

# UNION BUDGET



**Edelman**  
Global Advisory

2023-24

## One for the books!

In the last full Budget before next year's general elections, the Finance Minister perhaps had one objective – to keep the growth engine running strongly on all cylinders (or on a full battery!). While the overall focus of this Government has been consistent through the years, on infrastructure growth, both physical and digital as well as a steady push towards a green economy, this budget has tweaked the details some more to take the story forward.

What stands out this time, is the focus on driving innovation at every level. Whether it is supporting startups in the agricultural sector, to creating PPP models for research in the health sector, this budget seeks to strengthen the foundations of a future innovation economy. India's AI and 5G innovation ecosystem also gets a boost with the setting up of research labs and COEs. On the other end of the spectrum, the outlays for skill development and the pivot towards providing courses and on-job training in areas such as coding and robotics is a step to creating a workforce that is future ready.

One of the key shifts in this budget seems to be towards deploying funds in key enabling programs rather than direct subsidies. Increased allocations to the National Education Mission and Health Mission, while lowering direct subsidies shows the Government's confidence in redeploying funds for long term benefit.

The Budget has also taken some more steps to enhance ease of doing business, making processes easier for MSMEs by leveraging India's fantastic digital public stack, giving startups some comfort in a tenuous global financial environment and even perhaps cautiously legitimizing sectors such as online gaming where Indian homegrown startups have a lot of space for growth.

It has been this Government's style to not go for big bang announcements in the budget, and this one has been no different. It adds predictability to fiscal policymaking and also seeks to judiciously navigate public spending to drive growth while keeping a wary eye on deficits.

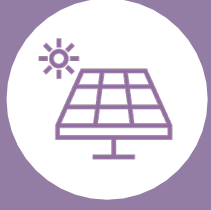
On a more personal note, and as a bibliophile, the allocation to set up libraries across the country comes as music to the ears. For even in this digital age, libraries, and the wealth of knowledge they hold, will create the strongest foundation for a future India.



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# THE BIG PICTURE



## IMPETUS TO SUSTAINABLE DEVELOPMENT

- Allocation of INR 350 billion (USD 4.2 billion) for priority capital investments to achieve energy transition and net zero objectives.
- Allocation of funds under Scheme for Faster Adoption and Manufacturing of Hybrid and EVs in India increased to INR 5.2 billion (USD 632 million).
- The recently launched National Green Hydrogen Mission has been provided an outlay of INR 197 billion (USD 2.4 billion).
- For encouraging behavioral change among stakeholders, a Green Credit Programme will be notified under the Environment (Protection) Act.
- Excise Duty will be exempted on compressed natural gas where GST has been paid.
- GOBARdhan Scheme: 500 new 'waste to wealth' plants under the scheme will be established.
- 'PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth' (PM-PRANAM) will be launched to incentivize States and UTs to promote alternative fertilisers and balanced use of chemical fertilisers.



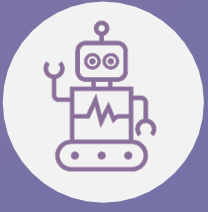
## INFRASTRUCTURE & INVESTMENT

- 100 critical infrastructure projects for last-mile connectivity have been identified with investment of INR 750 billion (USD 9.1 billion)
- Capital outlay of INR 2.40 trillion (USD 29.31 billion) provided to railways.
- 50 additional airports, heliports, water aerodromes, and advance landing grounds will be revived for improving regional air connectivity.
- Newly developed Infrastructure Finance Secretariat to assist stakeholders with more private investment in infrastructure, dependent on public resources.



## EASE OF DOING BUSINESS

- The KYC process will be simplified adopting a 'risk-based' approach instead of 'one size fits all'.
- Permanent Account Number (PAN) will be used as the common identifier for all digital systems of specified government agencies.
- A system of 'Unified Filing Process' will be set up to obviate the need for separate submission of the same information.
- 95% of the forfeited amount relating to bid or performance security will be returned to MSMEs in case of their failure to execute contracts during the COVID period.



