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Finance Minister Nirmala Sitharaman revised the income tax slabs and increased standard deductions under the new tax regime to provide relief to middle-class taxpayers and promote higher disposable income.

- Key changes include raising the ₹3-6 lakh slab to ₹3-7 lakh and increasing deductions for salaried employees and pensioners.

FM revises personal income tax slabs

With the changes, salaried individuals stand to save up to ₹17,500 in income tax, says Sitharaman; additionally, standard deduction expected to provide relief to '4 crore salaried individuals, pensioners'; no penalty for not reporting overseas movable assets up to ₹20 lakh

Saptaparno Ghosh
NEW DELHI

Altering the structure for taxation of income under the new regime, Finance Minister Nirmala Sitharaman on Tuesday revised the tax slabs whilst retaining the erstwhile corresponding tax rates other than increasing the standard deductions.

The present slab of ₹3-6 lakh, that is, the preliminary bracket liable to be taxed, would now be revised upwards to ₹3-7 lakh. However, the corresponding rate of taxation remains unchanged at 5%.

No changes were made for individuals with income less than ₹3 lakh (who continue to draw no tax liability), the ₹12-15 lakh slab, and for incomes exceeding ₹15 lakh. The FM said because of the changes, a salaried employee now stands to save up to ₹17,500 in income taxes.

Easing tax burden: Finance Minister Nirmala Sitharaman ahead of presenting the Budget in Parliament on Tuesday. ANI

The standard deduction for salaried employees, enrolled under the new tax regime has also been increased to ₹75,000 from the current ₹50,000.

Furthermore, Ms. Sitharaman announced an increase in the deduction on family pension for pensioners from ₹15,000 to ₹25,000. The two measures combined, she stated, would provide relief to "about 4 crore salaried individuals and pensioners."

According to Deepashree Shetty, Partner at BDO India, who follows tax and regulatory services, the rejig in slabs was aimed at providing relief to middle-class taxpayers and to further promote the new tax regime. The Finance Minister had stated in her address that more than two-thirds of the taxpayers had opted for the new regime in the previous fiscal year.

'Salaried to benefit'

Poorva Prakash, Partner at Deloitte India, who follows personal taxation, explained that the revision in tax slabs combined with the increase in standard deductions would be beneficial to salaried employees. The move would facilitate savings of about ₹17,500 on an income of ₹15 lakh, she observed. "This is a good amount [savings] and also serves the primary objective of the new regime to push more disposable income," she said.

About the potential need for the revision in tax slabs, Ms. Prakash explained that taxpayers in the new regime cannot claim exemptions citing components such as house rent allowance (HRA).

Therefore, the avenue for incentivisation is limited. Thus, the revision is tax slabs was explored in addition to the standard deduction for salaried individuals to spur their disposable income.

Among other significant measures with regard to personal finance whilst introducing measures to deepen the tax base, the FM proposed that not reporting movable assets of up to ₹20 lakh would not be liable for penalisation.

Explaining the context, she said Indian professionals working in MNCs get employee stock ownership plans (ESOPs) and invest in social security schemes and other movable assets outside the country. Not reporting such small foreign assets invites penal consequences. Introduction of the ₹20-lakh threshold proposes to address this paradigm.

- The tax slab of ₹3-6 lakh has been revised to ₹3-7 lakh, with the 5% tax rate unchanged.
- No changes were made for incomes below ₹3 lakh, the ₹12-15 lakh slab, or incomes exceeding ₹15 lakh.
- The changes are expected to save a salaried employee up to ₹17,500 in income taxes.
- The standard deduction for salaried employees under the new tax regime increased from ₹50,000 to ₹75,000.
- Deduction on family pension for pensioners increased from ₹15,000 to ₹25,000.
- These measures aim to provide relief to around 4 crore salaried individuals and pensioners.
- Deepashree Shetty from BDO India noted that the rejig in slabs is intended to relieve middle-class taxpayers and promote the new tax regime, which over two-thirds of taxpayers opted for last fiscal year.

- Poorva Prakash from Deloitte India stated that the revision in tax slabs and the increase in standard deductions benefit salaried employees, facilitating savings of about ₹17,500 on an income of ₹15 lakh, thus increasing disposable income.
- Ms. Prakash highlighted that taxpayers in the new tax regime cannot claim exemptions like house rent allowance (HRA), limiting incentivisation avenues, hence the revision in tax slabs and standard deduction.
- The FM proposed that not reporting movable assets up to ₹20 lakh would not incur penalties, addressing issues faced by Indian professionals with foreign assets like ESOPs and social security schemes.

