

## Interim Budget

### Why in News?

The Finance Minister presented her sixth consecutive Budget. The Finance minister presented an interim budget, rather than a comprehensive annual budget due to National Elections.

### Key Highlights

- Doubts that this would be anything more than a vote-on-account had been settled when Prime Minister Narendra Modi publicly declared that “when polls are this close, the government presents an interim budget” — and went on to say with confidence of a victory in the polls, “we will bring a full budget when a new government is formed”.
- Meanwhile, an ‘interim Economic Survey’, innocuously titled “The Indian Economy: A Review”, has presented a survey of post-Independence economic development, with a periodisation that divides those years into the pre- and post-Modi government eras.
- In language reflective of an electioneering pamphlet, peppered with the Prime Minister’s own assessments of his government’s record, the document concludes that the decade 2014-24 was one of “transformative growth”.
- Periods of significant or even high episodes of growth prior to that transformative decade are identified as wanting, on the grounds that such growth either left structural challenges unaddressed or was the result of an unsustainable credit boom that damaged the banking sector.
- Given this background, it was to be expected that the Budget speech would be a vocal expression of this eulogy of the two governments of the last 10 years.
- For years, Part A of the Budget speech has been a tiresome recounting of policies already adopted, and to be adopted, many of which have little to do with the issues of resource mobilisation and allocation and the strategy they signal, which must be the actual concern.
- That has been true of this year’s Interim Budget as well, which focused on all the “welfare” schemes, in areas varying from housing to food, which have been largely attributed to the Prime Minister.
- It is another matter that the Prime Minister has in the past dismissed such schemes as representative of a “revdi” (sweet gifts) culture when implemented by non-Bharatiya Janata Party (BJP) State governments.
- With the Interim Budget being identified as a mere vote-on-account, Part B of the speech was a declaration that while pursuing consolidation in the sense of achieving periodically revised fiscal deficit to GDP ratios, the government will be stepping up spending on infrastructure and welfare.
- In the circumstances, what can be assessed from the detailed Budget documents is the fiscal performance of the Centre in the current (rather than next) financial year, 2023-24.
- Even that exercise is fraught with difficulty because the practice of presenting Budgets on February 1 adopted in recent years has meant that “revised estimates” for the financial year incorporate projections relating to most of the last quarter of the financial year extending to March 31.
- The only substantial figures at hand are the estimates of actual expenditure under different broad heads for the first three quarters of 2023-24 provided by the Controller General of Accounts (CGA), which can be compared with the estimates for the whole year provided in the Budget.

### Vote on Account

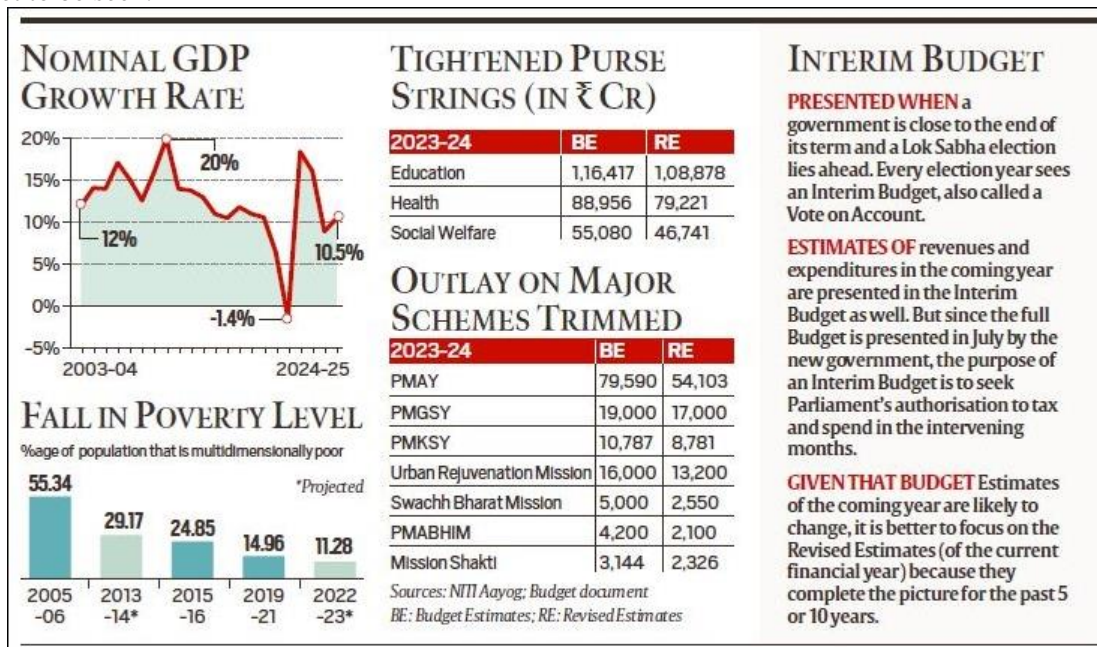
Since Parliament is not able to vote the entire budget before the commencement of the new financial year, the necessity to keep enough finance at the disposal of the Government in order to allow it to run the administration of the country remains.