## TECHNOLOGY

- 100 labs to be set up in engineering institutions to develop applications using 5G services.
- Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched within the next three years, which will cover new-age courses for Industry 4.0 – coding, AI, robotics, mechatronics, IOT, 3D printing, drones and soft skills.



## AGRICULTURE

- Atmanirbhar Clean Plant Program to boost availability of disease-free, quality planting material for high value horticulture crops at an outlay of INR 22 billion (USD 269 million).
- Agriculture Accelerator Fund will be set up to encourage Agri-startups by young entrepreneurs in rural areas.
- Digital public infrastructure for agriculture to be built to support growth of Agri-tech industry and startups.
- India to become global hub for millets (Shree Anna), with the Indian Institute of Millet Research in Hyderabad to be made into a center of excellence for sharing best practices, research and technology worldwide.



## BANKING, FINANCE & TAXATION

- National Financial Information Registry to be set up to serve as the central repository of financial and ancillary information.
- A Central Processing Centre will be set up for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.



## SOCIAL DEVELOPMENT SCHEMES

- Expansion of the PM Garib Kalyan Anna Yojana (PMGKAY) to supply free food grain to all Antyodaya and priority households for the next 1 year from January 1, 2023.
- Launch of Pradhan Mantri Kaushal Vikas Yojana 4.0 (PMKVY) to provide on-job training and industry partnerships in alignment with new-age courses like coding and robotics.
- 30 Skill India International Centres to be set up across different states along with the expansion of the Unified Skill India Digital platform.
- Traditional artisans and craftspeople, referred to as Vishwakarma, will be integrated into the MSME value chain with PM Vishwakarma Kaushal Samman (PM VIKAS).



