Sattva Knowledge Institute SKI update

BUDGET 2024 AND THE SOCIAL SECTOR

July 2024

Acknowledgements

Contributors

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All data in this report has been sourced from documents and speeches pertaining to the current Budget report 2024-25, historical Budget reports or can be found in central government data. Any other references have been linked in directly.

About Sattva Knowledge Institute

Sattva Knowledge Institute (SKI), established in 2022, is our official knowledge platform at **Sattva**. The **SKI** platform aims to guide investment decisions for impact, shedding light on urgent problems and high potential solutions, so that stakeholders can build greater awareness and a bias towards concerted action. Our focus is on offering solutions over symptoms, carefully curating strong evidence-based research, and engaging decision-makers actively with our insights. Overall, **SKI aims to shift intent and action toward greater impact by influencing leaders with knowledge.** All of our content proactively leverages the capabilities, experience and proprietary data from across **Sattva**.

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No significant changes from the Interim Budget

With the next Budget announcement due in just a little over six months, the government has little room to manoeuvre on its spending at this fiscal juncture. Additionally, given its adherence to its previously stated fiscal consolidation path, we had not anticipated any significant changes to this recent Budget announcement from the Interim Budget announced in February (please refer to SKI's detailed analysis here).

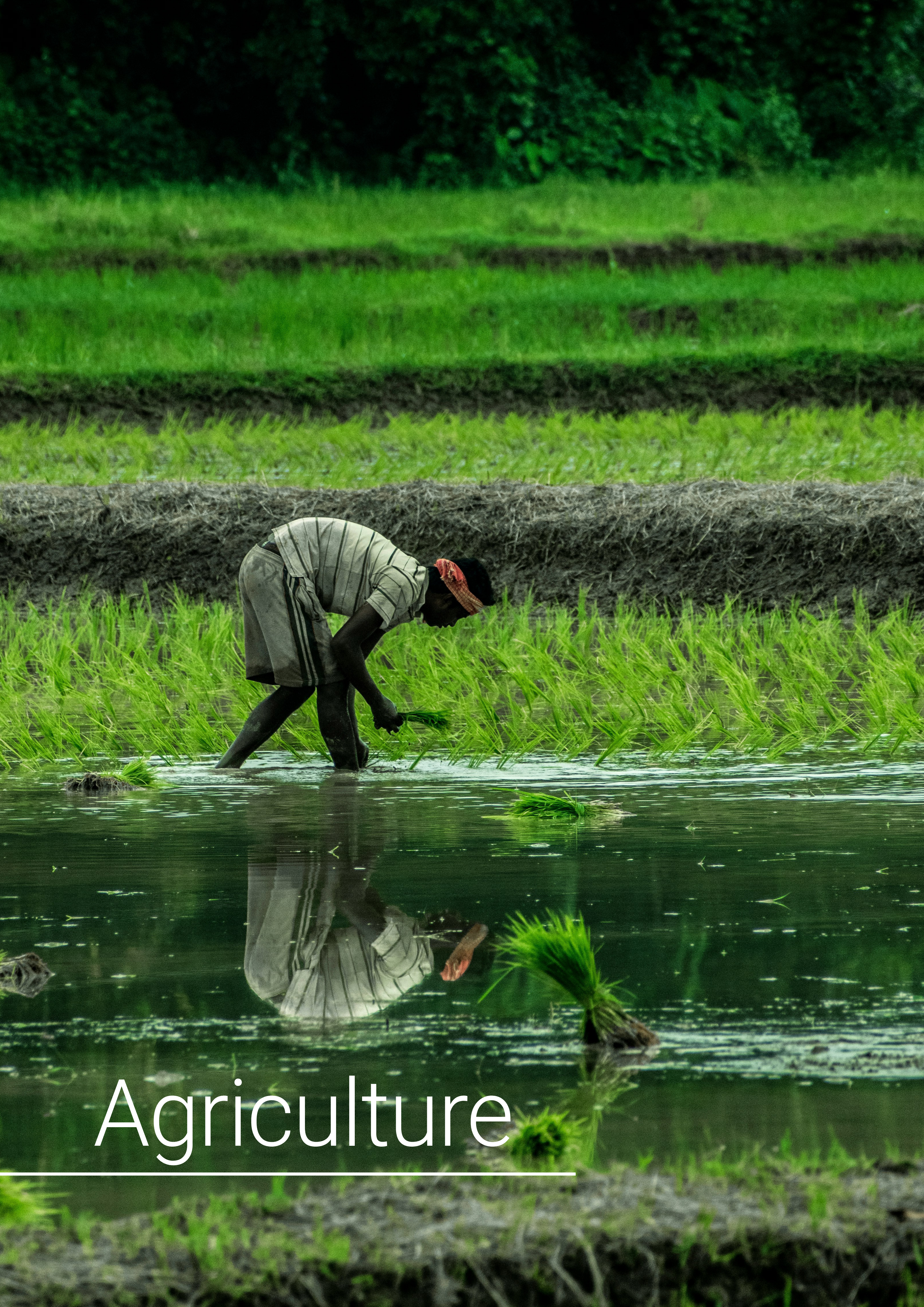
There were four key takeaways for us:

