

Sustaining dynamism via manufacturing & jobs



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THE FIRST BUDGET of NDA 3.0 sets the tone for the key policy priorities of the new Government in the coming years. While the Budget statement of the finance minister covers a vast ground, the key themes that stand out include the focus on job-creation, boost to the manufacturing sector, enhancing sustainability and dynamism of the economy including through innovation and infrastructure development.

What is impressive is the tough balancing act of trying to achieve all the challenging tasks while bringing down the fiscal deficit to 4.9% of GDP from the target of 5.1% in the Interim Budget!

Harnessing the demographic dividend

It is often said that unless productive and decent job opportunities are created for India's youthful population, the so-called demographic dividend could turn into a demographic nightmare. While job creation has been an often talked about priority in the budgets presented by different governments, the Budget 2024-25 is a trendsetter in terms of proposing credible schemes of employment-linked incentives (ELIs) that are likely to not only incentivise the private sector to create more jobs but also hopefully reverse the growing trend of contractualisation of the employment in the private sector. Job creation should also result from continued thrust on infrastructure development, manufacturing and services and with an added focus on tourism promotion, including cruise liners. Renewed focus on skilling including the new scheme of subsidised internships in the corporate sector and provi-

sion of subsidised loans to students for education, among other proposals, will help to enhance the employability of youth.

Continued boost to manufacturing

A heavy emphasis on infrastructure Capex that has been a hallmark of the NDA Budgets continues with enhanced Capex of ₹11.11 trillion that will drive the economy directly and help crowd-in private investment, working as a multiplier especially by augmenting demand for key manufacturing sectors such as steel, cement, and capital goods industries, among others, with a cascading effect on other sectors. It has also been boosted by enhanced allocations for PLI for the pharmaceutical industry, and by extending PLI to toys and leather goods, among others, and more than doubling the allocation for semiconductors and display manufacturing.

The Budget has tried to support exports of labour-intensive industries such as leather, tex-

tiles, processed foods, gems and jewellery by reducing the customs duties on the import of certain critical raw materials. The customs duties have also been adjusted downwards or upwards for sectors where local production capacities have developed or where select intermediates need to be imported for competitiveness.

Deepening of value addition in these industries through backward integration is critical and the government needs to keep an eye on the changing requirement of policy support and adjust the tariffs as needed. MSMEs have received a boost in the form of doubling of Mudra loans and credit guarantee scheme besides other incentives. MSMEs could also benefit from the plan to create plug-and-play industrial parks and hostels and creche facilities for women workers.

To conclude, the Budget 2024-25 reveals the policy thrust of the new government that will strengthen the dynamism of the Indian economy in the face of global headwinds through sustained infrastructure push, localisation of production and job-creation.

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**BUDGET REVEALS
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INDIAN ECONOMY**