According to Article 116 of the Indian constitution, vote on account is a grant in advance for the Central government to meet short-term expenditure, generally lasting for a few months till the new financial year starts.

A special provision is, therefore, made for "Vote on Account" by which the Government obtains the Vote of Parliament for a sum sufficient to incur expenditure on various items for a part of the year.

- This is, in certain areas, quite revealing. For example, if we take the estimates for the Department of Rural Development, under which the all-important Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme falls, as compared to budgeted expenditures of ₹1,57,545 crore for 2023-24, the revised estimates are placed at a much higher ₹1,71,069 crore.
- That points to a significant step up relative to that budgeted, despite claims that the NREGA scheme is being inadequately funded, wages are in arrears and job card holders are being excluded from work because wage payments are to be linked to Aadhaar.
- But a comparison of revised and budgeted expenditures conceals what is actually occurring.
- The actual expenditure on the MGNREGA scheme was ₹1,11,170 crore in the COVID-19 year 2020-21 and ₹98,468 crore in 2021-22.
- That came down to ₹90,806 crore in 2022-23 and the revised estimate projects spending on the programme in 2023-24 at an even lower ₹86,000 crore.
- The figures clearly do not match the government's pro-poor rhetoric. Interestingly, the CGA reports that expenditure of the Department of Rural Development till December 2023 amounted to only ₹1,07,912 crore or 63% of the total projected in the revised estimates.
- So, more than a third of the estimated expenditure for the financial year is projected to occur in the last quarter of the year.
- That deviation between revised expenditures over the financial year and the actual till December 2023 is even larger in the case of the Department of Agriculture and Farmers Welfare, under which the much-touted Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme of transfers falls.
- The budgeted expenditure for 2023-24 for that department was placed at ₹1,15,532 crore and the revised estimate is projected at ₹1,16,789 crore.
- The actual till December is placed at ₹70,797 crore by the CGA, or 61% of the revised estimate. Spending on the PM-KISAN scheme alone, which amounted to ₹66,825 crore in 2021-22, fell to ₹58,254 crore in 2022-23 and is projected at ₹60,000 crore in 2023-24.
- There are two ways in which such deviations between actual spending till December and the revised estimates in the Budget can be interpreted.
- One could be that the Finance Minister has chosen to inflate revised estimates of spending to back her claim that the government has provided massive support to farmers and rural workers.
- The other could be that, despite tardy spending till December, the government plans to launch a pre-election spending blitz in areas where it believes it can swing votes in favour of the BJP.
- Being election season, the latter is a possibility. But trends of the kind noted with regard to spending on the MGNREGA scheme suggest that the government believes that rhetoric can be a substitute for actual allocations.
- Thus, despite claims that free rations for 80 crore people are a huge expansion of food support under the National Food Security Act, the total food subsidy has fallen from ₹5,41,330 crore in 2020-21 to ₹2,88,060 crore in 2021-22 and a projected ₹2,87,194 crore (RE) in 2023-24.
- At the macroeconomic level, the Budget's claim is that in 2023-24, the central government has managed to ensure that its receipts other than borrowing are almost equal to that budgeted.
- This is because it has met budgetary expectations with respect to tax revenues as well as expects to raise its non-tax revenue receipts by 25% relative to budget.
- The explanation for that hefty increase is that income from dividends and profits is slated to rise from ₹99,913 crore in 2022-23 to ₹1,54,407 crore in 2023-24 (RE).
- This is because, as compared with a budgeted ₹48,000 crore to be received as dividend/surplus from the Reserve Bank of India and nationalised financial institutions, the revised estimates suggest that the actual inflow will be more than twice that figure at ₹1,04,407 crore, largely because of transfers from the central bank.
- This has more than made up for a projected fall in miscellaneous capital receipts, consisting of receipts from disinvestment from a budgeted ₹61,000 crore to ₹30,000 crore.
- It is not clear whether even the figure of ₹30,000 crore can be realised, since the CGA estimates that 'other non-debt capital receipts', consisting of disinvestment proceeds, just crossed ₹10,000 crore by December.

