ISSN : 2583-4436

KERALA ECONOMY
2024, VOL.5, NO.1. pp 105-119.

Post budget summary

The interim budget for 2024-25: State of Finance

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The Interim Budget for 2024-25 was presented by Finance Minister Nirmala Seetharaman on February 5, 2024. As we know, it's an election year, so this budget serves as an interim measure rather than a comprehensive account for the next financial year. An Interim Budget is typically presented by a government undergoing a transition period or in its last year in office ahead of general elections. Its purpose is to ensure the continuity of government expenditure and essential services until the new government can present a full-fledged budget after taking office.

The total expenditure in the Budget Estimate (BE) 2024-25 is estimated at 47,65,768 crores, with total capital expenditure amounting to 11,11,111 crores. The government claims a strong commitment to boosting economic growth by investing in infrastructure development, leading to a 16.9 percent increase in capital expenditure over the previous fiscal year. The government expects 3080275 crores of non-debt receipts and anticipates a fiscal deficit of 1685494 crore, which is 5.1 percent of GDP.

The government's major revenue source is tax revenue, with direct taxes such as income tax and corporate tax comprising 36 percent of total receipts, and indirect taxes such as goods and services tax and excise duty holding a 27 percent share. Borrowing maintains a firm position at 28 percent of expected total receipts, with market borrowing playing a significant role, comprising around 70 percent of net debt receipts. The next major component is securities against small savings, comprising 28 percent, or around 466201 crores. Small savings instruments are a major source of household savings in India.

The government's inability to take fiscal prudent measures recommended by both the FRBM Act and the Finance Commission is a major concern. While the borrowing limit of the state and centre is restricted to 3 percent of GDP, the central government's fiscal deficit stands at 5.1 percent in the budget estimates of 2024-25, while states are compelled to stay within their limit. This raises questions about fiscal federalism.

One of the main points of discussion is disinvestment, which involves the government selling its stakes in Public Sector Undertakings (PSUs). In 2023-24, the government met 49 percent of its disinvestment target, which was lower than the budget target of 2023-24 (Rs 61,000 crore). Even though disinvestments have been decreasing for the fourth consecutive time, the government's revenue reliance on this disinvestment is not sustainable.

When considering the trend in fiscal deficit, it peaked during the COVID-19 pandemic and is now gradually decreasing. The fiscal deficit in 2020-21 was 9.2 percent of GDP. Other deficit indicators such as Revenue deficit, effective revenue deficit, and primary deficit estimations for the year 2024-25 stand at 2.0, 0.8, and 1.5 respectively. The high primary deficit, which is higher than pre-COVID times, is a major concern regarding interest payments.

Increasing government revenue is crucial for fiscal consolidation measures, as expenditure cuts may not be advisable for India's development. However, there has been minimal growth in tax revenue over the years, with the government expecting tax revenue to be 11.7 percent of GDP in the financial year 2024-25, fluctuating around 10-12 percent over the last decade.

When analysing the government's expenditure expectations, revenue expenditure is 3654657 crores, with a 2 percent revenue deficit to GDP. Effective capital expenditure, including grants given for lower tiers of government for creating capital accounts and the capital expenditure of the union government, is 1496693 crores, which is 31 percent of total expenditure. However, disinvestment still plays a role, which some experts consider as negative capital expenditure.

The central government will transfer Rs 22,74,541 crore to states and union territories in 2024-25. This transfer includes devolution of Rs 12,19,783 crore out of the divisible pool of central taxes, grants worth Rs 8,90,858 crore, and special loans worth Rs 1,30,000 crore for capital expenditure. However, there has been a drastic decrease of 52 percent in outlays for Centrally Sponsored Schemes and other conditional grants, as well as unconditional grants such as post-devolution grants. Additionally, there is a 7 percent decrease in subsidies given by the government, such as those for food, fertilizer, and LPG.

When analysing expenditure on major schemes, MGNREGS has the highest allocation in 2024-25 at Rs 86,000 crore, which is the same as the revised estimate for 2023-24. Allocation for the Pradhan Mantri Awas Yojana in 2024-25 is Rs 80,671 crore, an increase of 49.1 percent over the revised estimate of 2023-24. However, there is a significant disparity between actuals in 2022-23 and the revised estimate of 2022-24. In 2023-24, expenditure for the scheme is expected to be lower by 32 percent compared to the budget estimates, mainly due to the rural component falling short of original plans. The allocation for 2024-25 is similar to the budget estimate for 2023-24.

