The 2024–25 Budget, Employment-intensive Growth and Viksit Bharat

SUDIPTO MUNDLE, AJAYA K SAHU

The Union Budget 2024–25 is assessed in terms of three questions: (i) How well does it address the goal of fiscal consolidation? (ii) How does it respond to the key political challenge of accelerating employment growth post-elections? (iii) How well does it address the long-term goal of Viksit Bharat, that is, making India a developed country by 2047?

It is important to remember that the budget is as much a political document as an economic one. In this article, the 2024–25 union budget has been assessed in terms of its performance on three issues: (i) fiscal consolidation, (ii) its response to a clear message from voters that the government needs to seriously address the question of employment and decent livelihoods, and (iii) how well it addresses the long-term goal of Viksit Bharat, that is, India becoming a developed country by 2047.

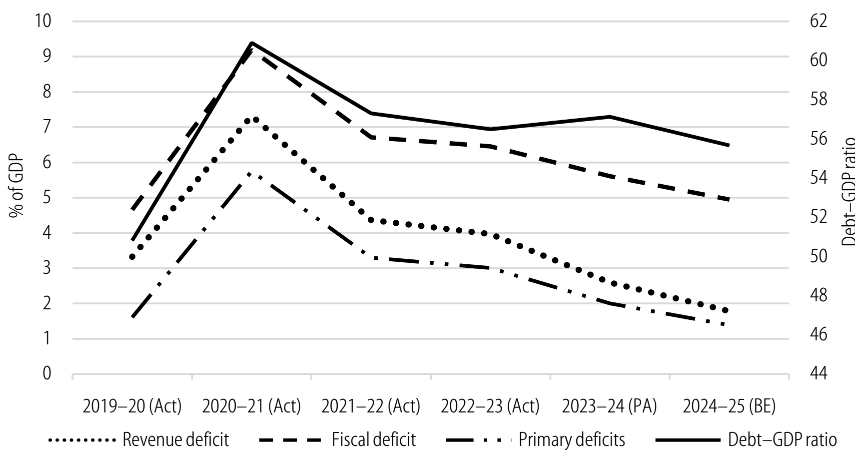
Fiscal Consolidation

The current macroeconomic concern is, primarily, the high level of net government debt at over 82% of gross domestic product (GDP) (Mundle and Gupta 2024).[1] Of this, the main component is union government debt amounting to over 57% of GDP. Fiscal consolidation was, therefore, a high priority in this budget. As in all her five budgets before this, the finance minister has pursued the goal of fiscal consolidation and transparency along with a strong thrust to capital expenditure (capex). Capital expenditure has been raised by over 17% in FY 2025 on top of an increase of nearly 25% in FY 2024 and similar large increases in the preceding years (Table 1, p 33).[2]

The union government capex as a percentage of GDP will double from a pre-pandemic baseline of 1.7% in FY 2020 to 3.4% by the end of FY 2025. Despite this, the fiscal deficit is to be brought down fairly sharply to 4.9% by the end of FY 2025. This is on track to get the fiscal deficit down to 4.5% by 2025–26, a target she had set way back in 2021. The finance minister has also committed that the fiscal deficit will be brought down further beyond FY 2026 in order to gradually bring down the debt–GDP ratio. The compulsion driving this is the high interest cost of servicing the union government debt.[3] It amounted to 57.1% of GDP at the end of FY 2023–24 and is projected to decline to 56% by the end of FY 2025 (Figure 1, Table 1). At the prevailing rates of growth and interest rates, setting the debt–GDP ratio on a declining path will require only a further mild reduction of the fiscal deficit below 4.5%, as Chinoy (2024) has recently pointed out.

One of the key factors enabling the combination of high capex along with the reduction of the fiscal deficit is the compression of revenue expenditure. It is budgeted to increase by only 6.2% in 2024–25, following a nominal increase of only 1.2% in 2023–24, implying an absolute reduction in real terms (Table 1). There were similar modest increases in earlier years, barring the large increase during the pandemic year 2020–21. So, the ratio of revenue expenditure to GDP at

Figure 1: Deficit and Debt Position of the Union Government



Sudipto Mundle (*sudipto.mundle@gmail.com*) is chairman at the Centre for Development Studies, Thiruvananthapuram. Ajaya K Sahu (*aksahu@ncaer.org*) is an associate fellow at the National Council of Applied Economic Research, New Delhi.