- Estimates and projections of this kind allow the Finance Minister to claim that even while ensuring total expenditure in line with the budgeted, she has managed to keep the fiscal deficit, at 5.8% of GDP, marginally below the budgeted level, hoping to please financial markets with her government's prudence.
- Whether it would please voters to give the National Democratic Alliance a "resounding victory", as she hopes, is yet to be seen.



## What is an Interim Budget?

An interim budget is essentially a temporary financial statement presented by the government.

- It is typically introduced in a year when general elections are scheduled, and a new government is expected to take power.
- The main purpose of the interim budget is to allow the government to continue its operations and meet its financial obligations until the new government is formed and presents the full budget.
- The interim budget covers the government's expenditures and receipts for a part of the fiscal year.



## BUDGET AT A GLANCE

₹ crore	2022-2023 (Actuals)	2023-24 (Budget Estimates)	2023-24 (Revised Estimates)	2024-25 (Budget Estimates)
<b>1. Revenue receipts</b>	<b>23,83,206</b>	<b>26,32,281</b>	<b>26,99,713</b>	<b>30,01,275</b>
2. Tax revenue *(Net to Centre)	20,97,786	23,30,631	23,23,918	26,01,574
3. Non tax revenue	2,85,421	3,01,650	3,75,795	3,99,701
<b>4. Capital receipts</b>	<b>18,09,951</b>	<b>18,70,816</b>	<b>17,90,773</b>	<b>17,64,494</b>
5. Recovery of loans	26,161	23,000	26,000	29,000
6. Other receipts	46,035	61,000	30,000	50,000
7. #Borrowings and other liabilities	17,37,755	17,86,816	17,34,773	16,85,494
<b>8. Total receipts (1+4)</b>	<b>41,93,157</b>	<b>45,03,097</b>	<b>44,90,486</b>	<b>47,65,768</b>
<b>9. Total expenditure (10+13)</b>	<b>41,93,157</b>	<b>45,03,097</b>	<b>44,90,486</b>	<b>47,65,768</b>
10. On revenue Account of which	34,53,132	35,02,136	35,40,239	36,54,657
11. Interest payments	9,28,517	10,79,971	10,55,427	11,90,440
12. Grants in aid for creation of capital account	3,06,264	3,69,988	3,21,190	3,85,582
13. On capital account	7,40,025	10,00,961	9,50,246	11,11,111
<b>14. Effective capital expenditure (12+13)</b>	<b>10,46,289</b>	<b>13,70,949</b>	<b>12,71,436</b>	<b>14,96,693</b>
<b>15. Revenue deficit (10-1)</b>	<b>10,69,926</b>	<b>8,69,855</b>	<b>8,40,527</b>	<b>6,53,383</b>
	(3.9)	(2.9)	(2.8)	(2.0)
<b>16. Effective revenue deficit (15-12)</b>	<b>7,63,662</b>	<b>4,99,867</b>	<b>5,19,337</b>	<b>2,67,801</b>
	(2.8)	(1.7)	(1.8)	(0.8)
<b>17. Fiscal deficit [9-(1+5+6)]</b>	<b>17,37,755</b>	<b>17,86,816</b>	<b>17,34,773</b>	<b>16,85,494</b>
	(6.4)	(5.9)	(5.8)	(5.1)
<b>18. Primary deficit (17-11)</b>	<b>8,09,238</b>	<b>7,06,845</b>	<b>6,79,346</b>	<b>4,95,054</b>
	(3.0)	(2.3)	(2.3)	(1.5)

