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How budget 2024 can propel India to its next phase of growth

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The budget 2024 shows India is doubling down on its green energy bets. (Bloomberg)

SUMMARY

- *Tax relief, employment and green energy transition have emerged as some of the most important areas in the budget 2024, sending a message of resilience, foresight and preparedness.*

The overarching theme of the Union Budget 2024-25 strikes a fine balance between addressing the pressing bottlenecks impacting economic growth, boosting the startup ecosystem, and laying the groundwork for a future-ready India. Tax relief, employment and green energy transition have emerged as some of the most important areas, sending a message of resilience, foresight and preparedness.

Fostering innovation and investments

With angel tax being abolished for all classes of investors, India's startup ecosystem has received a shot in the arm when it comes to addressing funding requirements and encouraging investors to participate. The ₹1,000 crore venture fund for startups will further give a fillip to the country's promising space sector, encouraging deeper public-private relationships. Changes to the Insolvency and Bankruptcy Code (IBC) are on the cards, with the setting up of additional tribunals to tackle pending cases and enhance the speed of the resolution process. This move bodes well for investors as well, bringing in more certainty and transparency. The reduction of corporate tax on foreign companies from 40% to 35% will also spur multinational corporations to participate in the India growth story, further generating employment in the country.

Bolstering job creation

A recent report from the think-tank Centre for Monitoring the Indian Economy (CMIE) showed that the unemployment rate in India stood at a concerning 9.2% in June 2024, compared to around 8% in January and 6% before the global pandemic. With calls for immediate action to address rising unemployment growing louder, the government has taken tangible steps to boost employment under the aegis of the Union Budget 2024-25.

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With three specific employment-linked incentive schemes announced and an allocation of ₹2 trillion focused on job creation over the next five years, there is a clear aim to assuage concerns surrounding shrinking job opportunities. The scheme for direct benefit transfer of one month's salary to promising freshers joining the workforce and registering for the Employees' Provident Fund Organisation (EPFO) for the very first time is sure to bring confidence and smiles to many a youngster just starting out their professional journeys.

Apart from incentive schemes for employees and employers, the announcements focused on skilling and education struck a positive chord, signalling that the strategy is to tackle the job issue over the longer term by addressing the gap between industry requirements and prevalent skill levels. From setting up 1,000 industrial training institutes to providing financial support for loans of up to ₹10 lakh for higher education—these initiatives are a step in the right direction when it comes to raising the quality of India's employable youth and helping them realize their potential.

The big switch: India's green energy transition plan

With India's ambitious target of 500 gigawatts of installed renewable power capacity by 2030 in mind, the budget shows India is doubling down on its green energy bets. A policy document focused on energy transition pathways is on the anvil, and is expected to outline a holistic road map for the transition to cleaner energy while trying to balance employment, growth and sustainability. Another policy for electricity storage projects and a sharper focus on research and development of small and modular nuclear reactors is also anticipated, which underpins India's commitment to renewable power.

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It is encouraging to see several initiatives announced on charting specific transition road maps for 'hard to abate' industries from energy efficiency to emissions targets. The development of a taxonomy for climate finance is another welcome step and will assist organisations that require capital to meet their climate adaptation and mitigation goals.

On the other hand, the increase in both long-term and short-term capital gains tax came as a bit of a disappointment to equity investors. However, the increase in the exemption limit to ₹1.25 lakh is a small silver living for retail investors. Also, there were no major announcements for the auto industry that may have anticipated some indications of progress in areas like the FAME 3 subsidy scheme for electric vehicles (EVs), bringing petroleum products under the goods and services tax (GST) and reducing import duty on EVs. However, the exemption of critical minerals like lithium and cobalt from customs duties is a positive move for the EV battery technology space.

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All in all, we hear a clear message of being future-ready, all the while still focusing on boosting economic growth. The next few years will be critical in tackling imminent challenges and implementing strategies to achieve our bold and unflinching goals.

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