As mentioned earlier, this is an interim budget. The general election in 2024 will determine further economic policies. Nonetheless, the financial position regarding debt and deficit must be re-evaluated. The outstanding liability has increased, now standing at 57 percent of GDP for the Union government. Achieving fiscal consolidation through expenditure cuts may not be advisable. Additionally, there is a need for more unconditional transfers to states due to their heterogeneous needs. This is the time when the 16th Finance Commission has already been announced by the Union government. We have to wait for the comprehensive budget document after the election.

Major announcements of the union budget 2024-25

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Smt. Nirmala Sitharaman, the Finance Minister, unveiled the Interim Union Budget 2024-25 on February 1, 2024. She introduced several new government initiatives within this budget and suggested alterations to existing schemes. Below is a summary of the proposed government programs and the adjustments planned for existing schemes.

India sees the next five years as crucial for achieving its development goals and becoming a developed nation by 2047. The vision for this year is "Prosperous Bharat in harmony with nature, modern infrastructure, and opportunities for all."

'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmers) are the four pillars of the Viksit Bharat Budget 2024. In light of the people-centric inclusive development plan, the Finance Minister announced-

- There will be substantive development of all forms of infrastructure - physical, digital, and social.
- Digital Public Infrastructure (DPI) will promote formalization and financial inclusion.
- The government plans to deepen and widen the tax base via GST.
- A strengthened financial sector brought savings, credit, and investment back on track.
- A robust gateway called GIFT IFSC and IFSCA will be set up for global capital and financial services for the economy.
- There will be proactive inflation management.

Strategy for Amrit Kaal proposed by FM in the budget are -

I. Sustainable development

The Finance Minister emphasized the urgent need for sustainable development, outlining a commitment to achieve 'Net Zero' emissions by 2070 through the Amrit Kaal initiative. Key proposals include the introduction of viability gap funding to harness offshore wind energy, aiming for an initial capacity of one gigawatt. Additionally, plans are in place to establish coal gasification and liquefaction capacity of 100 million tonnes by 2030, alongside phased mandatory blending of CNG, PNG, and compressed biogas for domestic purposes. Financial assistance will be provided to procure biomass aggregation machinery and support biomass utilization for energy generation. The rollout of a rooftop solarisation scheme aims to empower one crore households with up to 300 units of free electricity per month. The government also plans to adopt e-buses for public transport and bolster the e-vehicle ecosystem while introducing a new scheme for biomanufacturing and bio-foundry practices. Furthermore, 1.3 crore LED street lights will be installed under the SNLP scheme to enhance energy efficiency, and the Blue Economy 2.0 scheme will be launched to promote sustainable coastal aquaculture and mariculture practices. These initiatives collectively reflect a comprehensive strategy to promote sustainability, reduce carbon emissions, and foster environmentally friendly alternatives across various sectors.

II. Infrastructure and investment

The government's infrastructure agenda includes implementing three significant railway corridor programs under the PM Gati Shakti initiative: energy, minerals, and cement corridor; port connectivity corridor; and high traffic density corridor. These initiatives aim to enhance logistics efficiency and lower costs. Foreign investment promotion will be a key focus through bilateral investment treaties, fostering economic growth and collaboration. The plan also includes expanding existing airports and developing new ones under the UDAN scheme, facilitating better connectivity and economic development. Urban transformation initiatives are also prioritized to enhance transportation infrastructure and urban development nationwide, notably through the Metro Rail and NaMo Bharat projects.

III. Inclusive development

The FM highlighted the need for inclusive development under Amrit Kaal, with an aspirational District Programme to assist states in faster development, including employment generation.

Health: The government actively promotes cervical cancer vaccination for girls aged 9-14, emphasizing preventive healthcare. To enhance nutrition delivery and early childhood care, the Saksham Anganwadi and Poshan 2.0 scheme will upgrade Anganwadi centers. The government will promote vaccination for girls aged 9 to 14 to prevent cervical cancer.