Table 1: Receipts, Expenditure, and Deficits

		₹ Crore						% Change					% of GDP					
		2019–20 (Act)	2020–21 (Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (PA)	2024–25 (BE)	2020–21 (Act)/ 2019–20 (Act)	2021–22 (Act)/ 2020–21 (Act)	2022–23 (Act/ 2021–22 (Act)	2023–24 (PA)/ 2022–23 (Act)	2024–25 (BE)/ 2023–24 (PA)	2019–20 (Act)	2020–21 Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (PA)	2024–25 (BE)
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Revenue receipts	16,84,059	16,33,920	21,69,905	23,83,206	27,28,412	31,29,200	-3.0	32.8	9.8	14.5	14.7	8.4	8.3	9.2	8.8	9.2	9.6
2	Tax revenue (net to union)	13,56,902	14,26,287	18,04,793	20,97,786	23,26,524	25,83,499	5.1	26.5	16.2	10.9	11.0	6.8	7.2	7.6	7.8	7.9	7.9
3	Non-tax revenue	3,27,157	2,07,633	3,65,112	2,85,421	4,01,887	5,45,701	-36.5	75.8	-21.8	40.8	35.8	1.6	1.0	1.5	1.1	1.4	1.7
4	Non-debt capital receipts	68,620	57,626	39,375	72,196	60,461	78,000	-16.0	-31.7	83.4	-16.3	29.0	0.3	0.3	0.2	0.3	0.2	0.2
5	Total receipts (1+4)	17,52,679	16,91,546	22,09,280	24,55,402	27,88,873	32,07,200	-3.5	30.6	11.1	13.6	15.0	8.7	8.5	9.3	9.1	9.4	9.8
6	Total expenditure (7+8)	26,86,330	35,09,836	37,93,801	41,93,157	44,42,542	48,20,512	30.7	8.1	10.5	5.9	8.5	13.4	17.7	16.0	15.6	15.0	14.8
6.1	Revenue expenditure	23,50,604	30,83,519	32,00,926	34,53,132	34,94,036	37,09,401	31.2	3.8	7.9	1.2	6.2	11.7	15.6	13.5	12.8	11.8	11.4
6.2	Capital expenditure	3,35,726	4,26,317	5,92,874	7,40,025	9,48,506	11,11,111	27.0	39.1	24.8	28.2	17.1	1.7	2.2	2.5	2.7	3.2	3.4
7	Revenue deficit (6.1-1)	6,66,545	14,49,599	10,31,021	10,69,926	765,624	5,80,201	117.5	-28.9	3.8	-28.4	-24.2	3.3	7.3	4.4	4.0	2.6	1.8
8	Fiscal deficit (6-5)	9,33,651	18,18,291	15,84,521	17,37,755	16,53,670	16,13,312	94.8	-12.9	9.7	-4.8	-2.4	4.7	9.2	6.7	6.4	5.6	4.9
9	Primary deficits	3,21,581	11,38,422	7,79,022	8,09,238	5,89,799	4,50,372	254.0	-31.6	3.9	-27.1	-23.6	1.6	5.7	3.3	3.0	2.0	1.4
10	Total debt (outstanding)*	1,01,98,174	1,20,58,987	1,35,45,615	1,52,23,388	1,68,72,254	1,81,68,157	18.2	12.3	12.4	10.8	7.7	50.8	60.9	57.3	56.5	57.1	55.7

RE–revised estimates; BE–budget estimates; PA–provisional actuals, Act–actuals; *outstanding debt of the union at the end of 2023–24 are revised estimates (RE) for total debt (outstanding).
Source: Receipt and Expenditure Budget, Budget documents for various years.