Allocations were broadly in line with the Interim Budget and represented a modest increase from last-year levels: For example, the government has allocated ₹90,958 crores to the agricultural sector, a 13% overall increase from the 2023-24 Budget Estimate allocation and almost the same as that in the Interim Budget. Agriculture and allied sectors witnessed a 5% increase in the Budget Estimate from last year's Revised Estimates with a total provision of ₹1.52 lakh crores, about 2% more than in the Interim Budget. One significant change, however, has been the shift in government focus and efforts from schooling to skilling and employability.

India is wisely focused on using its Digital Public Infrastructure (DPI): Given smartphone penetration, the Aadhaar footprint, the success of UPI and the geographical and political complexity of the country, DPI can be a powerful tool to address social issues. The Digital Crop Survey for Kharif has been launched to be set up in around 400 districts and will cover over 6 crores farmers. The government intends to develop MSME credit assessment models using digital footprints, backed by about 84 crores UPI transactions in FY23. Additionally, it aims to modernise several municipal services.

There is a focus on climate-related action: The government intends to develop a taxonomy for climate finance. There have been announcements on natural farming with certification and branding to support 10,000 bio-input resource centres and the release of 109 high-yield and climate-resilient crop varieties. However, the allocation to Natural Farming is relatively small at ₹365 crores and has even been brought down from the ₹459 crores announced in the Interim Budget.

While our country's fiscal constraints are real, expenditure on social sectors continues to be woefully short: While state Budgets incorporate such spending as well, Budgetary spending needs to be significantly higher for such sectors. Provisions for Health continue to remain unchanged between 1-2% of the overall Budget. As per the WHO Global Health Expenditure database, it forms 3% of GDP versus 10-16% in the case of developed countries. Education spending of under 3% of GDP continues to still be well below the targeted 6%. At the very least, as always, we hope that actual spending is well-directed and does not fall short of the budgeted numbers.



Agriculture

Agriculture

Agriculture and allied sectors have a 4.6% increase in the budget estimate for 2024-25 from last year's revised estimates (2023-24), with a total provision of ₹1.52 lakh crores. The new policies and initiatives that hold promise include the National Cooperation Policy (NCP), the establishment of Digital Public Infrastructure (DPI) for farmers, and release of high-yielding and climate-resilient crop varieties. In order to reduce India's current reliance on imports, a strategy to increase self-sufficiency (Atma-nirbharta) in pulses and oilseeds production was also announced. While these additions are pertinent, reduced budgetary allocation is seen towards the Fertiliser Department (-12.43%), and the Food and Public Distribution Department (-8%) as well as schemes for crop insurance (-2.6%) and price support (-100%). This indicates a potential need arising to protect farmers against market uncertainties and fluctuations, with support towards crop insurance and price support schemes.