UPSC Prelims PYQ : 2017

Ques : Consider the following statements:

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade.
2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

Which of the statements given above is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans : d)

Page 03 : GS 3 : Indian Economy

Finance Minister Nirmala Sitharaman proposed an integrated technology platform and additional National Company Law Tribunals (NCLTs) to improve outcomes under the Insolvency & Bankruptcy Code (IBC).

- These measures aim to enhance transparency, consistency, and efficiency in resolution cases, benefiting creditors and expediting recovery processes for the banking sector.

Budget proposes tech platform to boost IBC, more NCLTs

Lalatendu Mishra
MUMBAI

Finance Minister Nirmala Sitharaman has proposed to set up an integrated technology platform to improve outcomes under the Insolvency & Bankruptcy Code (IBC) for achieving transparency, consistency, timely settlement and better oversight of all resolution cases.

She also said the government would set up additional National Company Law Tribunals (NCLTs) to expedite resolution of cases under the IBC.

"The IBC has resolved 1,000 companies resulting in direct recovery of ₹3.3 lakh crore to creditors. In addition, cases worth ₹10 lakh crore have been disposed off even before admission. We will set up additional tribunals to expedite the resolution of cases, with some dedicated to resolve cases exclusively under the Companies Act," Ms. Sitharaman said.

Commenting on this, M. V. Rao, Chairman, Indian Banks' Association (IBA) & CEO, Central Bank of India said, "The measures to improve the outcomes under the IBC, extending the services of Centre for Processing Accelerated Corporate Exit voluntary closure of LLPs, strengthening of National Company Law Tribunals and establishing more debt recovery tribunals are positive for the banking sector as it enhances speed of recovery processes in the system."

"The integration of all pillars of IBC ecosystem through a tech platform will increase the utility and efficiency of CIR process. The improvement in legislative framework and increased strength of tribunals is expected to bring more efficiency in the process," Anoop Rawat, Partner, Shardul Amarchand Mangaldas & Co. said.

"Technological integration will help in identifying sources of delay and corrective measures needed for improving efficiency."

Adding heft: The tech platform will increase the utility and efficiency of CIR process. KSL

- Finance Minister Nirmala Sitharaman proposed an integrated technology platform to improve outcomes under the Insolvency & Bankruptcy Code (IBC) for transparency, consistency, timely settlement, and better oversight of resolution cases.
- The government will set up additional National Company Law Tribunals (NCLTs) to expedite case resolutions under the IBC.
- The IBC has resolved 1,000 companies, resulting in ₹3.3 lakh crore direct recovery to creditors and disposed of cases worth ₹10 lakh crore before admission.
- Additional tribunals will be dedicated to resolving cases exclusively under the Companies Act.
- M. V. Rao, Chairman of the Indian Banks' Association (IBA) and CEO of Central Bank of India, stated that these measures will benefit the banking sector by enhancing the speed of recovery processes.
- The Centre for Processing Accelerated Corporate Exit (C-PACE) will extend its services for the voluntary closure of LLPs.
- Strengthening of National Company Law Tribunals and establishing more debt recovery tribunals are

seen as positive steps for the banking sector.

- Anoop Rawat, Partner at Shardul Amarchand Mangaldas & Co., highlighted that the integration of the IBC ecosystem through a tech platform will increase the utility and efficiency of the Corporate Insolvency Resolution (CIR) process.
- Improvements in the legislative framework and increased tribunal strength are expected to enhance process efficiency.
- Technological integration will help identify sources of delay and implement corrective measures to improve efficiency.

UPSC Prelims PYQ : 2017

Ques : Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news?

(a) It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
(b) It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
(c) It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
(d) It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Ans: (b)

Page 04 : GS 3 : Indian Economy

The first Budget of the third Narendra Modi government focuses on addressing rising unemployment and job losses with five schemes totaling ₹2 lakh crore.

- These schemes aim to generate jobs, incentivize employment, and enhance skilling opportunities for youth, with significant support measures linked to EPFO enrolment and training initiatives.