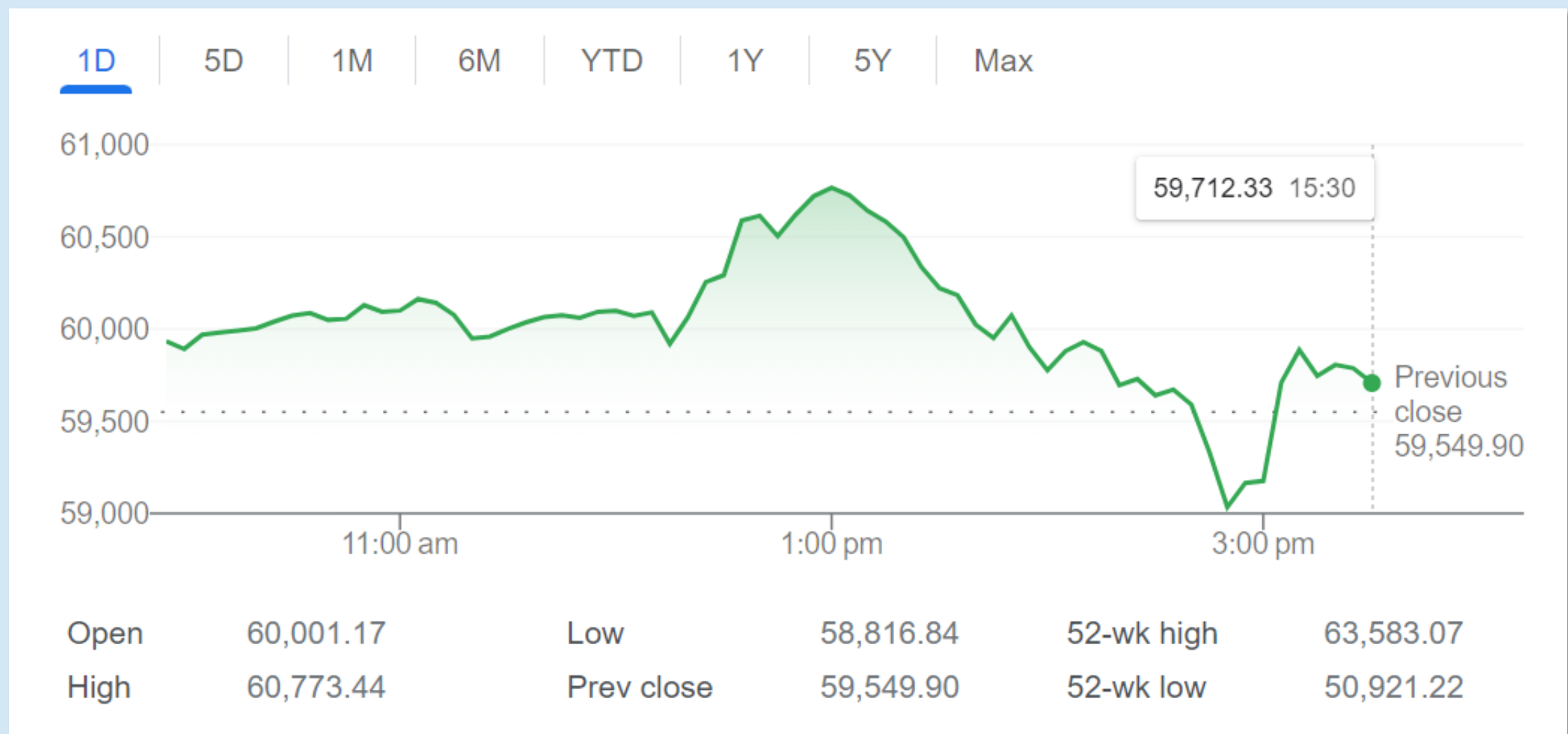
## RESEARCH

- Research and Innovation in pharma to be supported through Centre of Excellence in PPP mode.
- Budget estimate (2023-24) for development of pharma industry has been increased to INR 12.50 billion (USD 153 million).

# Budget Estimates (2023-2024)

	2022-23 (Revised Estimate)	2023-24 (Budget Estimate)
Fiscal Deficit	6.4%	5.9%
Revenue Deficit	4.1%	2.9%
Gross Tax Revenue	30.43 trillion (INR)	33.60 trillion (INR)
Devolution of States' Share in Taxes	9.48 trillion (INR)	10.21 trillion (INR)

## MARKET SUMMARY > BSE SENSEX



## OUTLAY OF SCHEMES

Numbers in INR BILLION





## Elias George

*Partner and National Head,  
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Out of the seven ‘Saptarishi’ Budget priorities, the enhanced outlay and focus on infrastructure stands out – at INR 10 trillion, which is an increase of 33 per cent. Amongst the infrastructural sectors, transport infrastructure for servicing, production and manufacture is a key focus area, apart from railways and air traffic. Leveraging infrastructure for small cities through the Urban Infrastructure Development Fund (UIDF) is expected to impart greater vibrancy to India’s tier-2 and tier-3 cities. All told, this booster shot for infrastructure will hopefully have a three-fold impact: acting as a pump-primer for enhancing GDP growth, serving as a catalyst for crowding-in greater private sector investment into the urban and infrastructure domains, and accelerating the pace of employment creation.

Another initiative that stands out is the thrust on green growth, which fortifies India’s leadership position and commitments towards reducing adverse climate impacts. The Green Hydrogen Mission’s INR 35,000cr investment for energy transition, and the proposed viability gap funding to incentivize private sector investment in battery energy storage systems, incentives announced for farmers to adopt natural farming and to use natural fertilizers, are all measures that will further national objectives towards a greener economy.

These two key initiatives along with the announced financial sector reforms and measures to improve the ease of doing business are expected to be game-changers for promoting India’s aspiration of sustainable, inclusive, and green growth.