Table 2: Receipts

		₹ Crore						% Change					% of GDP					
		2019–20 (Act)	2020–21 (Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (PA)	2024–25 (BE)	2020–21 (Act)/ 2019–20 (Act)	2021–22 (Act)/ 2020–21 (Act)	2022–23 (Act) /2021–22 (Act)	2023–24 (PA)/ 2022–23 (Act)	2024–25 (BE) /2023-24 (PA)	2019–20 (Act)	2020–21 (Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (PA)	2024–25 BE)
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Revenue receipts (3+7)	16,84,059	16,33,920	21,69,905	23,83,206	27,28,412	31,29,200	-3.0	32.8	9.8	14.5	14.7	8.4	8.3	9.2	8.8	9.2	9.6
2	Gross tax revenue (centre+states) (2.1+2.2)	20,10,059	20,27,104	27,09,315	30,54,192	34,64,792	38,40,170	0.8	33.7	12.7	13.4	10.8	10.0	10.2	11.5	11.3	11.7	11.8
2.1	Direct tax*	10,49,549	9,44,875	14,08,293	16,59,085	19,55,781	22,07,000	-10.0	49.0	17.8	17.9	12.8	5.2	4.8	6.0	6.2	6.6	6.8
2.2	Indirect tax#	9,60,510	10,82,229	13,01,022	13,95,107	15,09,011	16,33,170	12.7	20.2	7.2	8.2	8.2	4.8	5.5	5.5	5.2	5.1	5.0
3	Tax revenue (net to centre)	13,56,902	14,26,287	18,04,793	20,97,786	23,26,524	25,83,499	5.1	26.5	16.2	10.9	11.0	6.8	7.2	7.6	7.8	7.9	7.9
4	Central GST	4,94,072	4,56,334	5,91,226	7,18,523	8,20,622	9,10,890	-7.6	29.6	21.5	14.2	11.0	2.5	2.3	2.5	2.7	2.8	2.8
5	Integrated GST	9,125	7,251	2,119	4,748	-5,026		-20.5	-70.8	124.1	-206		0.0	0.0	0.0	0.0	0.0	
6	GST compensation cess	95,553	85,192	1,04,769	1,25,862	1,41,436	1,51,009	-10.8	23.0	20.1	12.4	6.8	0.5	0.4	0.4	0.5	0.5	0.5
7	Non-tax revenue	3,27,157	2,07,633	3,65,112	2,85,421	4,01,887	5,45,701	-36.5	75.8	-21.8	40.8	35.8	1.6	1.0	1.5	1.1	1.4	1.7
7.1	Interest receipts	12,349	17,113	21,874	27,852	38,297	38,224	38.6	27.8	27.3	37.5	-0.2	0.1	0.1	0.1	0.1	0.1	0.1
7.2	Dividends and profits	1,86,133	96,877	1,60,647	99,913	1,70,444	2,89,134	-48.0	65.8	-37.8	70.6	69.6	0.9	0.5	0.7	0.4	0.6	0.9
8	Non-debt capital receipts	68,620	57,626	39,375	72,196	60,461	78,000	-16.0	-31.7	83.4	-16.3	29.0	0.3	0.3	0.2	0.3	0.2	0.2
8.1	Disinvestment of government equity	50,304	37,897	14,638	46,035	33,122	50,000	-24.7	-61.4	214.5	-28.1	51.0	0.3	0.2	0.1	0.2	0.1	0.2
9	Total non-debt receipts (1+8)	17,52,679	16,91,546	22,09,280	24,55,402	27,88,873	32,07,200	-3.5	30.6	11.1	13.6	15.0	8.7	8.5	9.3	9.1	9.4	9.8

RE–revised estimates; BE–budget estimates; PA–provisional actuals; Act–actuals.
*Includes income, corporate, and other minor direct taxes. These are gross figures inclusive of states' share. #includes central GST, UT GST, integrated GST, GST compensation cess, customs, union excise duties, and other minor indirect taxes of the union government.
Source: Receipt Budget, Budget documents, various years.

11.4% is now lower than the pre-pandemic baseline of 11.7% in FY 2019–20. Much of this compression is on account of compressed social safety net spending, as is discussed further in this article.

The significant reduction of the fiscal deficit despite rapidly rising capex, could not have been achieved by revenue expenditure compression alone. An important enabling factor is the buoyant growth of revenues. Revenue receipts grew by 14.5% in 2023–24 and have been budgeted to grow by another 14.7% in 2024–25, both significantly higher than the estimated (or projected) growth of nominal GDP (Table 2).

The revenue receipt projections for 2024–25 factor in the impact of tax proposals in the budget. The main thrust of the proposals focuses on the simplification and rationalisation of tax administration, including digitisation, as a prelude to more comprehensive tax administration reforms.[4] However, there are some proposals with specific revenue implications. These include, among others, (i) the reduction or abolition of several basic duty rates, though a few have also been raised; (ii) an option to pay a lower rate of capital gains tax without indexation, while the earlier option has also been retained; (iii) abolition of the Angel Tax for investors; (iv) reduction in the corporate tax rate from 40% to 35% for foreign companies; (v) extension of the coverage of "safe harbour" rules; (vi) increase in the deduction allowed for contributions to pensions scheme by both employers and employees; (vii) increase in the standard deduction in personal income taxation to ₹75,000 (₹25,000 in the case of pensions); and (viii) a revision of the personal income tax rate structure. The finance ministry has estimated that the proposed direct and indirect tax changes will result in a net revenue loss of only ₹700 crore.