Five new schemes to aid job creation

Centre will implement three schemes for 'employment-linked incentive' as part of the Prime Minister's package, says Finance Minister; the upgrade of a thousand Industrial Training Institutes and a scheme for internship opportunities to give focus to skill development

The Hindu Bureau
NEW DELHI

Amid the increasing unemployment rate and job and wage losses, the first Budget of the third Narendra Modi government has proposed taking a prioritised approach in the fields of employment and skilling. The Union Budget has proposed five schemes with an outlay of ₹2 lakh crore to generate jobs for the youth.

Union Finance Minister Nirmala Sitharaman said the Centre will implement three schemes for "employment- linked incentive" as part of the Prime Minister's package. "These will be based on enrolment in the Employees' Provident Fund Organisation (EPFO), and focus on recognition of first-time employees, and support to employees and employers," she said.

Big push: The Budget has allocated ₹2 lakh crore for schemes addressing employment and skilling. FILE PHOTO

The scheme will provide one-month wage to all newly employed workers in all formal sectors. "The direct benefit transfer of one-month salary in three instalments to first-time employees, as registered in the EPFO, will be up to ₹15,000. The eligibility limit will be a salary of ₹1 lakh per month," she said, adding that it will benefit 210 lakh youth.

In 2016, the Ministry of Textiles announced a special package for the apparel sector to generate one crore jobs in three years. One of the features of the package was the government bearing the entire employer's contribution of 12% under the EPFO for new employees earning less than ₹15,000 a month for the first three years. While some of the large-scale units did invest under the package, it did not benefit the small- and medium-scale manufacturers much. Chairman of the Southern India Mills' Association S.K. Sundararaman said such schemes need consistency and should be implemented for a longer period to be successful.

The second scheme proposed will incentivise additional employment in the manufacturing sector, linked to the employment of first-time employees with respect to their EPFO contribution in the first four years. "The scheme is expected to benefit 30 lakh youth entering employment, and their employers," she said.

The third scheme will cover additional employment in all sectors and the government will reimburse employers up to ₹3,000 per month for two years towards their EPFO contribution for each additional employee.

The fourth scheme is to skill 20 lakh youth over a five-year period. "A thousand Industrial Training Institutes will be upgraded in hub-and-spoke arrangements with outcome orientation," she said.

Under the fifth scheme, one crore youth will get internship opportunities for 12 months in 500 top companies in the next five years. The government will provide an internship allowance of ₹5,000 per month and a one-time assistance of ₹6,000.

Trade union leader Amarjeet Kaur said the proposals were for ease of doing business and would help corporate houses. "The focus is on skilling and not on jobs for millions who are already skilled but without jobs."

- The first Budget of the third Narendra Modi government prioritises employment and skilling amid rising unemployment and job losses, proposing five schemes with a ₹2 lakh crore outlay to generate jobs for youth.
- Three schemes under the Prime Minister's package focus on "employment-linked incentive" based on EPFO enrolment, targeting first-time employees and providing support to employees and employers.
- One scheme offers a direct benefit transfer of one-month salary in three instalments to newly employed workers registered in the EPFO, up to ₹15,000, benefiting 210 lakh youth with a salary eligibility limit of ₹1 lakh per month.
- The Ministry of Textiles' 2016 special package for the apparel sector aimed to generate one crore jobs in three years, with the government covering the entire 12% EPFO contribution for new employees earning less than ₹15,000 per month for the first three years.
- S.K. Sundararaman, Chairman of the Southern India Mills' Association, emphasised the need for consistency and long-term implementation of such schemes for success.

- The second scheme incentivizes additional employment in the manufacturing sector, linked to first-time employees' EPFO contributions in the first four years, benefiting 30 lakh youth and their employers.
- The third scheme covers additional employment in all sectors, with the government reimbursing employers up to ₹3,000 per month for two years towards EPFO contributions for each additional employee.
- The fourth scheme aims to skill 20 lakh youth over five years by upgrading 1,000 Industrial Training Institutes in hub-and-spoke arrangements with outcome orientation.
- The fifth scheme offers internship opportunities for one crore youth in 500 top companies over five years, providing an internship allowance of ₹5,000 per month and a one-time assistance of ₹6,000.
- Trade union leader Amarjeet Kaur critiqued the proposals as focusing on ease of doing business and benefiting corporate houses, while emphasising skilling over job creation for the already skilled but unemployed.