Multiple schemes related to maternal and child care will be consolidated into a comprehensive program for streamlined implementation. A U-WIN platform will streamline immunization efforts under Mission Indradhanush, ensuring efficient vaccine distribution. Health coverage under the Ayushman Bharat scheme will now include ASHA, Anganwadi workers, and helpers, expanding access to healthcare. Additionally, a committee will be established to address the challenges of establishing more medical colleges in India, aiming to strengthen the healthcare infrastructure further.

Housing: The Pradhan Mantri Awas Yojana (Grameen) is on the verge of providing 3 crore houses, with plans to deliver an additional 2 crore units in the next five years. A new initiative, the Housing for the Middle-Class scheme, will be introduced to incentivize middle-class individuals to purchase or construct their own homes. There will be an increased allocation for housing programs, with the budget rising from Rs. 79,590 crores in 2023-24 to Rs. 80,671 crores in 2024-25.

Tourism: States will be incentivized to develop iconic tourist destinations to stimulate economic activity and foster local entrepreneurship. Long-term interest-free loans will be extended to states to facilitate this development, encouraging sustained growth and infrastructure improvements. Special focus will be given to projects to enhance port connectivity, tourism infrastructure, and amenities in islands such as Lakshadweep, further boosting tourism potential and economic opportunities in these regions.

IV. Agriculture and food processing

The government is set to promote private and public investment in post-harvest activities. The application of Nano-DAP is to be expanded in all agro-climatic zones. An Atmanirbhar Oilseeds Abhiyan strategy will be formulated to achieve self-reliance in oilseeds. A comprehensive program for dairy development is also in the works. The implementation of Pradhan Mantri Matsya Sampada Yojana will be stepped up to enhance aquaculture productivity, double exports to Rs. 1 lakh crore and generate 55 lakh employment opportunities. Additionally, five integrated aquaparks will be set up. There has been an increase in allocation for the Blue Revolution from Rs. 2025 crores to Rs. 2352 crores, and Rs. 241 crores have raised the allocation for the PM Formalisation of Micro Food Processing Enterprises scheme in 2024-25.

Kerala budget-2024-25

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The Kerala Budget Report for the fiscal year 2024-25, presented by the Honourable Finance Minister Shri. K N Balagopal on February 5th, 2024, underscores the state's unwavering commitment to prioritizing social welfare, education, healthcare, infrastructure, and sustainable development. Kerala's fiscal position reflects its commitment to social development and inclusive growth, addressing challenges such as high debt levels and revenue volatility remains crucial for the state's long-term fiscal sustainability. The government needs to strike a balance between meeting social needs and ensuring fiscal prudence to promote economic stability and prosperity. This commitment is reflected in the budget allocations aimed at enhancing the overall quality of life for the populace.

- An analysis of revenue and expenditure trends elucidates Kerala's fiscal trajectory. Despite a notable decline in total tax receipts by 2.74% in 2022-23, the subsequent fiscal year witnessed a remarkable growth rate of 10.92%. Own tax revenue experienced a substantial surge from INR 58,340 crore in 2021-22 to INR 77,038 crore in the revised estimates of 2023-24, with GST, sales tax and VAT, tax on vehicles, stamp duty, and registration contributing significantly to the revenue stream.
- Conversely, central transfers have been on a declining trajectory, with grants-in-aid experiencing a sharp decline of 61.15%, indicative of Kerala's prevailing fiscal challenges. Notably, non-plan grants plummeted from approximately INR 26,000 crore in 2021-22 to INR 6,773 crore in the revised estimates of 2023-24, with rural local bodies witnessing a 47% decline in grants. However, Kerala's borrowing in 2023-24 remained lower than that of 2021-22, although public debt registered a substantial increase.
- In terms of expenditure, non-plan expenditure saw a notable increase in loan disbursement from INR 35.20 crore in 2021-22 to INR 662 crore in 2023-24, while plan expenditure witnessed a decline in loan disbursement. In development

expenditure education, arts, and culture contribute a major share but the individual share declined over the last 3 years from 24 cr in 2021-22 to 21 cr in 2023-24 RE.

- The fiscal deficit of Kerala has consistently exceeded the 3% boundary line set by the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, except for the year 2022-23. Nonetheless, there has been a marginal decline in revenue deficit and primary deficit in 2023-24 compared to 2021-22.