Key Highlights

The provision of ₹1.52 lakh crores towards Agriculture and allied sectors, reflects the government's commitment to enhancing this sector; including a 4.58% increase in budget estimates from last year's revised budget estimates.

The following have been prioritised for the Agriculture sector based on the budget announcement:

1. **Natural Farming and Climate Resilience:** There has been a strong focus on natural farming with certification and branding to support 10,000 bio-input resource centres and the release of 109 high-yield and climate-resilient crop varieties. The allocation to Natural Farming is ₹365 crores. While this is an increase from the revised estimate 2024, the sum allocated in the budget estumate 2024 was much higher, at ₹459 crores.

2. **National Cooperation Policy:** There has also been an introduction of a National Cooperation Policy to drive rural economic growth and large-scale employment through systematic development of the cooperative sector.

3. **Formation and Promotion of FPOs:** The budget estimate for the Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs) for 2024-25 is ₹581 crores, a 29.3% increase from the revised estimate of ₹450 crores for 2023-24. This highlights the government's attention towards leveraging economies of scale, reducing production costs, and enhancing farmers' incomes through cooperatives.

4. **Focus on Digital Public Infrastructure (DPIs) for agriculture:** The Digital Crop Survey for Kharif has been launched in approximately 400 districts, covering over 6 crores farmers. Although this will enable the provision of relevant information for crop planning, the government is yet to issue an analysis of how this data would be collected, managed and analysed for further initiatives.

5. **Yield-Based Crop Insurance:** With a capital outlay of ₹14,600 crores, there has been a strong intention towards Yield-Estimation Surveys and a target of 90% approved claims to be paid through Digi-Claims scheme. This comes with a strong attention of the government towards enhancing digital finance claims for farmers.

6. **Vegetable Production and Supply Chains:** To enhance the supply chain in agriculture, there have been efforts towards including more startups, and cooperatives to drive innovation in vegetable supply chains.

The budget misses out on the following priorities:

1. **Reduced Allocation for Fertilisers Department:** The allocation for funds for the Fertilisers Department has reduced from ₹1.88 lakh crores to ₹1.65 lakh crores (a 34.7% reduction from last year's revised estimate). This could lead to a potentially harmful impact on agricultural productivity.

2. **Reduced Allocation towards Food and Public Distribution Department and Price Support Schemes (MIS-PSS):** Public Distribution allocation was also reduced from ₹2.21 lakh crores to ₹2.13 lakh crores. Allocation for the market intervention and price-support scheme has reduced by nearly 100%, from ₹40 crores, to ₹0.01 crores. While PSS has been subsumed under PM-Aasha, no MSP has been announced for MIS (perishable products).

3. **Reduced Allocation on Crop Insurance Scheme:** Although attention has been paid towards Yield-based Crop Insurance, there has been a 2.6% reduction from ₹15,000 crores to ₹14,600 crores in the current year's estimates.

Although attention is being paid to enhancing the digitisation of crop and farmer data, the 2024-25 Agriculture budget seems to have reduced its commitment towards supporting individual farmer-centric needs.

Capital for Impact

Capital for Impact

The abolition of the angel tax is a welcome move for the startup and investment ecosystem. Early-stage investments are often based on future potential rather than current value, making it difficult for startups to justify valuations. This angel tax, which previously considered the difference between the amount received and the fair market value as income, often led to significant tax liabilities for startups, hindering their growth and deterring investors. With its removal, we can expect increased investor interest and reduced tax bureaucracy.

Key Highlights

1. **Angel tax abolished:** A cheer for the startup industry and venture capitalists, as this boosts investor interest and removes tax hurdles.