Of the total union revenue estimated at ₹31.3 trillion, the tax revenue (net to the union) of ₹25.8 trillion (7.9% of GDP) constitutes the main component[5] (Table 2). The estimated tax–GDP ratio at 11.8% of GDP in 2024–25 (BE) is higher than the pre-pandemic baseline of 10.8% in 2019–20. The increase is mainly on account of direct taxes, its share having gone up from 4.8% of GDP in 2019–20 to 6.8% in 2024–25 (BE). Non-tax revenue contributes another 1.7% of GDP, about the same as in 2019–20. The main component here is dividends and profits of government enterprises, especially the transfer of surpluses by the Reserve Bank of India (RBI), which is particularly large at ₹2.11 trillion in 2024–25.

In summary, the 2024–25 budget has maintained the stance of robust fiscal consolidation along with a strong thrust on capex to drive growth, now a hallmark of the finance minister's budgets. However, this has been combined with the contraction of expenditure on the two main social safety net pillars, namely the food subsidy and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The government has clearly adopted a strategy of addressing the challenges of employment and decent livelihoods through growth rather than welfare spending. The implications of such a strategy for the quality of growth and other related issues are further discussed in this article.

Expenditure Allocations and Employment-intensive Growth

The sectoral priorities of the government are revealed mainly through its expenditure allocations. Table 3 (p 35) shows how these allocations have evolved in recent years compared to the pre-pandemic baseline of 2019–20. First, the share of general services, which basically consist of public goods (or public "bads"), has declined from over 47% in 2019–20 to less than 44% in 2024–25 (BE). Of this, the share of defence services declined from around 12% in 2019–20 to 9.4% in 2024–25 (BE)[6] (Table 3). Given India's challenging external security environment, this decline is concerning. Meanwhile, the share of interest payment on public debt, a public "bad," has gone up from around 21% to over 24%. It is this pre-emption of expenditure on public goods by interest payments that underlies the finance minister's emphasis on progressively reducing the fiscal deficit.

Second, the share of social services in total expenditure has remained at only 5%, about the same as the 2019–20 pre-pandemic baseline. The share of spending on education is marginal at only 1.2% and less than even the 1.4% baseline in 2029–20. Barring a temporary spike in the pandemic year 2020–21, the share of health services has been frozen at less than even 1% of total expenditure (Table 3). Education and health services are primarily state subjects. However, some of the education and health service components are a shared responsibility under the Concurrent List of the Constitution's Seventh Schedule and the union government has been active in both sectors through centrally sponsored schemes (CSS). Thus, the very low priority given to human development is particularly disappointing.

Third, in line with the government's focus on capital expenditure, the share of expenditure of sectors, like power, communications, and particularly transport, has been raised from less than 8.9% in 2019–20 to as much as 14.3% in 2024–25 (BE). A significant component of this increase includes huge allocations for Bihar and Andhra Pradesh because the union government now depends on the Janata Dal (United)-led Government of Bihar and the TDP-led Government of Andhra Pradesh for its survival.

A fourth point to note is that after a sharp increase during the pandemic year 2020–21, the allocation for food subsidies and MGNREGS, the two main pillars of the social safety net in India, has been reduced every year in absolute terms, implying a very sharp reduction in real terms (Table 3). Taken together with the high and rising allocation for capex on infrastructure, it reveals a clear preference of the government for public capex-led growth to address issues of poverty and deprivation instead of welfare expenditure. Such a strategy entails that the quality of growth should be employment-intensive and inclusive. Unfortunately, the record on this front has been quite disappointing.