UPSC Prelims PYQ : 2016

Ques : Pradhan Mantri MUDRA Yojana is aimed at :

(a) bringing the small entrepreneurs into formal financial system
(b) providing loans to poor farmers for cultivating particular crops
(c) providing pensions to old and destitute persons
(d) funding the voluntary organizations involved in the promotion of skill development and employment generation

Ans: (a)

Page 05 : GS 3 : Indian Economy & Science and Technology

In the 2024-25 Union Budget, the Department of Space saw a slight increase in funding, focusing on technology development.

- A ₹1,000 crore venture capital pool for space start-ups was announced but received mixed reactions for being insufficient.

₹1,000-crore venture capital fund to be set up for space technology start-ups

Vasudevan Mukunth
CHENNAI

The Department of Space received a marginal rise (0.02% points) as a share of outlays in the 2024-25 Union Budget compared with Revised Estimates of FY24. The bulk of the absolute increase goes toward the development of space technologies. The allocation increased marginally for space applications, decreased for space sciences, and almost halved for INSAT satellite systems over the budgeted amount in 2023-2024.

Ms. Sitharaman also announced a pool of ₹1,000 crore, or around $120 million, as venture capital funding for space start-ups, with the goal of "expanding the space economy by five times in the next 10 years".

However, this announcement was met with mixed reactions. Many called it a "pittance" and said the pool had to have been "10-100 times bigger". Arup Dasgupta, Distinguished Professor in the Academy of Geoinformatics, Bhaskaracharya Institute of Space Applications and Geoinformatics, Gandhinagar, called the pool "a start" but added that "somewhere down the line, the government has to realise that globally governments are anchor financiers and customers".

Big ambitions: ISRO's PSLV-C58 lifts off on January 1. PTI

Susmita Mohanty, director-general of think-tank Spaceport Sarabhai, said that the allocation is out of step with the Finance Minister's ambitions considering "the total funds raised in 2023-2024 by all our space start-ups combined was a paltry $134 million".

"As an industry, we need to show some success beyond raising venture funding," Prateep Basu, CEO of decision analytics start-up SatSure, told *The Hindu*. "There is not a single start-up that has crossed ₹100 crore in revenue, so the demand metrics for increasing the financial risk appetite of venture capital funding and private equity is limited today."

Narayan Prasad, chief operations officer at satsearch, a space industry marketplace, was more optimistic about the impact of the government procuring from start-ups as an anchor customer. "The government acting as a customer is the best validation for many high-risk products to be then taken into the market," he said.

"The government is then creating a market for competition and not picking winners based on input, which means it allows the money on the table to be looked at as an opportunity for other investors to back companies that will compete against each other to get the pie," he added.

Mr. Basu also said the government "acting as a sponsor taking the catalytic first loss risk will cement trust in the ecosystem".

Removing angel tax

Ms. Sitharaman also proposed removing angel tax, which space industry members hailed as less friction against new investments. In February this year, the Indian government allowed 100% automatic foreign direct investment (FDI) in satellite component manufacturing and satellite and user ground segments; up to 74% in satellite-manufacturing and operations; and up to 49% in rockets and space ports.

- The budget also proposed removing angel tax to encourage space industry investments.

- The rise mainly supports space technology development, with increased funding for space applications, decrease for space sciences, and a significant cut for INSAT satellite systems.
- A ₹1,000 crore ($120 million) venture capital pool was announced for space start-ups, aimed at expanding the space economy by five times in the next decade.
- Reactions to the pool were mixed, with some viewing it as insufficient compared to global standards.
- Experts noted the need for more substantial government backing to foster a thriving space start-up ecosystem.
- The government also proposed removing angel tax, which space industry members welcomed as a step to reduce investment friction.

- Recent policies allow up to 100% FDI in satellite component manufacturing and ground segments, with lower limits in other areas.

UPSC Prelims PYQ : 2022

Ques : With reference to Web 3.0, consider the following statements:

1. Web 3.0 technology enables people to control their own data.
2. In Web 3.0 world, there can blockchain based social networks.
3. Web 3.0 is operated by users collectively rather than a corporation.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Ans : d)

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Finance Minister Nirmala Sitharaman introduced the PM Janjatiya Unnat Gram Abhiyaan to enhance basic facilities for Scheduled Tribe families.