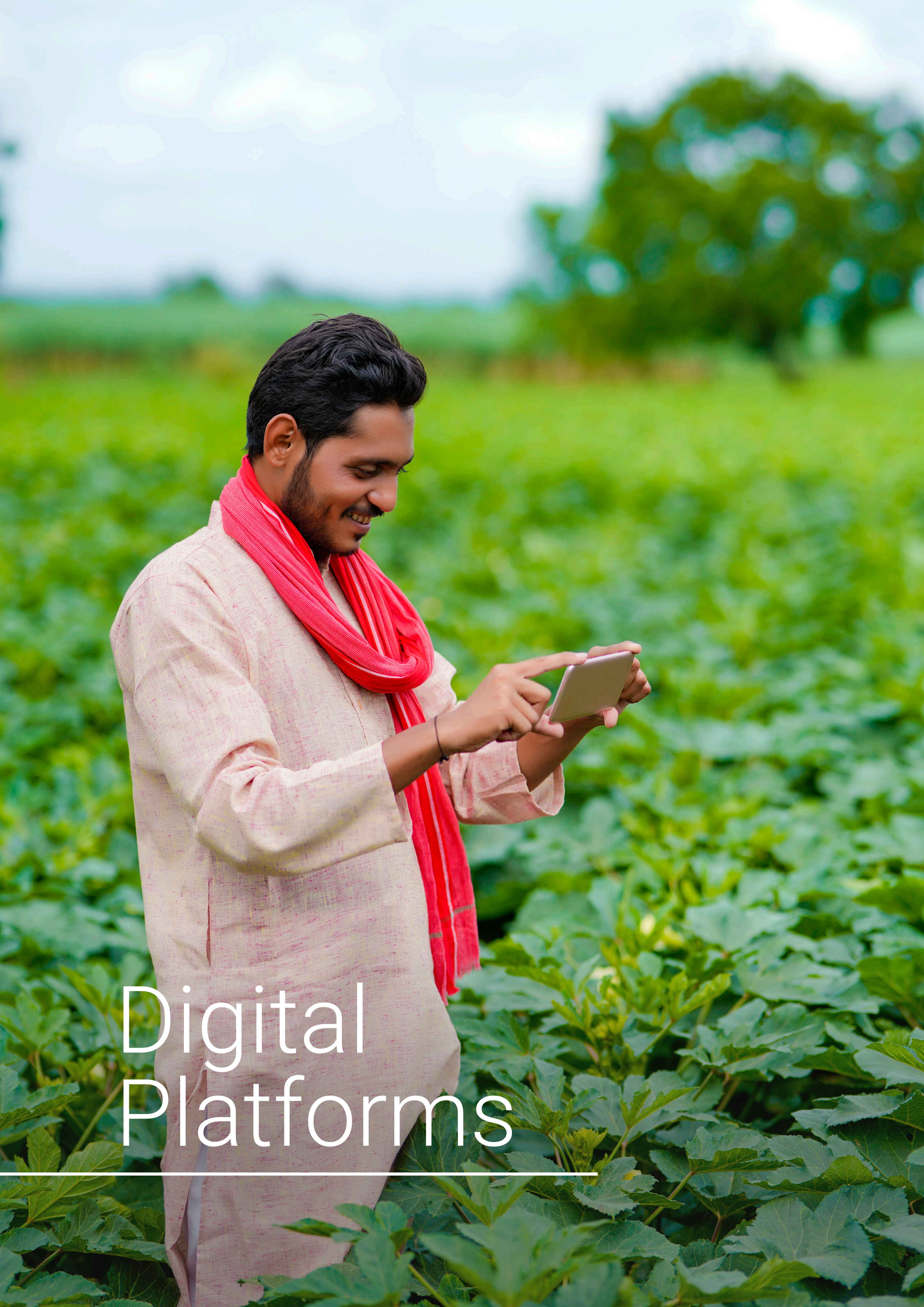
2. **Taxonomy for Climate Finance:** The government has committed to developing a taxonomy for climate finance. This will make funds available to adapt to climate change, and reduce greenhouse gas emissions, which are part of a wider effort to move India closer to achieving our climate commitments.

