

Union Budget 2024-25: Summary Note

The Union Government has acknowledged that new age technologies and data are changing the lives of people and businesses whilst also enabling new economic opportunities and facilitating provision of high-quality services at affordable prices for all, including those at the bottom of the pyramid. This vision of the Union Government is coupled with an aim for ensuring strong public finances and a robust financial sector. In furtherance of the same, the Union Budget 2024-2025 (“**Budget**”) sets out significant proposals that the Union Government intends to implement over the next fiscal year(s).

Fin-Tech

Credit Guarantee Scheme for Micro, Small and Medium Enterprises (“MSMEs”) in the Manufacturing Sector

- For facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee, the Budget proposes a credit guarantee scheme to be introduced. The scheme will operate on pooling of credit risks of such MSMEs. A separately constituted self-financing guarantee fund will provide, to each applicant, guarantee cover up to 100 crore, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan balance. (Paragraph 43)

New assessment model for MSME credit

- The Budget envisages public sector banks to build their in-house capability to assess MSMEs for credit, instead of relying on external assessment. These banks will also take a lead in developing or getting developed a new credit assessment model, based on the scoring of digital footprints of MSMEs in the economy. This is expected to be a significant improvement over the traditional assessment of credit eligibility based only on asset or turnover criteria. That will also cover MSMEs without a formal accounting system. (Paragraph 44)

Credit Support to MSMEs during Stress Period

- The Budget proposes a new mechanism for facilitating continuation of bank credit to MSMEs during their stress period. While being in the ‘special mention account’ (SMA) stage for reasons beyond their control, MSMEs need credit to continue their business and to avoid getting into the non-performing assets (NPA) stage. Credit availability will be supported through a guarantee from a government promoted fund. (Paragraph 45)

Mudra Loans

- The limit of Mudra loans will be enhanced to ₹ 20 lakh from the current ₹ 10 lakh for those entrepreneurs who have availed and successfully repaid previous loans under the ‘Tarun’ category. (Paragraph 46)

Enhanced scope for mandatory onboarding in Trade Receivables Discounting System (“TReDS”)

- For facilitating MSMEs to unlock their working capital by converting their trade receivables into cash, the Budget proposes to reduce the turnover threshold of buyers for mandatory onboarding on the TReDS platform from Rs. 500 crore to Rs. 250 crore. This measure will bring 22 more central public sector enterprises (CPSEs) and 7000 more 10 companies onto the platform. Medium enterprises will also be included in the scope of the suppliers. (Paragraph 47)

Agri-Tech

Digital Public Infrastructure for Agriculture

- Buoyed by the success of the pilot project, the Budget has proposed for the Government, in partnership with the states, to facilitate the implementation of the Digital Public Infrastructure (“DPI”) in agriculture for coverage of farmers and their lands in 3 years. During this year, digital crop survey for Kharif using the DPI will be taken up in 400 districts. The details of 6 crore farmers and their lands will be brought into the farmer and land registries. Further, the issuance of Jan Samarth based Kisan Credit Cards will be enabled in 5 states. (Paragraph 15)

E-Commerce

E-Commerce Export Hubs

- To enable MSMEs and traditional artisans to sell their products in international markets, the Budget proposes E-Commerce Export Hubs to be set up in public-private-partnership (PPP) mode. These hubs, under a seamless regulatory and logistic framework, will facilitate trade and export related services under one roof. (Paragraph 50)

Digital India

DPI Applications

- In services sector, the Budget has proposed the 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. (Paragraph 58)

Labour related reforms

- The Budget provides for the Government to facilitate the provision of a wide array of services to labour, including those for employment and skilling. A comprehensive integration of e-shram portal with other portals will facilitate such one-stop solution. Open architecture databases for the rapidly changing labour, market, skill requirements and available job roles, and a mechanism to connect job-aspirants with potential employers and skill providers will be covered in these services. (Paragraph 101)

Use of Technology

- The Budget acknowledges the successful use of technology for improving productivity and bridging inequality in the country's economy during the past 10 years. Public investment in digital infrastructure and innovations by the private sector have helped in improving access of all citizens, particularly the common people, to market resources, education, health and services. Thereby, the budget proposes a step up in the adoption of technology towards digitalization of the economy. (Paragraph 108)

E-governance

Data and Statistics

- For improving data governance, collection, processing and management of data and statistics, different sectoral data bases, including those established under the Digital India mission, will be utilized with active use of technology tools. (Paragraph 110)

Electronics & IT

Mobile Phone and Related Parts

- With a three-fold increase in domestic production and almost 100-fold jump in exports of mobile phones over the last six years, the Indian mobile phone industry has matured. In the interest of consumers, the Budget has now envisaged to reduce the basic customs duty (“BCD”) on mobile phone, mobile printed circuit board assembly (“PCBA”) and mobile charger to 15 per cent. (Paragraph 121)

Electronic Equipment

- To increase value addition in the domestic electronics industry, the Budget proposes to remove the BCD, subject to conditions, on oxygen free copper for manufacture of resistors. Further, there also lies an exemption to certain parts for manufacture of connectors. (Paragraph 130)

Telecommunications

Critical Minerals

- Minerals such as lithium, copper, cobalt and rare earth elements are critical for sectors like nuclear energy, renewable energy, space, defence, telecommunications, and high-tech electronics. The Budget proposes to fully exempt customs duties on 25 critical minerals and reduce BCD on two of them. This will provide a major fillip to the processing and refining of such minerals and help secure their availability for these strategic and important sectors. (Paragraph 122)

Telecommunication Equipment

- To incentivise domestic manufacturing, the Budget proposes to increase the BCD from 10 to 15 per cent on PCBA of specified telecom equipment. (Paragraph 133)