- The Ministry of Tribal Affairs received ₹13,000 crore for FY 2024-25, with a focus on Eklavya Model Residential Schools. Allocations for OBC student schemes saw reductions.
- Finance Minister Nirmala Sitharaman announced the launch of the PM Janjatiya Unnat Gram Abhiyaan, aiming for full saturation of basic facilities for five crore Scheduled Tribe families across 63,000 villages in tribal-majority areas and aspirational districts.
- The scheme, modelled after PM-JANMAN, will focus on Scheduled Tribe populations but lacks details on funds, implementation, or oversight.
- Tribal Affairs Minister Jual Oram welcomed the scheme, calling it transformative and a step towards improving tribal communities' socio-economic conditions.
- The Budget allocated ₹13,000 crore for the Ministry of Tribal Affairs for FY 2024-25, a 4.31% increase from the previous year's Budget Estimate. This is up from the ₹7,605 crore Revised Estimate for FY 2023-24 and the ₹7,273.53 crore spent in FY 2022-23.
- Of this allocation, ₹6,399 crore is designated for Eklavya Model Residential Schools for tribal students.
- The Ministry of Social Justice and Empowerment received a Budget Estimate of ₹14,225.47 crore for FY 2024-25, a 1.08% increase from the previous year's estimate.
- The National Fellowship for OBC students' allocation decreased to ₹55 crore from ₹57 crore in the previous Budget Estimate, despite a higher Revised Estimate of ₹90 crore for FY 2023-24.

New scheme to focus on uplift of tribal villages

Abhinay Lakshman
NEW DELHI

Finance Minister Nirmala Sitharaman on Tuesday announced that the Union government will launch the PM Janjatiya Unnat Gram Abhiyaan with the aim of achieving full saturation of basic facilities among five crore Scheduled Tribe families across 63,000 villages in tribal-majority areas and aspirational districts.

The scheme, designed after the PM-JANMAN to achieve saturation of basic facilities for Particularly Vulnerable Tribal Groups, will be for Scheduled Tribe populations across the country, the Finance Minister said in her 2024-25 Budget speech on Tuesday, without going into the details of how much funds are being set aside for this or how this package would be implemented or overseen.

Tribal Affairs Minister Jual Oram hailed the announcement of the "transformative scheme", expressing gratitude, adding in a social media post that it would "uplift the socio-economic conditions of tribal communities".

This came as the government allocated ₹13,000 crore in the Budget Estimate 24-25 for the Ministry of Tribal Affairs, which showed an increase of 4.31% compared to BE 23-24 even as the Revised Estimate for FY 23-24 had been pegged at ₹7,605 crore.

> This transformative scheme will uplift the socio-economic conditions of tribal communities, covering 63,000 villages
>
> JUAL ORAM
> Tribal Affairs Minister

The last available Actual Expenditure for the FY 2022-23 showed that the Ministry had spent a total of ₹7,273.53 crore. More than half of the Tribal Affairs Ministry's allocation in this year's BE 24-25 – ₹6,399 crore – has gone to the scheme for Eklavya Model Residential Schools for tribal students.

Meanwhile, BE 24-25 for the Ministry of Social Justice and Empowerment showed an allocation of ₹14,225.47 crore, which is 1.08% more than BE 23-24.

The Budget Estimate for 2024-25 showed that the National Fellowship for OBC students was allocated ₹55 crore compared to ₹57 crore in BE 23-24 even though the Revised Estimate 23-24 was at ₹90 crore for the scheme.

The Budget documents also showed that the allocation under Interest Subsidy on Overseas Studies for OBC and EBC students had decreased from ₹29 crore in BE 23-24 to ₹25 crore in BE 24-25 – significantly lower than the government's RE 23-24.

UPSC Prelims Practice Question

Ques: Consider the following statements about Eklavya Model Residential Schools (EMRS):

1. Administered by the Ministry of Tribal Affairs, it is established with grants under Article 275(1) of the Indian Constitution.
2. It pays special focus in Integrated Tribal Development Projects (ITDP) where there shall be atleast one EMRS in the demarcated project spatial area.
3. The current ST population literacy levels is below 50%, opposed to the country average literacy levels at 70%.

Which of the following is incorrect?

a) 1 and 2
b) 2 and 3
c) 3 only
d) 1, 2, 3

Ans: c)

Page : 10 Editorial Analysis

A message of fiscal stability, growth continuity

The FY25 Union Budget has sent out a strong message under the new administration – there remains an unequivocal focus on stability (fiscal) and continuity (of sustainable growth impulses) amidst a new chiselled focus on providing growth a more inclusive character in India.

