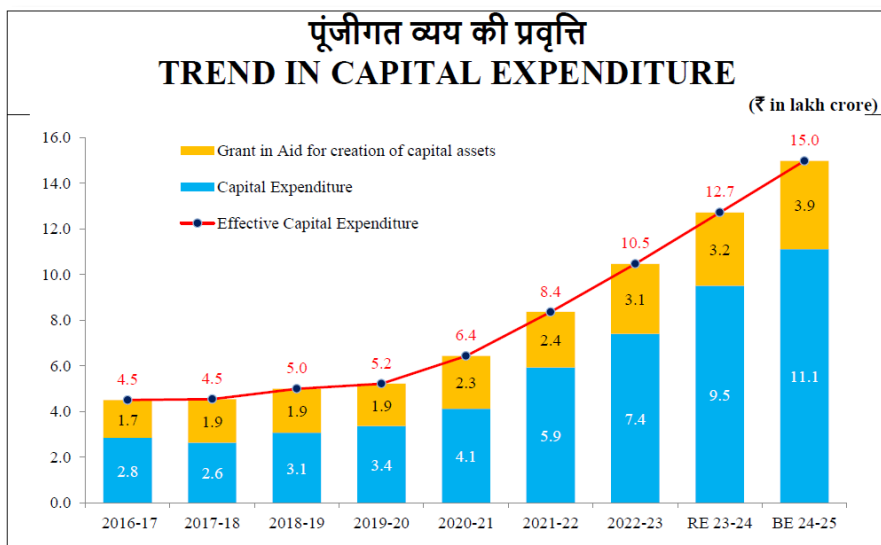


Fig.2

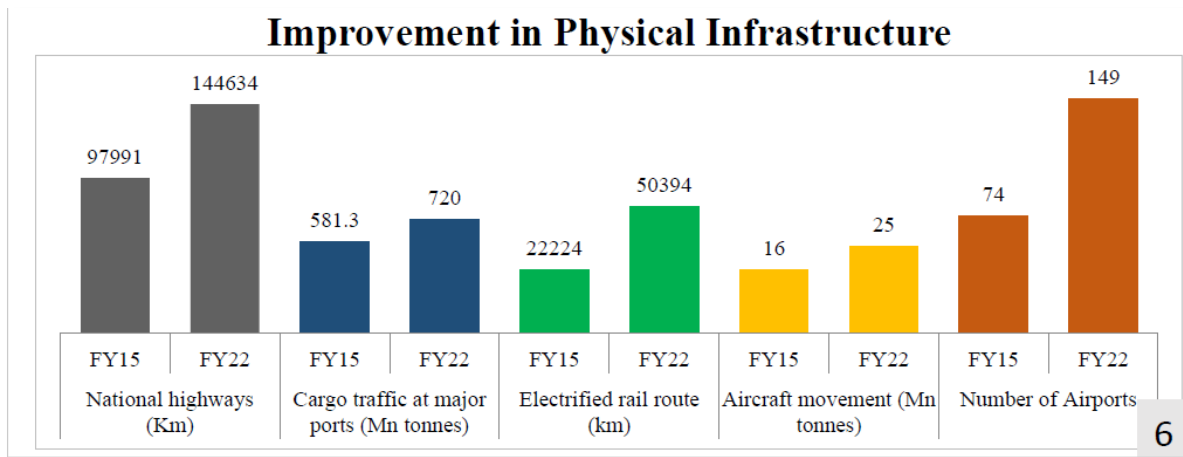


Fig.3

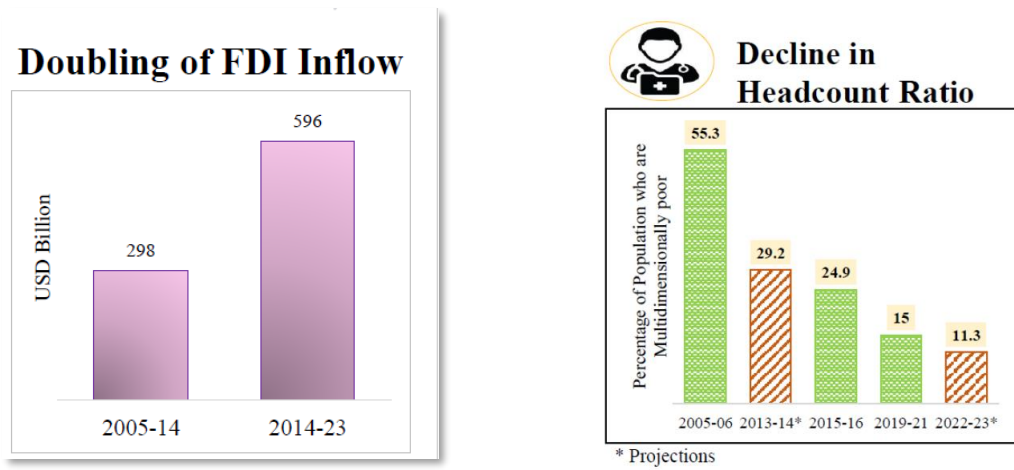


Fig.4

The secret behind consistent economic growth is increase in capital expenditure which has gone up from Rs. 3.5 lakh crores to Rs. 10 lakh crores and the increased provisions have been made by 11% to Rs 11.11 lakh crores for the F/Y 2024-25 with remarkable improvement in infrastructure for Road, Railways, ports and airports. However, there is need for increase in private investment. The Government has created a good base for the industry which has undergone severe pain during the Covid period of 2020-2021 and part of 2021-22. There has been almost double inflow of FDI during 2004-2014 of US\$ 298 Billion to US\$ 596 Billion during 2014-2023 which is partly due to Make in India initiative of our Prime Minister and partly due to Ease of doing Business in India and also due to change in the mindset of the foreign investors in favour of India for the geopolitical changes taking place around the World. However, there is a little bit concern about decline in FDI inflows by 16% from US\$ 84.9 billion to US\$ 70.9 billion between calendar years 2022 and 2023.

The macro economic environment is very stable and cordial with very reasonable current account deficit, stable exchange rate, controlled inflation, stable forex reserves and declining trend of Fiscal Deficit. There has been substantial increase in tax collections, both direct and indirect taxes. GST collections are on an average of Rs. 1.7 trillion on monthly basis which has enabled Government to achieve the target of reduced level of Fiscal Deficit of 5.8 percent as against the provision of 5.9 percent in 2023-24 and it will be further reduced to 5.1 percent in 2024-25 and gradually reach the desired level of around 4 percent and finally at 3 percent in compliance with the FRBM Act.

Implementation of GST with the idea of one nation one tax and with the abolition of entry tax as well as several other provincial and local taxes, there has been substantial reduction in the logistic cost and improvement in the daily kilometre efficiency of the goods vehicle as is evident from Chart-....