S. No.	Commodity	From (%)	To (%)
<b>I.</b>	<b>Gems and Jewellery Sector</b>		
2	Articles of Precious Metals such as gold/silver/platinum	<b>20</b>	<b>25</b>
<b>II.</b>	<b>Capital Goods</b>		
1.	Specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs)	<b>As applicable</b>	<b>Nil</b>
<b>III.</b>	<b>IT and Electronics</b>		
1	Camera lens and its inputs/parts for use in manufacture of camera module of mobile phone	<b>2.5</b>	<b>Nil</b>
2	Specified parts for manufacture of open cell of TV panel	<b>5</b>	<b>2.5</b>
<b>IV.</b>	<b>Others</b>		
1	Bicycles	<b>30</b>	<b>35</b>
2	Toys and parts of toys (other than parts of electronic toys)	<b>60</b>	<b>70</b>

\* AIDC -Agriculture Infrastructure Development Cess; SWS – Social Welfare Surcharge as applicable



**R. Chandrashekhar**  
*Chairman CDF & Fr. Telecom  
Secretary, Government of India  
and Fr. President Nasscom*

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## **Budget 2023: Infrastructure, Technology and Jobs for Inclusive Growth**

The Union Budget 2023 is an investment-oriented budget that expands ongoing programs aimed at inclusive development and lays the foundation for sustained economic growth. It signals continuity and stability in fiscal management, with a strong focus on strengthening India's physical and digital infrastructure. In a year when India holds the G20 presidency, while being the fastest growing major economy in the world, the budget highlights India's rapid growth and its transition to a knowledge and technology driven economy. These are sought to be driven respectively by an emphasis on investment in infrastructure across the board and public digital infrastructure coupled with a modern data governance framework.

Out of the seven broad priority areas detailed by the Finance Minister, the pillar of infrastructure and investment has received the strongest budgetary allocation. The effective capital expenditure has seen a significant increase to INR 13.7 trillion (USD 167.4 billion), while also providing grant-in aid to states for physical asset creation. The time-bound utilization mandate for extending the 50-year interest free loan to states is an important factor that will accelerate infrastructural asset creation. The focus on strengthening the last mile straddles both the geographic and sectoral dimensions and is part of the larger theme around inclusive development. The decision to develop 50 key tourism centres through a challenge process and 50 airports at tier 2 and 3 urban centres will add to this endeavor and will also require industry participation for timely execution. Towards this end, the Infrastructure Finance Secretariat will help create a single touch point to accelerate PPP projects. The record capex allocation of over INR 2 trillion (USD 24.4 billion) for the Indian Railways is a laudable move for a sector crying out for capital infusion.

Expanding India's public digital infrastructure suite, which already includes programs like UIDAI, UPI and Digilocker, has received significant attention in this budget as well. An added focus on digital and technology enabled strategies for agriculture is part of a wide-ranging thrust in the sector. The National Data Governance Policy, whose draft has already been released by the Ministry of Electronics & IT, was mentioned in the Finance Minister's budget speech as well. It will play a crucial role in providing a regulatory framework on providing access to anonymized data that can be used to enhance delivery of public services. India has built an enviable global reputation for fintech adoption and innovation, and the announcement to set up 100 labs for developing 5G-based applications and services demonstrates a clear intent to unleash the potential that India has in this space. The tax breaks provided to the startup ecosystem also highlights the government recognition of their important contribution and the desire to support domestic technology companies. Additionally, innovative initiatives like digital embassies in GIFT IFSC look to showcase India's comparative advantage in technology services in general and fintech services in particular and attract investment as a global hub for such services.

The expansion of the Pradhan Mantri Kaushal Vikas Yojana 4.0, coupled with additional focus on skilling and human-capital intensive sectors like tourism, highlights the prioritization of job creation both on the demand as well as supply side.

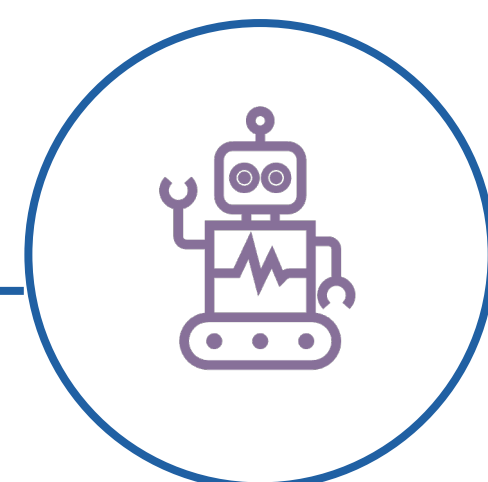
Through the various initiatives proposed in the Budget, including a special focus on sustainability and green growth, the government has ably managed to work on its own domestic priorities while sending the right messages globally. This is crucial in a year where there are global headwinds, and the world is looking towards India's progress to bolster growth globally.