Focus on 'weaker building blocks'

The 8.2% GDP growth in FY24, while commendable, was driven by an uneven K-shaped segmentation. The premiumisation of consumption, as seen in the robust demand for luxury cars, houses and goods, coincided with stagnant wages, low fast-moving consumer goods sales and (food) inflation continuing to vociferously bite those at the bottom end of the income pyramid. The fiscal deficit, at 5.6% of GDP in FY24, still high compared to pre-COVID-19 pandemic levels, provided the needed growth impetus via capital spending at a time when the private capex cycle remained much on the sidelines. Against this background, the FY25 Budget, through a panoply of measures, has addressed the weaker building blocks, *viz.* to improve the quality of employment, fortify agriculture and bring in the micro, small and medium enterprises (MSMEs) into a meaningful roleplay in India's manufacturing renaissance. This will pave the path to establish a Viksit Bharat by 2047.

From an agriculture perspective – currently a key priority – promotion of Atmanirbharta in pulses and oilseeds, a focus on agriculture research (bearing in mind the realities of climate change), large-scale clusters for vegetable production, and Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands, are all likely to support the *Annadata* (i.e., farmer). A thriving agriculture sector will allow the government to deliver on its promise of foodgrains under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), now extended for five years.

Yuvika Singhal
Co-Head, Research, QuantEco Research

Shubhada M. Rao
Founder, QuantEco Research

The strong message from the Union Budget is about giving growth in India a more inclusive character

On employment generation

The Budget entailed an energised focus on employment generation, for the youth especially, within the ambit of the formal workforce. A new scheme offering incentives to employers as well as employees who join the workforce for the first time, was announced at an outlay of ₹10,000 crore through the Ministry of Labour. Other fresh schemes incentivising internships with an outlay of ₹2,000 crore, and for skilling youth in collaboration with State governments and industry were envisaged. This somewhat resonates with the tripartite compact (between Centre, States, private sector) that the Economic Survey had recommended on the eve of the FY25 Union Budget to deliver on the rising aspirations of Indian youth.

Outlay towards housing saw a massive jump in the FY25 Budget. For urban Pradhan Mantri Awas Yojana (PMAY), the government allocated 37% more funds in FY25 versus FY24, which though impressive, pales into some degree of insignificance when compared to the 70% jump budgeted for the rural counterpart of the scheme. Housing for all remains a key hallmark of the government, which now embarks on its version 2.0.

The PLI Scheme too got a handsome raise of 75% in the FY25 Budget, driven by higher allocation to the auto sector. This was accompanied by tweaks to sectoral custom duties in a bid to support domestic manufacturing and deepen local value addition. Financing constraints, typically faced by MSMEs, were addressed via promise to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral. To facilitate improved and undisrupted lending, banks will now be allowed to develop in-house credit assessment and a facilitation backed by the government to continue to extend credit to MSMEs even during stress times.

Most of these measures will dovetail handsomely with the macro focus of pushing a job-led growth in the medium term. Commendably, the government has succeeded in maintaining the fiscal discipline whilst extending a wide gamut of measures to stimulate the economy.

Looking ahead

Compared to the interim Budget's fiscal deficit estimate of 5.1% of GDP, the government pruned the FY25 headline deficit target to 4.9%. It kept the intended 70 Basis points consolidation over FY24 intact, as in the interim Budget. This allows for a smoother transition to 4.6% fiscal deficit to GDP in FY26.

The display of intent to continue to consolidate its fiscal position well beyond FY26, preserves the trust that this government has earned from economy watchers in the last few years, despite facing the pressure of new demands by regional partners.

While the capex target was left unchanged at ₹11.1 trillion, the gains from the Reserve Bank of India's transfer of a record high dividend of ₹2.1 trillion earlier this year were divided between higher welfare spends and a reduction in fiscal deficit.

All this will serve India well, at a time when domestic bonds have embarked on a maiden journey of getting included in global bond indices. In the face of greater scrutiny of India's fiscal metrics by international agencies, now more than ever, an adherence to fiscal discipline prepares the groundwork for the possibility of a sovereign rating upgrade in the future.