As Mundle (2024b) has argued, though India is the world's fastest-growing major economy, maintaining growth rates of 6%–7% or more, the pace of employment growth has been much less and has not kept pace with the growth of labour supply. Between 2011–12 and 2022–23, the workforce employed grew from 466 million persons to 577 million, a growth rate of about 1.9% (Mundle 2024b). During this period, the labour force grew from 477 million persons to 595 million. Thus, the number of unemployed grew from 10 million persons to over 19 million, that is, at an annual growth rate of about 5.6%—just a little lower than the rate of GDP growth. Furthermore, this is a lower-bound estimate of unemployment. The Periodic Labour Force Survey, from which these estimates are derived, employs a very broad definition of employment. Any person who had any work even for one hour a day for just 30 days during the preceding 365 days is counted as employed. The actual size scale of unemployment (or underemployment) is likely to be much higher.

Clearly, the government needs to provide incentives to make growth more labour-intensive, especially keeping in view the signal from the elections mentioned at the outset. Indeed, generating more employment is an important theme in the finance minister's budget speech. More specifically, she has introduced the idea of employment-linked incentive (ELI). An allocation of ₹10,000 crore has been provided to the Department of Labour and Employment for three schemes. An additional allocation of ₹2,000 crore has been provided to the Ministry of Corporate Affairs for an apprenticeship programme. Recognition of the need for an ELI to make growth more employment-intensive is itself very important. The allocation of ₹12,000 crore in the very first year of the programme is also quite significant. By comparison, the production-linked incentive (PLI) scheme, which has proved very popular with manufacturers in some sectors, started with only a token allocation in the 2021–22 budget, and has now grown to ₹14,183 crore, after four years (Appendix Table 1, p 37). However, the ELI allocation is so thinly spread across sectors and the incentive per enterprise is so limited that it is unlikely to have much impact. What is required is a much better targeted and more carefully designed scheme.

Here is an illustration of how this could be done. Adapted from a 42×42 sector input–output table (Bhandari et al 2022), Table 4 (p 36) provides the share of total employment provided by a sector, the employment multiplier of a sector (number of jobs per ₹1 crore output) and the capital intensity of a sector. Setting aside agriculture which is employing too many people, nearly half the workforce, but at very low marginal productivity, there are about 21 sectors which are labour-intensive, employing at least 20 persons per ₹1 crore of output. Of these, 10 sectors are already significant employers, employing between 6 million and 77 million persons each. These include construction, trade, services, land transport, textiles and garments, education and research, food and beverages (including tobacco), hotels and restaurants, and miscellaneous manufacturing. The ELI scheme, linking