## Key Characteristics of an Interim Budget

### **Duration**

Unlike the full annual budget, the interim budget typically covers a shorter period, often spanning a few months until the new government assumes power.

### **Expenditure Approval**

Seeks Parliament's approval for incurring expenses and withdrawing funds from the Consolidated Fund of India to sustain ongoing government operations until the comprehensive budget is passed.

### **Limited Announcements**

Generally avoids significant policy announcements or the introduction of new schemes; focuses more on maintaining continuity in government spending and operations.

### **Vote on Account**

The primary component involves the "vote on account," seeking approval for essential government spending, including salaries, administrative expenses, and ongoing project expenditures, without detailed discussion on each demand.

### **Revenue and Expenditure Estimates**

Provides an overview of the government's revenue and expenditure for a part of the fiscal year. However, it might not include detailed economic projections or tax proposals, typically reserved for the full budget.

### **Political Considerations**

Given its timing before elections, the interim budget is often scrutinized for measures that could influence voters. However, it traditionally aims to be a neutral financial statement.

## Timeline of Interim Budgets in India

Year	Presented By	Reason for Interim Budget
1947 (Nov 26)	R K Shanmukham Chetty	After the Constituent Assembly's Budget passed in March 1947 ceased due to partition.
1952-53	CD Deshmukh	Before the first General Elections.
1957-58	T T Krishnamachari	Just before the second general elections.
1962-63, 1967-68	Morarji Desai	Interim Budgets presented in both years.
1971-72	Y B Chavan	Presented by Y B Chavan.

Year	Presented By	Reason for Interim Budget
1977	Haribhai M Patel	Shortest-ever interim budget speech; first presented by a finance secretary and former bureaucrat.
1980-81	R Venkataraman	Presented after the Janata government lost power to Congress (I).
1991	Yashwant Sinha	Presented after the fall of the Chandra Shekhar government.
1991-92	Dr. Manmohan Singh	Dr. Manmohan Singh's only interim budget.
1998-99	Yashwant Sinha	Presented during Atal Bihari Vajpayee's government.
2004-05	Jaswant Singh	Presented in the final year of Atal Bihari Vajpayee-led NDA government.
2008-09	Pranab Mukherjee	Presented at the end of UPA's first term.
2014 (Feb 17)	P Chidambaram	Presented at the end of UPA's second term.
2019	Piyush Goyal	Presented before the end of PM Narendra Modi-led NDA government's first term.

## Difference between Interim Budget and Annual Budget

Points of difference	Interim Budget	Annual Budget
<b>Scope and duration</b>	Temporary measure presented during elections or transition.	Comprehensive plan covering an entire fiscal year.
<b>Expenditure allocations</b>	Allocates funds for essential operations, ongoing schemes.	Outlines planned expenditures across various sectors.
<b>Policy initiatives</b>	Avoids introducing new policies or reforms with long-term impact.	Unveils new policies, schemes, and reforms for the year.
<b>Approval process</b>	Presented for a vote-on-account, less scrutiny in Parliament.	Rigorous examination, discussion, and approval in Parliament.
<b>Parliamentary scrutiny</b>	Limited scrutiny and debate in Parliament.	Involves detailed analysis, debates, and possible amendments.
<b>Economic implications</b>	Ensures stability during transitions, prevents disruption.	Influences investor sentiment, guides economic direction.
<b>Significance and impact</b>	Temporary stability during transitions.	Shapes the nation's economic direction for an entire year.
<b>Stability vs. Vision</b>	Ensures continuity and prevents financial disruption.	Charts the course for economic growth and long-term vision.
<b>Investor confidence</b>	May have limited impact on investor sentiment.	Influences investor confidence, shapes market expectations.