The modern state is rapidly evolving. In this setting, the current budget includes various programs to speed up this transition. It aims to strengthen current structures while adopting new, efficient, and innovative project models. The goal is to create short-term initiatives for job creation and income growth, along with medium- and long-term projects. The following discussion outlines policy recommendations in key sectors.

Health:

The health sector in Kerala is one of the most advanced and comprehensive in India. Kerala has achieved remarkable progress in healthcare indicators, including high life expectancy, low infant mortality rates, and high literacy rates contributing to better health awareness among its citizens.

- Endeavors shall be initiated to metamorphose Kerala into a medical hub, offering specialized healthcare facilities, including provisions within Government Medical Colleges catering to both domestic and international patients.
- An allocation of Rs. 80 crore is dedicated to sustaining 315 advanced life support ambulances under the 'Kaniv' Scheme.
- A sum of Rs. 24.88 crore is earmarked for various initiatives under the 'Ardram Mission'.
- The introduction of the 'School Health and Wellness Programme' under the 'Ayushman Bharat' scheme is announced and A remittance account will be opened to accept voluntary contributions by those availing treatment facilities in government hospitals.

Industries:

Kerala's industrial sector may not be as prominent as in some other states, it encompasses diverse industries ranging from traditional to modern sectors. The state government's efforts to promote industrial growth, attract investment, and support entrepreneurship are crucial for the sector's development and its contribution to Kerala's overall economic prosperity.

- Apart from public sector investments, exploration of subsidy schemes and innovative investment models such as public-private partnerships, joint ventures, and infrastructure investment vehicles like Infrastructure Investment Trust (InvIT) and Real Estate Investment Trusts (REITs) is proposed.
- Noteworthy establishments like the Indian Innovation Centre for Graphene and Centers of Excellence in Microbiomes and Nutraceuticals, among others, are either operational or in progress.
- An allocation of Rs. 1729.13 crore is designated for the Industry and Minerals Sector, with Rs. 773.09 crore earmarked for Medium/Large industries, and a special allocation of Rs. 30 crore is dedicated to the 'Cashew Rejuvenation Project' aimed at bolstering the cashew industry and supporting its workforce.

Infrastructure:

The infrastructure sector plays a crucial role in facilitating economic development, enhancing connectivity, and improving the overall quality of life for its residents. Continued investment and innovation in infrastructure development are crucial for Kerala to address its infrastructure needs and unlock its full potential for growth and prosperity. Initiatives are envisaged to harness the opportunities presented by the international port, with emphasis on effective utilization.

- Special Development Zones (SDZ) are proposed to leverage the developmental potential of Vizhinjam and Progression on the Thiruvananthapuram and Kozhikode metro projects is affirmed.
- An amount of Rs. 100 crore is set apart for the NABARD-RIDF project to carry out the infrastructure development in the Kuttanadu region.
- An allocation of Rs. 30.60 crore is designated for infrastructure upgrades in 11 industrial parks.
- Old cars and furniture will have a scrapping policy implemented in government
- Offices.

Education:

The education sector in Kerala is widely regarded as one of the most advanced and progressive in India. Kerala boasts high literacy rates, a strong emphasis on quality education, and a robust educational infrastructure and is characterized by its commitment to excellence, inclusivity, and holistic development.

- Developmental activities amounting to ? 250 crore will be implemented in the Digital University, which has forged academic cooperation with the University of Oxford and three regional centres will be launched for Digital University Kerala.
- The establishment of 'Shika', a prestigious museum at Calicut University, is announced to celebrate Kerala's biodiversity, history, folklore, and heritage.
- An allocation of Rs.3.40 crore has been earmarked for the implementation of Kerala Enterprises Resource Planning Solutions (K-REAP) and the establishment of centers of excellence within the higher education sector and interdisciplinary research centers will be established in government engineering colleges.
- Law reforms in the offing to attract students from outside the State to pursue professional courses in Kerala.

Tourism:

Kerala's tourism sector offers a diverse range of experiences for visitors, from leisurely backwater cruises to adventurous treks in the Western Ghats. The state's natural beauty, cultural richness, and commitment to sustainable tourism make it a popular destination for travelers seeking authentic and memorable experiences.