Table 3: Expenditure Allocations

Sr No	Head	Total Expenditure (₹ crore)						Share in Total Expenditure (%)						% Change				
		2019–20 (Act)	2020–21 (Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (RE)	2024–25 (BE)	2019–20 (Act)	2020–21 (Act)	2021–22 (Act)	2022–23 (Act)	2023–24 (RE)	2024–25 (BE)	2020–21 (Act)/ 2019–20 (Act)	2021–22 (Act)/ 2020–21 (Act)	2022–23 (Act)/ 2021–22 (Act)	2023–25 (RE)/ 2022–23 (Act)	2024–25 (BE)/ 2023–24 (RE)
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Total expenditure	26,86,330 (12.5)	35,09,836 (12.1)	37,93,801 (15.6)	41,93,157 (17.6)	44,90,486 (21.2)	48,20,512 (23.0)	100	100	100	100	100	100	30.7	8.1	10.5	7.1	7.3
2	General services	12,66,553 (9.9)	13,70,906 (10.4)	15,83,560 (9.7)	17,76,917 (9.1)	19,88,942 (9.1)	21,10,674 (9.3)	47.1	39.1	41.7	42.4	44.3	43.8	8.2	15.5	12.2	11.9	6.1
2.1	Interest payment and servicing of debt	6,12,070 (0.0)	6,79,869 (0.0)	8,05,499 (0.0)	9,28,517 (0.0)	10,55,427 (0.0)	11,62,940 (0.0)	22.8	19.4	21.2	22.1	23.5	24.1	11.1	18.5	15.3	13.7	10.2
2.2	Defence services	3,18,665 (34.9)	3,40,094 (39.5)	3,66,546 (37.6)	3,99,123 (35.8)	4,55,897 (34.5)	4,54,773 (37.8)	11.9	9.7	9.7	9.5	10.2	9.4	6.7	7.8	8.9	14.2	-0.2
3	Social services	1,38,609 (6.8)	1,67,648 (4.2)	2,64,142 (3.6)	2,12,159 (5.7)	2,42,884 (3.9)	2,40,893 (4.0)	5.2	4.8	7.0	5.1	5.4	5.0	21.0	57.6	-19.7	14.5	-0.8
3.1	Education, sports, art and culture	49,841 (4.4)	46,376 (0.5)	49,557 (0.1)	57,485 (0.1)	86,174 (0.1)	65,730 (0.3)	1.9	1.3	1.3	1.4	1.9	1.4	-7.0	6.9	16.0	49.9	-23.7
3.1.1	Education	42,661	42,348	44,843	51,739	79,768	59,481	1.6	1.2	1.2	1.2	1.8	1.2	-0.7	5.9	15.4	54.2	-25.4
3.2	Medical and public health	28,937 (5.7)	35,076 (10.2)	71,644 (4.4)	38,686 (7.6)	39,358 (6.6)	43,584 (8.1)	1.1	1.0	1.9	0.9	0.9	0.9	21.2	104.3	-46.0	1.7	10.7
4	Economic services	7,13,518 (24.6)	12,64,080 (13.1)	12,50,665 (29.7)	14,17,476 (31.8)	15,01,397 (41.0)	16,09,903 (44.3)	26.6	36.0	33.0	33.8	33.4	33.4	77.2	-1.1	13.3	5.9	7.2
4.1	Agriculture and allied activities	2,38,506 (1.4)	7,02,495 (0.3)	4,84,253 (1.8)	4,71,396 (0.7)	3,87,172 (0.1)	3,68,702 (0.1)	8.9	20.0	12.8	11.2	8.6	7.6	194.5	-31.1	-2.7	-17.9	-4.8
4.1.1	Food subsidy	1,08,688 (0.0)	5,41,330 (0.0)	2,88,969 (0.0)	2,72,802 (0.0)	2,12,332 (0.0)	2,05,250 (0.0)	4.0	15.4	7.6	6.5	4.7	4.3	380.6	-45.1	-9.4	-22.3	-3.2
4.2	Rural development	74,342 (0.0)	1,13,910 (0.0)	1,01,036 (0.0)	94,401 (0.0)	90,385 (0.0)	89,817 (0.0)	2.8	3.2	2.7	2.3	2.0	1.9	53.2	-11.3	-6.6	-4.3	-0.6
4.2.1	MGNREGS	71,687 (0.0)	1,11,170 (0.0)	97,878 (0.0)	90,198 (0.0)	85,035 (0.0)	85,279 (0.0)	2.7	3.2	2.6	2.2	1.9	1.8	55.1	-11.4	-7.8	-5.3	0.0
4.3	Energy	61,803 (2.2)	55,500 (5.4)	30,431 (11.6)	50,037 (4.2)	39,838 (5.8)	53,360 (8.6)	2.3	1.6	0.8	1.2	0.9	1.1	-10.2	-45.2	64.4	-20.4	33.9
4.4	Transport	1,48,961 (93.2)	1,34,762 (90.9)	3,25,047 (95.5)	3,88,125 (95.5)	5,15,424 (95.6)	5,22,672 (97.9)	5.5	3.8	8.6	9.3	11.5	10.8	-9.5	141.2	19.4	32.8	1.4
4.5	Communications	29,377 (17.8)	44,984 (11.0)	35,601 (11.1)	1,24,063 (44.8)	1,02,303 (68.8)	1,16,382 (72.5)	1.1	1.3	0.9	3.0	2.3	2.4	53.2	-20.9	248.5	-17.5	13.8
4.6	Industry and minerals	85,745 (7.3)	1,19,870 (4.3)	1,53,173 (5.4)	2,17,276 (3.0)	1,85,429 (3.6)	1,84,021 (3.1)	3.2	3.4	4.0	5.2	4.1	3.8	39.8	27.8	41.8	-14.7	-0.8
5	Grants-in-aid and contributions	5,30,731 (4.4)	5,96,711 (15.6)	6,37,058 (8.3)	7,86,606 (14.7)	7,57,262 (18.9)	8,59,041 (22.4)	19.8	17.0	16.8	18.8	16.9	17.8	12.4	6.8	23.5	-3.7	13.4

BE–budget estimates, RE–revised estimates, act–actuals. Figures in parenthesis are the share of capital expenditure in total expenditure under each head.
Source: Expenditure Budget, Budget documents, various years.

incentive grants to additional employment could initially target these 10 sectors. In this context, note that the PLI scheme is also targeting only 12 sectors, of which the bulk of the incentive has gone to just four sectors, namely electronics and IT hardware, automobiles and auto components, pharmaceuticals, and food processing (Appendix Table 1).