## Key Highlights from Interim Budget 2024

### Welfare

- Assistance to 25 crore people in escaping multi-dimensional poverty.
- Direct Benefit Transfer of 34 lakh crore through PM-Jan Dhan accounts, resulting in 2.7 lakh crore savings.
- PM-SVANidhi provided credit assistance to 78 lakh street vendors.
- PM-JANMAN Yojana targeting vulnerable tribal groups.
- PM-KISAN SAMMAN Yojana providing direct financial assistance to 11.8 crore farmers.
- Electronic National Agriculture Market integrated 1361 mandis, serving 1.8 crore farmers with a trading volume of INR 3 lakh crore.

### Empowering Youth

- National Education Policy 2020 bringing transformational reforms.
- Skill India Mission training 1.4 crore youth, establishing 3000 new ITIs.
- Establishment of 7 IITs, 16 IIITs, 7 IIMs, 15 AIIMS, and 390 universities.
- PM Mudra Yojana sanctioning 43 crore loans totaling 22.5 lakh crore.

### Women Empowerment

- Thirty crore Mudra Yojana loans given to women entrepreneurs.
- Female enrolment in higher education increased by 28% in ten years.
- 43% enrolment of girls and women in STEM courses.

**Geopolitics:** Introduction of India-Middle East-Europe Economic Corridor.

**Vision for Viksit Bharat:** Prosperous Bharat with modern infrastructure and opportunities for all citizens.

### Strategy for 'Amrit Kaal'

- Next-generation reforms guided by 'Reform, Perform, and Transform.'
- Focus on MSME growth, regulatory environment, high resource-efficient economic growth, and energy security.

**Aspirational Districts Programme:** Government support for faster development of aspirational districts and blocks.

**Development of the East:** Special attention to making the eastern region a powerful driver of India's growth.

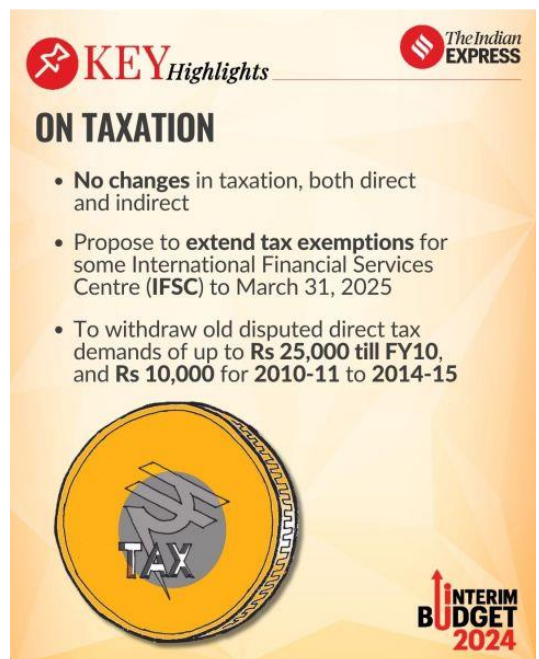
**PM Awas Yojana (Grameen):** Close to achieving the target of three crore houses, with two crore more in the next five years.


**Rooftop Solarization and Muft Bijli:** Goal to enable one crore households to obtain up to 300 units of free electricity monthly through rooftop solarization.

**Housing for Middle Class:** Scheme to help middle-class individuals in rented houses, slums, or chawls to buy or build their own houses.