# HEALTHCARE



- Total outlay for 2023-24 for healthcare is estimated at INR 890 billion (USD 10.876 billion), which is a 2.1% increase from 2022-23 outlay, out of which the outlay for National Health Mission is estimated at INR 367.85 billion (USD 4.45 billion).
- A mission to eliminate sickle cell anemia by 2047 was announced, which will include a universal screening of seven crore persons till the age of 40 years in affected tribal areas.
- New program for Pharma research and innovation, supported through CoEs in PPP mode. For the Development of the Pharmaceutical Industry, budget estimates (BE) for 2023-24 have been increased from INR 360 million (USD 4 million) to INR 12.50 billion (USD 153 million).
- 157 new nursing colleges will be established in four locations.
- Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure the availability of skilled manpower for futuristic medical technologies, high-end manufacturing, and research.
- ICMR Labs will collaborate in public-private partnership for research and innovation.

# TECHNOLOGY



- 100 labs for developing applications using 5G services will be set up in engineering institutions. This will help to realize a new range of opportunities, business models, and employment potentials.
- 3 COEs for AI in top educational institutions. Industry players to partner in interdisciplinary research, develop cutting-edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities.
- Simplification of Know your customer (KYC) processes by adopting a 'risk-based' instead of 'one size fits all' approach.
- DigiLocker will be used as a one-stop KYC maintenance system for individuals. It will allow individuals to make changes that will be reflected in all the linked documents.
- To enable more Fintech innovative services, the scope of documents available in DigiLocker for individuals will be expanded to include MSMEs, large businesses, and charitable trusts.
- The PAN will be used as the common identifier for all digital systems of specified government agencies.
- Facilitate setting up of data embassy for countries looking for digital continuity solutions at GIFT IFSCU..
- Unified Skill Digital Platform for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.
- Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched within the next 3 years. It will cover new-age courses including coding, AI, mechatronics, robotics, drones, and IoT.
- TDS from winnings from online gaming for up to INR 10,000(USD 122.27) has been removed.

# AGRICULTURE



- Total outlay for 2023-24 for agriculture and allied services is estimated at INR 1.4 trillion (USD 17.58 billion).
- For the budget estimate of 2023-24, outlay for crop science has been increased from INR 5.26 billion (USD 64 million) to INR 7.14 billion (USD 87 million).
- Centre to facilitate one crore farmers to adopt natural farming over the next three years. For this, 10,000 Bio-Input Resource Centres are to be set up, creating a national level distributed micro-fertiliser and pesticide manufacturing network.
- PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) will be launched to incentivise States and Union Territories to promote alternative fertilisers and balanced use of chemical fertilisers.
- An Agriculture Accelerator Fund will be set up to encourage Agri startups by young entrepreneurs in rural areas.
  - The Fund will aim at bringing innovative and affordable solutions for improving farming practices.
- There is no increase in PM-Kisan direct benefit transfer from the existing INR 6,000 (USD 73.33) per year per farm household.
- Computerization of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of INR 25.16 billion (USD 307 million) initiated.
- Govt to support Hyderabad-based millet institute as a centre of excellence, for sharing best practices, research, and technologies at the international level.
- To enhance the productivity of extra-long staple cotton, the government will adopt a cluster-based and value chain approach through Public Private Partnerships (PPP). This will mean collaboration between farmers, state and industry for input supplies, extension services, and market linkages.
- Atmanirbhar Horticulture Clean Plant Program will be launched to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of INR 22 billion (USD 269 million).
- Digital public infrastructure for agriculture will be built as an open source, open standard and inter operable public good.
  - This will enable inclusive, farmer-centric solutions through relevant information services for crop planning and health, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of agri-tech industry and start-ups.
- Plan to set up decentralized storage capacity, which will help farmers store their produce and realise remunerative prices through sale at appropriate times.
- The agriculture credit target will be increased to INR 20 trillion (USD 244 billion) with focus on animal husbandry, dairy and fisheries.