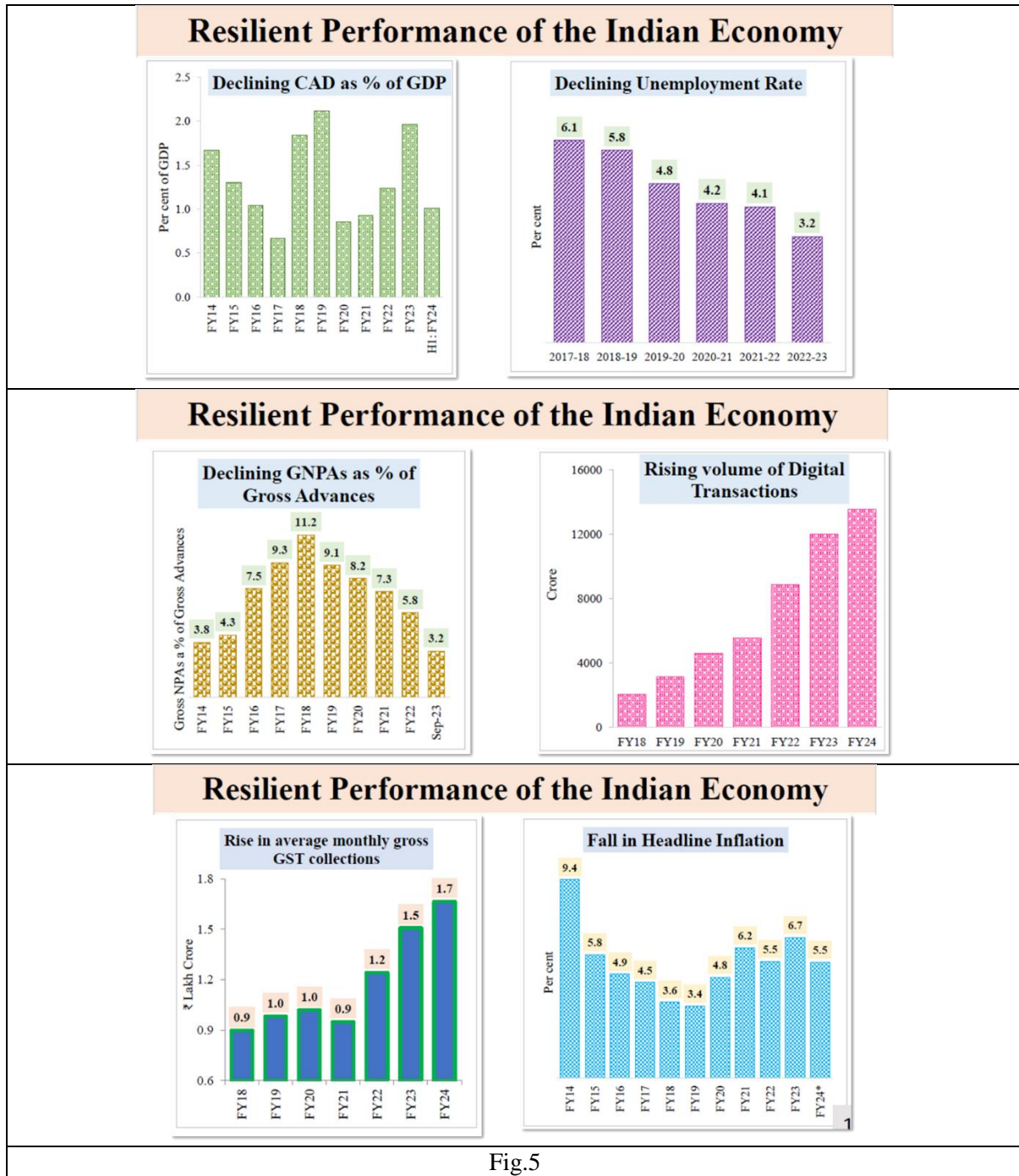


Fig.5

The reforms introduced in the financial sector particularly by adoption of digital technology and direct benefit transfer has resulted into savings of Rs.2.7 lakh crores to the exchequer. The implementation of Insolvency and Bankruptcy Law has resulted in to reduction in gross NPA and thereby abolition of the twin Balance Sheet syndrome. The NPAs have come down from almost 11 percent to just about 3.5 percent.

The Prime Minister had recently announced **PM Suryoday Yojana** to give a boost to Solar Energy as a part of his commitment for producing 50% electricity through renewable non-fossil fuels by 2030. In order to fulfil his commitment the Finance Minister has announced in the Budget a financial allocation for solar initiatives with a substantial rise to Rs 10,000 crore for the fiscal year 2024-25, marking a 110% increase from the revised estimates of Rs 4,757 crore. Under this scheme free electricity of up to 300 units will be provided every month, under the Centre's proposed rooftop solarization scheme. It is estimated that the project will help one crore households in the whole country save between Rs 15,000 and Rs 18,000 annually and allow them to sell their surplus electricity to DISCOMS.

However when we compare our economy from the point of view of per capita income, we are positioned at 140th which in dollar term is US\$2,612 (nominal; 2023 est.) US\$9,183 (PPP; 2023 est.) and therefore there is need for quantum jump to reach the target of a Developed Economy by 2047 with zero unemployment and zero poverty with minimum income inequality to support inclusive growth and by due compliance of environmental norms with sustainable consumption. There has been a very positive