- Kerala's selection by Time magazine as one of the 50 must-see beautiful places in the world is highlighted and endeavors to develop local tourism centers with private participation are emphasized.
- A Tourism Project featuring a laser light and sound show utilizing the outer surface of the Idukki dam as a screen is proposed, with Rs. 5 crore earmarked for project preparation.
- A tourism initiative is underway to feature a spectacular laser light and sound show projected onto the outer surface of the Idukki dam. This innovative project, aimed at enhancing tourist experiences, has received financial support with an allocation of Rs.5 crore dedicated to the development of a comprehensive project plan.

- 20 touriat destinations will be developed for to attract investments of Rs.5000 croretowards the tourism industry.In the first phase, Varkala, Kollam, Munroe Thuruth, Alappuzha, Munnar, Fort Kochi, Ponnani, Beypore, Kozhikode and Bekal have been identified for this purpose.

Agriculture:

Agriculture sector plays a vital role in the state's economy, providing livelihoods to a significant portion of the population and contributing to food security and rural development. A total number of 2,36,344 employment opportunities have been created in the Agriculture sector, and the state's emphasis on crop diversity, sustainable practices, and value addition has the potential to further enhance the resilience and productivity of its agriculture sector.

- A total outlay of Rs. 1698.30 crore is allocated for the agriculture sector in 2024-25 and Substantial allocations are earmarked for various agricultural sub-sectors, including Crop Husbandry, Rice Cultivation, Coconut Development, Crop Health Management, Farm Mechanization, and Infrastructure Development.
- A budget allocation of Rs.30 crore has been designated for the implementation of the Cooperative's Initiative in Technology-driven Agriculture (CITA) scheme.
- An allocation of Rs.7.25 crore has been earmarked to assist cooperatives involved in various agricultural activities, including production, procurement, processing, grading, and marketing of agricultural products.

Rural development:

- An allocation of Rs. 1768.32 crore is set aside for the rural development sector and Funding provisions for schemes such as the Pradhan Mantri Gram Sadak Yojana (PM-GSY) and Kudumbashree are underscored.
- It is aimed to provide Rs. 3496.50 crores as wages through the creation of 10.50 crore man-days. Although the scheme envisages one-third of its beneficiaries to be women, in Kerala, it is above 90% under Mahatma Gandhi National Rural Employment Guarantee Scheme.

Housing:

- An allocation of Rs. 57.62 crore is designated for the Housing Sector and the introduction of the 'Vardhakya Sauhridha Bhavanam' scheme for senior citizens is announced, with Rs. 2 crore from the Kerala State Housing Board allocated for this purpose.

- An additional ? 10 crore is allocated for the activities of the Kerala State Nirmithi Kendra.

This articulation encapsulates the key policy directives and financial allocations outlined in the budget speech, aimed at steering the State towards multifaceted growth and development. Even though there is tremendous growth in own tax revenue, the decline in central share, borrowing limit set by the center, and deficit indicators are the striking arena of the current fiscal pattern of Kerala. In conclusion, the Kerala Budget for the fiscal year 2024-25 reflects a steadfast commitment to social welfare, education, healthcare, infrastructure, and sustainable development. Despite fiscal challenges, the budget outlines strategic allocations to address key sectors and propel the state towards comprehensive growth. Through innovative projects, investment in critical areas, and emphasis on inclusive development, Kerala aims to enhance the quality of life for its citizens while laying a foundation for long-term prosperity.

Economic review 2023-24 (White paper)

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The Union government on 8th February 2024 tabled the 'White paper' on the Indian economy to compare how the economy performed during the 10 years of the Congress-led UPA government versus the 10 years of the BJP-led NDA government. The 59-page document, titled "White Paper on the Indian Economy" emphasizes the fragilities faced by the economy before the NDA government assumed power in 2014 and the policies the NDA government took to stabilize the economy after its formation. The year 2024 is going to be an election year, hence there is no complete economic survey; instead, the government published the white paper for 2023-24.

The document is divided into three parts. Part 1 examines the UPA regime's policy responses to sustain high-growth and investment prospects during 2004-08 resulting from the global economic boom in 2002-07 and other economic reforms implemented before 2004. The growth experience of India till 2014 can be traced along with its transition from a closed economy to an open economy with significant trade and industrial policy reforms. The market economy grew with prominence to the co-existence of both public and private investment. By the late 1990s and early 2000s, the private sector and technology emerged as the primary drivers of growth and employment.