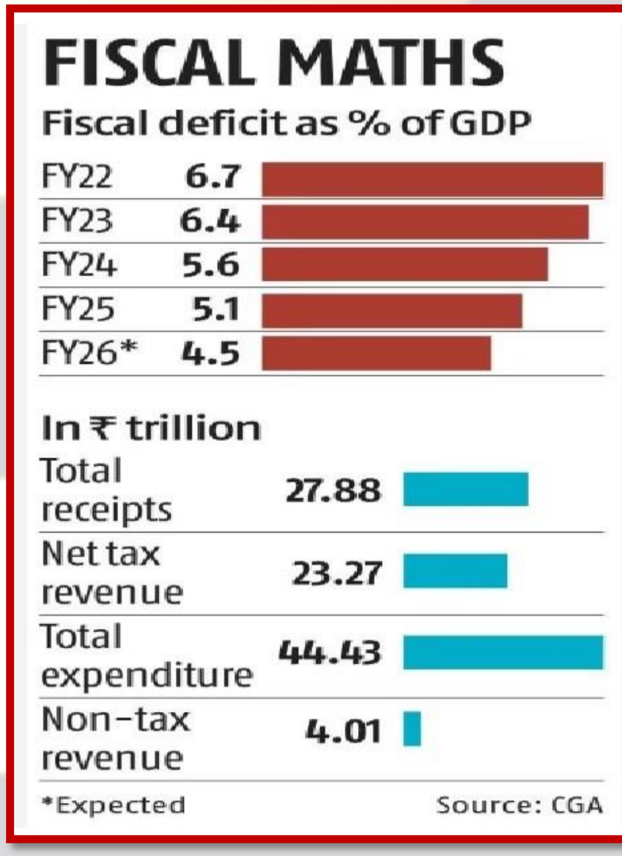
GS Paper 03 : Indian Economy

Mains Practice Question : Evaluate the key measures in the FY25 Union Budget aimed at enhancing economic stability, supporting agriculture, and promoting employment?

(250 w/15m)

Context :

- The FY25 Union Budget emphasises fiscal stability and sustainable growth, addressing economic imbalances with a focus on agriculture, employment, and MSMEs.
- It boosts funding for housing and production-linked incentives, while maintaining fiscal discipline. The budget also supports fiscal consolidation and prepares India for potential sovereign rating upgrades.



Focus on 'weaker building blocks'

- The 8.2% GDP growth in FY24, while commendable, was driven by an uneven K-shaped segmentation.
- The premiumisation of consumption, as seen in the robust demand for luxury cars, houses and goods, coincided with stagnant wages, low fast-moving consumer goods sales and (food) inflation continuing to vociferously bite those at the bottom end of the income pyramid.
- The fiscal deficit, at 5.6% of GDP in FY24, still high compared to pre-COVID-19 pandemic levels, provided the needed growth impetus via capital spending at a time when the private capex cycle remained much on the sidelines.
- Against this background, the FY25 Budget, through a panoply of measures, has addressed the weaker building blocks, viz. to improve the quality of employment, fortify agriculture and bring in the micro, small and medium enterprises (MSMEs) into a meaningful role play in India's manufacturing renaissance. This will pave the path to establish a Viksit Bharat by 2047.
- From an agriculture perspective — currently a key priority — promotion of Atmanirbharta in pulses and oilseeds, a focus on agriculture research. large-scale clusters for vegetable production, and Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands, are all likely to support the Annadata (i.e., farmer).
- A thriving agriculture sector will allow the government to deliver on its promise of foodgrains under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), now extended for five years.

On employment generation

- The Budget entailed an energised focus on employment generation, for the youth especially, within the ambit of the formal workforce.
- A new scheme offering incentives to employers as well as employees who join the workforce for the first time, was announced at an outlay of ₹10,000 crore through the Ministry of Labour.
- Other fresh schemes incentivising internships with an outlay of ₹2,000 crore, and for skilling youth in collaboration with State governments and industry were envisaged.
- This somewhat resonates with the tripartite compact (between Centre, States, private sector) that the Economic Survey had recommended on the eve of the FY25 Union Budget to deliver on the rising aspirations of Indian youth.
- Outlay towards housing saw a massive jump in the FY25 Budget.
- For urban Pradhan Mantri Awas Yojana (PMAY), the government allocated 37% more funds in FY25 versus FY24, which though impressive, pales into some degree of insignificance when compared to the 70% jump budgeted for the rural counterpart of the scheme.
- Housing for all remains a key hallmark of the government, which now embarks on its version 2.0.
- The PLI Scheme too got a handsome raise of 75% in the FY25 Budget, driven by higher allocation to the auto sector.
- This was accompanied by tweaks to sectoral custom duties in a bid to support domestic manufacturing and deepen local value addition.
- Financing constraints, typically faced by MSMEs, were addressed via promise to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral.
- To facilitate improved and undisrupted lending, banks will now be allowed to develop in-house credit assessment and a facilitation backed by the government to continue to extend credit to MSMEs even during stress times.
- Most of these measures will dovetail handsomely with the macro focus of pushing a job-led growth in the medium term.
- Commendably, the government has succeeded in maintaining the fiscal discipline whilst extending a wide gamut of measures to stimulate the economy.