3. **Introduction of a five-year financial services vision and strategy document:** Developed as a guide to the financial sector based on size, capacity, and skills, this document will also inform the work of the government, regulators, financial institutions, and market participants. While this does not directly address one key emerging financial instrument, blended finance, and its legalities, this promises to streamline efforts for blended finance in social development projects.

4. **Operationalisation of the Anusandhan National Research Fund** to boost basic research and prototype development.

5. **Viksit Bharat focuses on private sector-driven research and innovation** with a ₹1 lakh crores financing pool.

6. **A ₹1,000 crore venture capital fund has been established** to boost India's Space economy, with the fund aimed at attracting more private players and Space sector start-ups.



Digital Platforms

Digital Platforms

The Union Budget 2024 highlights India's strong commitment to Digital Public Infrastructure (DPI) and developing it further in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME service delivery, and urban governance. Key initiatives include developing MSME credit assessment models using digital footprints, backed by the 83.7 crores UPI transactions made in FY23. There are also advances in digital Agriculture, with a digital crop survey covering 6 crores farmers across 400 districts. The National Urban Digital Mission, with a ₹1,150.02 crores allocation, aims to modernise municipal services. Additionally, the IndiaAI Mission, funded with ₹551.75 crores, will drive innovation across sectors. These measures, alongside incentives for fintech and digital transactions, underscore the government's vision for continuing to position India as a leader in Digital Public Infrastructure.

.Key Highlights

1. **Promoting MSME credit through DPI-assisted assessment model:** Public sector banks plan to develop their internal capabilities for assessing MSMEs' creditworthiness, moving away from external evaluations. They aim to create or commission a new credit assessment model that uses the digital footprint scoring of MSMEs. With UPI touching 83.7 crores transactions in FY23 alone, and data sharing enabled by the Account Aggregator framework, a new approach would enhance the traditional credit eligibility assessment, and also include MSMEs that lack a formal accounting system.

2. **Increased support for Digital Agriculture:** The Union and State governments will support the implementation of the Digital Public Infrastructure (DPI) in agriculture to cover farmers and their lands within three years. This year, a digital crop survey for Kharif will be conducted using the DPI in 400 districts to include information on 6 crores farmers and their lands. Additionally, the issuance of Jan Samart-based Kisan Credit Cards will be facilitated in five states to integrate access to credit.

3. **Promotion of Digital Transactions through DPIs:** While the amount allocated is negligible at only ₹1.50 crores, this is a first step towards boosting transactions and promoting overall

digitisation. Further, the government has introduced an Incentive Scheme for BHIM-UPI with a focus on fintech innovation and its commitment to financial empowerment. The incentive scheme for promoting RuPay debit cards and low-value BHIM-UPI transactions (person-to-merchant) has also been extended, but with a 42% reduction in its financial outlay from the revised estimates of 2023-24.

Notably, there are some key changes and additions observed from the earlier interim budget:

- **Launching IndiaAI Mission:** The IndiaAI mission will be implemented by the Independent Business Division (IBD) under the Digital India Corporation (DIC) to use AI for optimising activities in various sectors. The components of the mission include the promotion of AI applications in critical sectors, addressing problems from the central and state government departments. The new initiative has been allocated ₹551.75 crores in 2024-25.

- **Introducing Digital Public Infrastructure Applications:** The budget proposed development of DPI applications at population scale for productivity gains, business opportunities, and innovation by the private sector. These are planned in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance.

- **Establishing the Data Protection Board (DPB):** Though only having allocated a meagre ₹2 crores as per Chapter V of Digital Personal Data Protection Act 2023, to set up a Data Protection Board (DPB) this demonstrates the government's intent to prioritise data protection.

- **Launching the National Urban Digital Mission (NUDM):** The budgetary allocation for shared digital infrastructure will be made available to all States and Union Territories (UTs) and has been reduced from ₹1,320 crores in the interim budget to ₹1,150.02 crores. The focus of the programme is the expansion of more than ten services which will be incorporated into integrated urban services infrastructure. Services such as Property Tax Assessment and Payment, Water and Sewerage, Connection and Billing Services, Trade License, Municipal Grievance Redressal, Online Building Plan Approval System, Miscellaneous Collections (Non-Tax), Fire NOC, Birth and Death Registration Services, NMAM-compliant Municipal Finance and Accounting, and Desludging Service have been integrated.