# STARTUPS



- India is now the 3rd largest ecosystem for start-ups globally, and ranks 2nd in innovation quality among middle-income countries.
- Certain start-ups are eligible for some tax benefit if they are incorporated before 1st April, 2023. Date of incorporation for income tax benefits to such start-ups has been extended for a year up till 31 March 2024.
- In a relief to start-ups in carrying forward and setting off of losses, further benefit of carry forward of losses on change of shareholding of start-ups from has been extended from 7 years of incorporation to 10 years.

# SOCIAL DEVELOPMENT SCHEMES



- Expansion of the PM Garib Kalyan Anna Yojana (PMGKAY), to supply free food grain to all Antyodaya and priority households for the next one year from January 1, 2023.
- Announcement of a one-time new small savings scheme, Mahila Samman Bachat Patra, will be made available for a two-year period up to March 2025. This will offer deposit facility up to INR 0.2 million (USD 2441.51) in the name of women or girls for a tenor of two years at fixed interest rate of 7.5 %
- Launch of Pradhan Mantri PVTG Development Mission to help improve socio-economic conditions of the particularly vulnerable tribal groups (PVTGs), including access to safe housing, clean drinking water and sanitation, education, health and nutrition, road and telecom connectivity, and sustainable livelihood opportunities.
- States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism centre for promotion and sale of their own ODOPs, GI products, and other handicraft products.

## Education and Skilling

- Launch of Pradhan Mantri Kaushal Vikas Yojana 4.0 to provide on-job training, industry partnership, alignment of courses with industry needs and provision of new age courses like coding and robotics.
- 30 Skill India International Centres to be set up across different states along with expansion of the Unified Skill India Digital platform.
- Expansion of the Deen Dayal Antyodaya Yojana to include formation of Large Producer Enterprises to help SHGs reach the next stage of economic empowerment.
- Re-envisioning of Teachers Training under District Institutes of Education and Training to provide innovative pedagogy, curriculum transaction, continuous professional development etc.
- Setting up of a National Digital Library for children and adolescents to ensure the availability of quality books across geographies, languages, genres, and levels. States will be encouraged to set these up at the Panchayat and ward levels too.
- Replenishment of non-curricular titles in regional languages and English under the National Book Trust. To do this the government has invited NGOs to collaborate on the same.

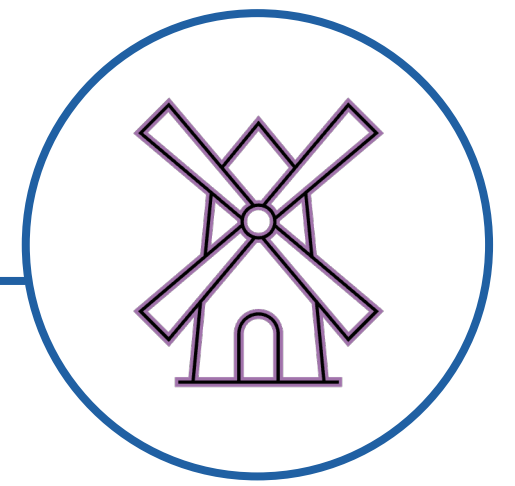
# MSME



- Traditional artisans and craftspeople, referred to as Vishwakarma, will be integrated into the MSME value chain with PM Vishwakarma Kaushal Samman (PM VIKAS). The scheme will include financial support, access to advanced skill training, knowledge of modern digital techniques and efficient green technologies, brand promotion, linkage with local and global markets, digital payments, and social security.
- MSME credit guarantee scheme will be infused with a corpus of INR 90 billion (USD 1.1 billion), enabling additional collateral-free guaranteed credit of INR 2 trillion (USD 24 billion). The cost of the credit will be reduced by about 1%.
- Limits for benefits for presumptive taxation for micro-enterprises with turnover up to INR 20 million (USD 0.24 million) have been enhanced to INR 30 million (USD 0.367 million). Similarly, limits for certain professionals with turnover of up to INR 5 million (USD 0.06 million) have been enhanced to and INR 7.5 million (USD 0.09 million). These limits are eligible for those taxpayers whose cash receipts are no more than 5%.