step undertaken in this Budget by allocating Rs 1 lakh crores for innovation fund to promote research, inventions and innovation for development of latest technology in the country. This is very essential in today's era of knowledge in order to strengthen our manufacturing sector to produce qualitative goods at competitive prices. This will give further boost to our Start ups and for technological transformation.

It is IP and Innovation which contribute to the economic growth and share a larger chunk of the national economy of many countries. In USA and Europe almost one third of the GDP come only from the revenue earned through patent, trade mark, copyrights and industrial designs. In 2023, the size of the world economy was GDP US\$105 trillion dollar of which the Top Five Economies shared as below.

Country	USA	China	Japan	Germany	India	Total
Trillion US\$	26.9	19.4	4.4	4.3	3.7	105

It may be noted that USA earns US\$7.7 trillion only from Intellectual Property Rights as Royalty and technical fees which is more than double of India's total GDP. Therefore, Bharat @2047 must spend more on research and development in order to achieve the target of Viksit Bharat.

Notes-

1. The Global Multidimensional Poverty Index (MPI) was developed in 2010 by the Oxford Poverty & Human Development Initiative (OPHI) and the United Nations Development Programme and uses health, education and standard of living indicators to determine the incidence and intensity of poverty experienced by a population.
2. NDA Government inherited almost double digit inflation of 9.4% from UPA regime in 2014 and has been able to manage it within an overall average limit of 5% save and except two years in 2021 (6.2%) due to Covid and 2023 (6.7%) due to Ukraine War