Table 4: Sectoral Employment Share, Employment Multiplier and Capital Intensity

	Sectors	Share in Total Jobs (%)	Employment Multiplier[1]	Capital Intensity[2] (CFC/GVO)
Group 1	Agriculture, livestock, forestry and fishery	46.9	88	0.05
	Construction	13.3	41	0.03
	Trade	10.2	33	0.04
	Services[3]	4.7	27	0.05
	Land transport	3.8	33	0.11
	Real estate and professional services[4]	3.2	12	0.13
	Textiles and garments	3.2	50	0.06
	Education and research	2.1	23	0.11
	Food beverage and tobacco	1.7	67	0.03
	Hotel and restaurants	1.6	71	0.02
	Miscellaneous manufacturing	1.1	39	0.02
	Financial and insurance services	1.0	11	0.02
	Paper products; printing and publishing	0.8	41	0.06
	Non-metallic mineral products	0.8	24	0.06
Group 2	Ferrous and non-ferrous basic metal	0.5	17	0.03
	Passenger cars	0.5	21	0.04
	Non-electrical machinery	0.4	18	0.05
	Electrical, electronic and communication equipments	0.4	26	0.06
	Synthetic fibres and resin	0.4	39	0.04
	Other transports equipments[5]	0.3	33	0.07
	Storage, warehousing and communication	0.3	14	0.10
	Hand tools and miscellaneous metal products	0.3	20	0.07
	Mining and quarrying	0.3	12	0.10
	Supporting and auxiliary transport activities	0.3	16	0.12
	Electricity	0.3	15	0.12
	Other transport	0.2	15	0.12
	Leather and leather footwear	0.2	43	0.07
	Renting of machinery and equipment	0.2	53	0.04
Group 3	Plastic products	0.2	29	0.03
	Motor cycles and scooter	0.2	21	0.03
	Water supply	0.1	24	0.09
	Commercial vehicles	0.1	19	0.05
	Electrical industrial machinery	0.1	19	0.06
	Rubber products	0.1	24	0.06
	Petroleum products	0.1	11	0.03
	Batteries	0.1	9	0.16
	Electrical and electronic machinery	0.0	17	0.07
	Basic heavy chemicals	0.0	18	0.04
	Paints, varnishes and lacquers	0.0	20	0.05
	Electrical wires and cables	0.0	11	0.10
	Other chemical and chemicals products	0.0	19	0.05
	Coke and coal tar products	0.0	16	0.06

(1) Employment multiplier for a particular sector refers to an increase in total employment (direct and indirect) in the economy due to ₹1 crore worth of output increase in that sector.
(2) CFC can be defined as that part of the gross product which is required to replace fixed capital used up in the process of production during the period of account. GVO is the gross value of output for a sector in an accounting year. Thus, CFC/GVO can be taken as a measure of capital intensity for a sector.
(3) Includes services other than trade, transport, education and research, hotel and restaurant, finance and insurance services
(4) Includes legal services, computer-related services, accounting activities, real estate, and ownership of dwelling.
(5) Other than passenger cars, commercial vehicles, motorcycles, and scooters.
Source: Adapted from Bhandari et al (2022), MoSPI (2020, 2021).

The Budget and Viksit Bharat

Apart from dealing with annual revenue and expenditure projections, the budget also signals the government's approach towards long-term goals. How well does the budget address the long-term goal of Viksit Bharat, positioning India to become a developed country by 2047? India's transformation over the next couple of decades will be embedded in the ongoing fundamental transformation of the global economy, driven by three simultaneous technological revolutions: the energy transition, the artificial intelligence (AI) revolution, and the revolution in biotechnology. We have earlier written about the significance of the first two but not the third (Mundle 2024a). Three such simultaneous technological revolutions, feeding into each other, is probably unprecedented in history. The global economy in 2047 will be profoundly different from what it is today. India's position in that economy will depend on how it engages with these ongoing technological revolutions today.

In her budget speech, the finance minister announced the preparation of a framework for the next generation of reforms, for which she listed 17 items, mostly relating to reforms in factor markets. These reforms are certainly important in themselves, particularly the proposed review of the Income Tax Act of 1961, to review and simplify it.[7] However, these conventional reforms do not address the challenges of fundamental global transformation mentioned earlier in the article. Though inputs are not a good measure of outcomes, budgetary allocations give an indication—admittedly partial—of how seriously the government is addressing these challenges.