- **National Digital Health Mission:** The initial increase in the interim budget allocation for the National Digital Health Mission to ₹250 crores has been altered and the budget remains at ₹200 crores from the revised estimates of 2023-24.

The budget depicts the increase in the government's interest in incorporating Digital Public Infrastructure across many sectors. Various schemes and programmes have been allotted revenue, some more than others, to use DPIs in making amenities more accessible and effective. Through these measures, incentives have been provided to encourage the usage of these DPIs and strengthen the impact of digitalisation in the economy.

Education

Education

The budget for Education, guided by the National Education Policy (NEP) 2020, demonstrates a strong commitment to realising the vision of higher education enrollment growth and Viksit Bharat@2047. The allocation of ₹1.48 lakh crores for education, employment, and skilling demonstrates the government's commitment to youth skilling, in efforts to create both employable youth and employment opportunities.

This forward-looking approach opens up discussions regarding enhancing educational outcomes for high school and higher secondary students. There's an opportunity to further strengthen attention on this group, especially encouraging girls at the secondary level to pursue STEM education. With estimates suggesting that 80% of new jobs will be in STEM fields, it's important to consider how this focus on creating an employable youth workforce could impact future outcomes. However, the lack of mention of Foundational Literacy and Numeracy might derail the recent momentum and progress made in the past few years, highlighting the need to maintain a balanced focus on all levels of education.

Key Highlights

1. **Financial Support for Higher Education:** The Union Budget for FY25 introduces educational loans up to ₹10 lakh through "e-vouchers" to ease the financial burden of pursuing higher education. The Ministry of Education's outlay for Higher Education increased by 8% YoY to ₹47,619 crores, with an overall allocation for education, employment, and skilling standing at ₹1.48 lakh crores.

2. **Model Skill Loan Scheme:** This scheme aims to assist 25,000 students annually in skill acquisition and development. Plans include skilling 20 lakh youth over five years and upgrading 1,000 Industrial Training Institutes.

3. **Support for Female Participation in the Workforce:** The government plans to set up "working women hostels" and has allocated ₹3 lakh crores for schemes benefiting women and girls. Women-specific skilling programmes and increased market access for women SHG enterprises are also outlined.

4. **Enabling Industry-Education Feedback-Loops**: Efforts to align education with industry requirements aim to create job-ready youth. An ambitious internship programme, it will target one crores youth over five years, with provisions for monthly allowances and one-time assistance.

Notably, there are some key changes and additions observed from the earlier interim budget:

- The focus and efforts of the government, which had remained on schooling itself, have shifted to skilling and employability.

- The allocation for the University Grants Commission **has been reduced to ₹2,500 crores for the upcoming fiscal year,** a significant decrease from last year's initial allocation of ₹5,360 crores, which was later revised to ₹6,409 crores in the revised estimate. This is a decrease of 60.99% YoY.

- The 2024-25 budget allocates ₹47,619 crores for higher education, representing a 7.68% increase from the 2023-24 budget estimate of ₹44,094 crores. However, this allocation is notably lower than the revised estimate for 2023-24, which stood at ₹57,244 crores. This comparison reveals a significant reduction in higher education funding when considering the most recent spending figures from the previous fiscal year.

- The 2024-25 budget allocated ₹1.20 lakh crores to School Education & Literacy and Higher Education departments combined, a notable 7.26% decline from the 2023-24 revised estimate of ₹1,29,718 crores.

- While school education funding increased by 4.2% to ₹73,008 crores from the previous year's budget estimate, higher education received ₹47,619 crores, a 7.68% increase from the 2023-24 budget estimate, but still significantly lower than the revised estimate of ₹57,244 crores for 2023-24.