However, there existed many structural constraints such as a low manufacturing base, a large informal sector and low-productive agriculture before 2014 which essentially slowed down the growth momentum post the boom in 2002-07. Significant funds spent on unproductive investments were found to be a major concern during the period. The white paper considers the then government's responses insufficient to consolidate growth and highlights the following issues as major ailments which categorized the country into the 'fragile five':

- Double-digit inflation rates,
- Heaping Gross NPAs in public sector banks,
- Over-dependence on external borrowings,

- Depletion of forex reserves,
- Poor management of public finances

Part 2 of the white paper gives the current status of the various corruption scams of the UPA government. A few high-profile cases are discussed in brief and these include the 2G Telecom, Commonwealth Games, Coal Block Allocation etc.

Part 3 explains the structural reforms the NDA government has undertaken in 2014-24. The decade has been referred to as the 'decade of transformative growth'. The trajectory of the GDP ranking can be viewed as an indicator of this transformation. From being the 10th largest in 2014, India has surpassed many giants to emerge as the fifth largest economy in 2023 and is expected to rise to the third position by 2027 as per IMF projections.

GDP grew by 7.3% in 2023-24, followed by high growth rates of 9.1% and 7.2% in the preceding years. The economy's rebound from a 5.8% contraction due to the pandemic was supported by comprehensive fiscal and monetary measures. The government's efforts to rejuvenate growth began with the financial sector reforms leading to better manufacturing competitiveness. Reforms like bank recapitalization, PSB mergers and the introduction of the Insolvency and Bankruptcy Code (IBC) were positive moves to reduce corporate debt distress.

The government rolled out the Goods and Services Tax (GST) in 2017, the biggest tax reform in the country. The regime is said to have played a key role in defining India's economic structure by subsuming multiple taxes and unifying Indian states into a single market. The impact is evident from surging GST collections, with the monthly average nearly doubling from Rs. 90,000 crore in FY18 to 1.7 lakh crore in FY24. The tax has brought about a paradigm shift in the use of technology to ensure tax compliance; however, the structure faced many challenges right from the transition and there is room for improvement to unlock its full potential.

India's post-COVID rebound has been fueled by resilient consumption spending acting as a buffer against external challenges like geopolitical tensions and a global slowdown. The surge in private consumption (PFCE) has strengthened domestic demand, propelling India to become the fastest-growing major economy in recent times. This resilience is even more impressive considering the past decade's trend of declining annual inflation averaging around 5% compared to 8.2% in the period 2004-2014. FY22 was a year of ignited inflationary pressures due to geopolitical conflicts and rising global commodity prices including crude oil. RBI's timely interventions helped to control price levels which continued to maintain a stable interest rate environment for long-term investments.

The past decade has witnessed a remarkable boost in domestic manufacturing, spurred by the Government's flagship initiatives like 'Make in India', Production Linked Initiative (PLI) and 'Startup India' in the period 2014-24, despite the downfalls in the pandemic years. In particular, measures aimed at supporting MSMEs played a pivotal role in fostering entrepreneurship and innovation. Tax deductions for payments made to MSMEs and the introduction of schemes like P M Viswakarma Yojana have attracted 48.8 lakh enrolments.

Furthermore, the banking sector underwent significant reforms, resulting in improved asset quality. The introduction of mechanisms like the Insolvency and Bankruptcy Code (IBC) and recapitalization efforts facilitated credit flow to vital sectors such as agriculture and industry. The white paper also highlights the investment-led growth enhanced by credit disbursement, thanks to improved crowding-in of private corporate funds combined with suitable government policies.

India is building a strong foundation for economic growth by prioritizing infrastructure development and a robust logistics network. This strategy, evident in projects like Bharatmala and Sagarmala aims to attract investments and integrate India more deeply into global trade. Additionally, schemes like Ayushman Bharat and Jan Dhan Yojana foster social welfare and inclusive growth. The government's focus on digitization and significant technological advances such as the widespread use of Aadhar for direct benefit transfers signifies a commitment to technological inclusion and efficiency. This, coupled with macroeconomic stability and sector-specific reforms visualizes a promising picture for India's economic outlook in FY24. However, India faces challenges in capitalizing on its growth potential. Dynamic trade patterns, changing climate conditions, challenges from AI technology and its large population all present hurdles that need to be addressed immediately.