Regarding the energy transformation challenge, the allocation for renewable energy was increased from ₹6,041 crore in 2023–24 (RE) to ₹16,395 crore in 2024–25 (BE). Regarding the AI challenge, an India AI mission has been established and the allocation for the Ministry of Information and Technology was raised from ₹14,421 crore in 2023–24 (RE) to ₹21,936 in 2024–25 (BE), though not all of this is directly related to AI. The government's response to the biotechnology revolution is very recent. A BioE3 Mission (Biotechnology for Economy, Environment, and Employment) has just been established, with an initial expenditure of ₹1,607 crore in 2023–24 (RE) which has been raised to ₹2,275 crore in 2024–25 (BE). These allocations, though expanding rapidly, are a small fraction of the total allocation of ₹16 trillion on economic services (Table 3) and also very small compared to individual infrastructure allocations for land transport, power, etc. With such limited commitment of public resources, it seems quite unlikely that India can be a serious player in the intense ongoing global competition, especially between China, the United States, and other advanced countries, to lead and dominate these technological revolutions.

NOTES

1 This is, of course, in addition to the challenge of open or disguised unemployment.

2 Fiscal data in this table and some of the other tables present a comparative picture of the past six years to demonstrate where we are today compared to the pre-pandemic baseline of 2019–20.

3 This issue is further discussed in this article..

4 Finance minister's budget speech, Budget 2024–25 documents, Government of India, 23 July 2024.

5 In addition to revenue receipts, total receipts include an additional ₹78,000 crore of non-debt capital receipts.

6 The figures in parenthesis in Table 3 indicate the share of capital expenditure in the total expenditure of a sector.

7 The sooner this is done, the better. A draft simplified direct tax code was unfortunately put aside a few years ago. Hopefully, this can now be revived expeditiously. A similar simple, comprehensive code can be considered for customs duties, which continues to be changed in an ad hoc manner. The finance minister can also work through the goods and services tax (GST) council, which she chairs, to also simplify the structure of GST.

REFERENCES

Bhandari, B, D Pratap and A Sahu (2022): "Contributions to Overall Employment by the Auto Industry: Jobs and Skills," National Council of Applied Economic Research Report, March.

Budget Documents, various years, Ministry of Finance, Government of India.

Chinoy, S (2024): "Reimagining India's Fiscal Architecture," *Business Standard*, 5 September.

Mundle, S (2024a): "Budget: It's Fiscally Sound But a Weak Bedrock for Viksit Bharat," *Mint*, 20 July.

— (2024b): "Employment and the Cost of Capital," Address at the Delhi School of Economics 75th Anniversary Conference, 16–17 August.

Mundle, S and M Gupta (2024): "Fiscal Performance of the Central Government and the States of India," NIPFP Working Paper No 412, 27 June.

MOSPI (2020): *Periodic Labour Force Survey 2019–20*, Ministry of Statistics and Programme Implementation, Government of India, Microdata, National Data Årchives.

— (2021): *National Accounts Statistics*, Ministry of Statistics and Programme Implementation, Government of India.

Appendix Table 1: Allocation for Various Sectors under the Production-linked Incentives (PLI) Scheme

(₹ crore)

Sr No	Sectors	2021–22 (Act)	2022–23 (Act)	2023–24 (RE)	2024–25 (BE)
1	Automobiles and auto components		5.7	483.8	3,500.0
2	Advanced chemistry cell (ACC) battery storage		1.7	12.0	250.0
3	Specialty steel			2.4	245.8
4	Textiles		7.1	5.0	45.0
5	Drone and drone component	0.0	30.0	33.0	57.0
6	White goods (ACs and LED lights)	1.2	3.5	65.0	298.0
7	Toys				0.0
8	Footwear and leather sector				0.0
9	Telecom and networking products		39.2		
10	Electronics and IT hardware		1,655.0	4,559.9	6,200.0
11	Pharmaceuticals	0.0	1,425.0	1,696.3	2,143.0
12	Food processing	9.3	489.8	1,150.0	1,444.0
	Total	10.5	3,657.0	8,007.3	14,182.9

BE—budget estimates, RE—revised estimates, Act—actuals.

Source: Expenditure profile, Statement 4B (Central Sector Schemes), Budget Documents 2024–25.