### Health


- Plans to set up more medical colleges and encourage vaccination for cervical cancer prevention.
- Comprehensive program for maternal and child care.



**KEY Highlights** 

### ON TAXATION

- **No changes** in taxation, both direct and indirect
- Propose to **extend tax exemptions** for some International Financial Services Centre (IFSC) to March 31, 2025
- To withdraw old disputed direct tax demands of up to **Rs 25,000 till FY10**, and **Rs 10,000** for 2010-11 to 2014-15

 **INTERIM BUDGET 2024**

- Extension of Ayushman Bharat scheme to ASHA workers, Anganwadi Workers, and Helpers.

### Agriculture and Food Processing

- Efforts for value addition in the agricultural sector and boosting farmers' income.
- Focus on post-harvest activities, research, and innovation.

**SHGs:** Recognition and support for the success of 83 lakh SHGs with nine crore women, enhancing the Lakhpati Didi target from 2 crore to 3 crore.

**Research and Innovation:** Establishment of a corpus of INR 1 lakh crore for long-term financing of research and innovation.

### Infrastructure

- Outlay increased by 11.1% to INR 11,11,111 crore (3.4% of GDP).
- Implementation of three major economic railway corridor programs under PM Gati Shakti.

**Aviation:** Expansion of airports, development of new airports, and support for the e-vehicle ecosystem.

**Green Energy:** Measures to achieve 'net-zero' by 2070, including offshore wind energy, coal gasification, and phased mandatory blending of Compressed Biogas.

**Electric Vehicle:** Government support for the expansion and strengthening of the e-vehicle ecosystem.

**Bio-manufacturing and Bio-foundry:** Launch of a new scheme for bio-manufacturing and bio-foundry to promote environment-friendly alternatives.

**Blue Economy 2.0:** Scheme for restoration and adaptation measures, coastal aquaculture, and mariculture for promoting climate-resilient activities.

**Tourism:** Encouragement for comprehensive development of iconic tourist centers and financing long-term interest-free loans to States for such development.

**Promoting Investments:** FDI inflow during 2014-23 marked a golden era, and efforts to encourage sustained foreign investment continue.

**Reforms in the States for 'Viksit Bharat':** Provision of INR 75,000 crore as a fifty-year interest-free loan to support milestone-linked reforms by State Governments.

**KEY Highlights** *The Indian EXPRESS*

### ON FISCAL DEFICIT, GDP

- FY25 fiscal deficit seen at **5.1%** vs FY24 revised estimate of **5.8%**
- FY25 **nominal GDP** growth seen at **10.5%**
- FY25 **divestment target** at **Rs 50,000 crore**
- FY25 **capex** seen at **Rs 11.1 lakh crore** vs FY24 revised estimate of **Rs 9.50 lakh crore**

**INTERIM BUDGET 2024**

Building on the massive tripling of the capital expenditure outlay in the past 4 years resulting in huge multiplier impact on economic growth and employment creation, the outlay for the next year is being increased by 11.1 per cent to eleven lakh, eleven thousand, one hundred and eleven crore rupees (₹ 11,11,111 crore). This would be 3.4 per cent of the GDP

— Union Finance Minister Nirmala Sitharaman during the budget speech



**Societal Changes:** Formation of a high-powered committee for extensive consideration of challenges arising from fast population growth and demographic changes.

## **Way Forward**

The macroeconomic landscape outlined in the budget for 2023-24 highlights the central government's achievement of aligning its receipts, excluding borrowing, closely with the budgeted figures. The government has not only met expectations concerning tax revenues but also anticipates a 25% increase in non-tax revenue receipts compared to the budget. Recognizing the imperative of fostering a conducive environment for business growth, the budget places emphasis on addressing environmental concerns and uplifting marginalized segments of society. The overarching goal is to ensure the quality of growth, emphasizing equity, sustainability, and a green approach, thereby setting the stage for a balanced and inclusive economic trajectory.