Overall, however, one of the greatest challenges persisting in the Education budget is the failure to realise the NEP recommendation of allocating 6% of the total budget to education.

Health

Health

The health budget allocation of ₹90,958 crores for FY 2024-25, a 12.9% increase from the previous year, is a commendable step towards strengthening healthcare infrastructure. The substantial increase in funding for the Pradhan Mantri Ayushman Bharat Health Infrastructure Mission and the National Health Mission highlights a strategic focus on enhancing healthcare delivery systems. Additionally, exemptions for essential cancer treatment drugs and the introduction of the U-Win platform for immunisation demonstrate the government's commitment to preventive care.

While there is an opportunity to improve the allocation for the Pradhan Mantri Swasthya Suraksha Yojana and the Tele Mental Health Programme, it provides a chance to address and optimise effective implementation. The increase in funding for the Tertiary Care Programme is encouraging, and we are awaiting more details on allocations that will provide clearer insights into primary healthcare programmes and the National Mental Health Programme. Overall, the budget presents a hopeful outlook with significant strides in healthcare. Effective resource utilisation, however, will be key to achieving tangible improvements in health outcomes.

Key Highlights

1. Overall, there is an increase in **Pradhan Mantri Ayushman Bharat Health Infrastructure Mission** (PM-ABHIM) allocation, showing a greater focus and push in the bolstering of health infrastructure, across the continuum of care at all levels – primary, secondary and tertiary. Under the **National Health Mission,** it has been allocated ₹3,200 crores which is an increase of 52% over the revised estimate of ₹2,100 crores in FY 2023-24. Under the Central Sector Schemes/Projects, PM ABHIM was allocated ₹557 crores in FY 2024-25, an increase of 178% over the revised estimate of FY 2023-24.

2. The allocation of ₹2,143 crores to pharmaceutical companies under the **Production Linked Incentive (PLI)** Scheme is underscored by the need for a continuous supply of drugs for affordable treatment and the goal of *Atmanirbharta* (self-sufficiency).

3. Noteworthy announcements were the **exemption** of three essential **cancer treatment drugs** from customs duties, and the changes in customs duties on **X-Ray equipment,** which present a hopeful picture to combat the rising mortality with respect to cancer. However, the actual resource allocation is unclear and to be seen.

4. The budget also saw two critical announcements that were made: first, on the vaccination of girls against **cervical cancer,** and second, on the **U-Win platform,** with a focus on prevention as well as strengthening of infrastructure. However, the actual resource allocation remains to be seen.

5. **Pradhan Mantri Swasthya Suraksha Yojana** (PMSSY) and the **Tele Mental Health Programme** (TMHP) were allocated ₹2,200 crores and ₹90 crores in the Budget Estimates of FY 2024-25, respectively. Both of these Central Sector Schemes have seen a substantial decrease in their budget estimates of FY 2023-24 by 34% and 32%, respectively. This is indicative of a continuous underutilisation due to the challenges in the effective implementation on the ground.

6. The **National Digital Health Mission** has been allocated ₹200 crores in FY 2024-25, which is a 41% fall from the budget estimate of FY 2023-24. While there are some signs of the prioritisation of digitisation in health, it is noteworthy to state that the revised estimate of FY 2023-24 is the same as the budget estimate.

7. The allocation to **Tertiary Care Programme** (TCP) is ₹369.26 crores in FY 2024-25, which showcases a rise of 27% from the budget estimate of FY 2023-24. While the increase in focus on TCP is encouraging, there is limited allocation of resources towards primary healthcare programmes. Additionally, given that the National Mental Health Programme (NMHP) still remains subsumed under this head, the independent allocation to the programme remains unclear.

8. The Interim Budget of FY 2024 saw an **extension of coverage** to ASHA workers, Anganwadi Workers, and helpers under the **Ayushman Bharat scheme,** as well as a move to bring all maternal and child healthcare schemes under one comprehensive programme.