# ENERGY & ENVIRONMENT



- INR 350 billion (USD 4.2 billion) for priority capital investments to achieve the government's energy transition and net zero objectives.
- Battery energy storage systems with a capacity of 4,000 MWh will be supported with Viability Gap Funding.
- The recently launched National Green Hydrogen Mission has been provided an outlay of INR 197 billion (USD 2.4 billion). Target is to reach an annual production of 5 MMT by 2030.
- The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of INR 207 billion (USD 2.5 billion), including central support of INR 83 billion (USD 1.01 billion).
- For encouraging behavioral change among stakeholders, a Green Credit Programme will be notified under the Environment (Protection) Act.
- Excise Duty will be exempted on compressed natural gas where GST has been paid.
- To avoid cascading of taxes on blended compressed natural gas, excise duty on GST-paid compressed biogas contained in it will be exempted.
- Customs duty exemption is being extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.
- Allocation of funds under Scheme for Faster Adoption and Manufacturing of Hybrid and EVs in India increased from INR 2.9 billion (USD 35 million) to 5.2 billion (USD 64 million).
- GOBARdhan Scheme: 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy.
  - These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of INR 100 billion (USD 1.2 billion).
  - Coastal shipping will be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding.

# INFRASTRUCTURE & URBANIZATION



- Capital investment outlay has been increased for the third year in a row by 33% to INR 10 trillion (USD 122.205 billion).
- Centre has identified 100 critical transport projects for last and first mile connectivity for ports, coal, steel, fertilizer and food grains sectors with an investment of INR 750 billion (USD 9.1 billion), including INR 150 billion (USD 1.8 billion) from private sources.
- Centre to continue 50-year interest-free loan to states for another year to push investment in infrastructure and incentivize them for complementary policy initiatives, with enhanced outlay of INR 1.3 trillion (USD 15.887 billion).
- Capital outlay of INR 2.4 trillion (USD 29.3 billion) provided to Railways, which is the highest ever.
- Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- Infrastructure Finance Secretariat to assist stakeholders to get more private investment in infrastructure that is largely dependent on public resources, including railways, roads, and urban development and power.
- An Urban Infrastructure Development Fund (UIDF) will be established and managed by the National Housing Bank to create urban infrastructure in tier-2 and tier-3 cities. The Centre will provide INR 100 billion (USD 1.2 billion) per annum for this.
- The Harmonized Master List of Infrastructure will be reviewed by an expert committee for recommending the classification and financing framework.

# TAXATION



- The income limit for rebate of income tax increased from INR 0.5 million (USD 6,104) to INR 0.7 million (USD 8,545) in the new regime.
- Highest surcharge rate on income above INR 50 million (USD 0.61 million) to be reduced from 37% to 25% under new regime.
- To ease compliance and to promote non-cash transactions, threshold limits for presumptive scheme of taxation has been increased for eligible businesses from INR 20 million (USD 0.24 million) to INR 30 million (USD 0.36 million).
- The Budget provides for amending the CGST Act to raise the minimum threshold of tax amount for launching prosecution under GST from INR 10 million (USD 0.12 million) to INR 2 million (USD 24,415).

# BANKING & FINANCE



- Setting up of National Financial Information registry for enabling efficient lending, promote financial inclusion, and enhance financial stability.
- Setting up a Central Data Processing Centre for faster handling of administrative work under the Companies Act.
- Maximum deposit limit for senior citizens savings scheme increased from INR 1.5 million (USD 0.018 million) to INR 3 million (USD 0.037 million).
- Amendments proposed to the Banking Regulation Act, the Banking Companies Act, and the Reserve of India Act to improve bank governance and enhance investors' protection.
- Permitting acquisition financing by IFSC Banking Units of foreign bank.

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