Other changes

- Compared to the interim Budget's fiscal deficit estimate of 5.1% of GDP, the government pruned the FY25 headline deficit target to 4.9%.
- It kept the intended 70 Basis points consolidation over FY24 intact, as in the interim Budget. This allows for a smoother transition to 4.6% fiscal deficit to GDP in FY26.

- The display of intent to continue to consolidate its fiscal position well beyond FY26, preserves the trust that this government has earned from economy watchers in the last few years, despite facing the pressure of new demands by regional partners.
- While the capex target was left unchanged at ₹11.1 trillion, the gains from the Reserve Bank of India's transfer of a record high dividend of ₹2.1 trillion earlier this year were divided between higher welfare spends and a reduction in fiscal deficit.

Conclusion

- All this will serve India well, at a time when domestic bonds have embarked on a maiden journey of getting included in global bond indices.
- In the face of greater scrutiny of India's fiscal metrics by international agencies, now more than ever, an adherence to fiscal discipline prepares the groundwork for the possibility of a sovereign rating upgrade in the future.

Mapping : Protected Areas of India

Different IUCN categories of Protected areas

The International Union for Conservation of Nature (IUCN), through its World Commission on Protected Areas, has put forward Six Protected Area Management Categories. The categories are as follows:

1. **Category I a–** Strict Nature Reserve: Protected areas managed mainly for science and receives the least human intervention. E.g. Urwald Rothwald in Austria
2. **Category I b –** Wilderness Area: Wilderness protection. E.g. wilderness areas in the Sami native region in Finland
3. **Category II –** National Park: ecosystem protection and recreation
4. **Category III –** Natural Monument or Feature: Conservation of specific natural features. E.g. cliffs, caves, forest groves. E.g. Cono de Arita in Argentina.
5. **Category IV –** Habitat/Species Management Area: Conservation of specific species that require protection.
6. **Category V –** Protected Landscape/Seascape: Conservation of entire area. It permits the surrounding community to interact. Example: Great Barrier Reef in Australia.
7. **Category VI –** Protected Area with sustainable use of natural resources: Conservation of ecosystem and habitats together with associated cultural values and traditional natural resource management systems.

International Conventions/Conferences on the conservation of Protected Areas in India

- **Ramsar Convention on Wetlands (1971)-** It emphasizes the conservation and wise use of wetlands which are included in those designated as protected areas in India.
- **Convention on Biological Diversity (CBD) –** Aichi Targets (2010)- It put emphasis on the conservation of biodiversity, including protected areas in India, with a set of strategic goals known as the Aichi Targets.
    - Aichi Target 11 specifically addresses protected areas, aiming to increase their coverage and improve their effectiveness. Coverage of protected areas of India is far below than the Aichi Target.
- **World Heritage Convention (1972)-** It identifies and protects cultural and natural heritage sites of outstanding universal value, some of which are designated as protected areas in India. It is administered by UNESCO.
- **Convention on Migratory Species (CMS) –** Bonn Convention (1979)– Focuses on the conservation of migratory species, some of which depend on protected areas during their life cycles. Encourages the establishment of protected areas critical for the conservation of migratory species.
- **United Nations Framework Convention on Climate Change (UNFCCC)–** Addresses climate change, recognizing the role of protected areas in India in climate adaptation and mitigation. Supports the conservation and sustainable management of forests, which often include protected areas.
- **Convention Concerning the Protection of the World Cultural and Natural Heritage (1972)-** Safeguards cultural and natural heritage sites, some of which may be designated as protected areas in India. Establishes the World Heritage Committee to oversee the implementation of the convention.
- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (1973)–** Regulates international trade in endangered species and protects their habitats, including those within protected areas. Controls the international trade of species.
- **United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) (2007)**- Recognizes the rights of people who live around protected areas. Emphasizes

the importance of obtaining the free, prior, and informed consent of indigenous communities regarding activities affecting their lands.

- World Commission on Protected Areas (WCPA)- It aims to develop and provide scientific and technical advice and policy that promotes a representative, effectively managed and equitably governed global system of protected areas.