

1. Budget in a nutshell: Major takeaways from Finance Minister's speech**Budget 2025 Highlights**

Finance Minister Nirmala Sitharaman presented the second Budget for the third term of the BJP government. In the lead up to the Budget, it had become clear that the Indian economy was losing its growth momentum. India's GDP has grown at an average of less than 5% annually since 2019 and less than 6% since 2014.

Here are the key takeaways from the Union Budget for the next financial year (2025-26).

1. Massive Income Tax Cuts, More Money in Hands of Taxpayers

FM surprised everyone by announcing massive income tax relief by raising the tax rebate level to an annual income of Rs 12 lakh. This level has been Rs 7 lakh until now.

She also tweaked tax slabs in a manner that the highest tax rate in the country — 30% — will come into effect only after one reaches an annual income of Rs 24 lakh per annum, or Rs 2 lakh per month.

NEW TAX REGIME

EXISTING TAX SLABS		PROPOSED TAX SLABS (Budget FY26)	
Total Annual Income	Rate of Tax	Total Annual Income	Rate of Tax
Up to ₹3 lakh	Nil	Up to ₹4 lakh	Nil
₹3 to 7 lakh	5%	₹4-8 lakh	5%
₹7 to 10 lakh	10%	₹8-12 lakh	10%
₹10 to 12 lakh	15%	₹12-16 lakh	15%
₹12 to 15 lakh	20%	₹16-20 lakh	20%
Above ₹15 lakh	30%	₹20-24 lakh	25%
		Above ₹24 lakh	30%

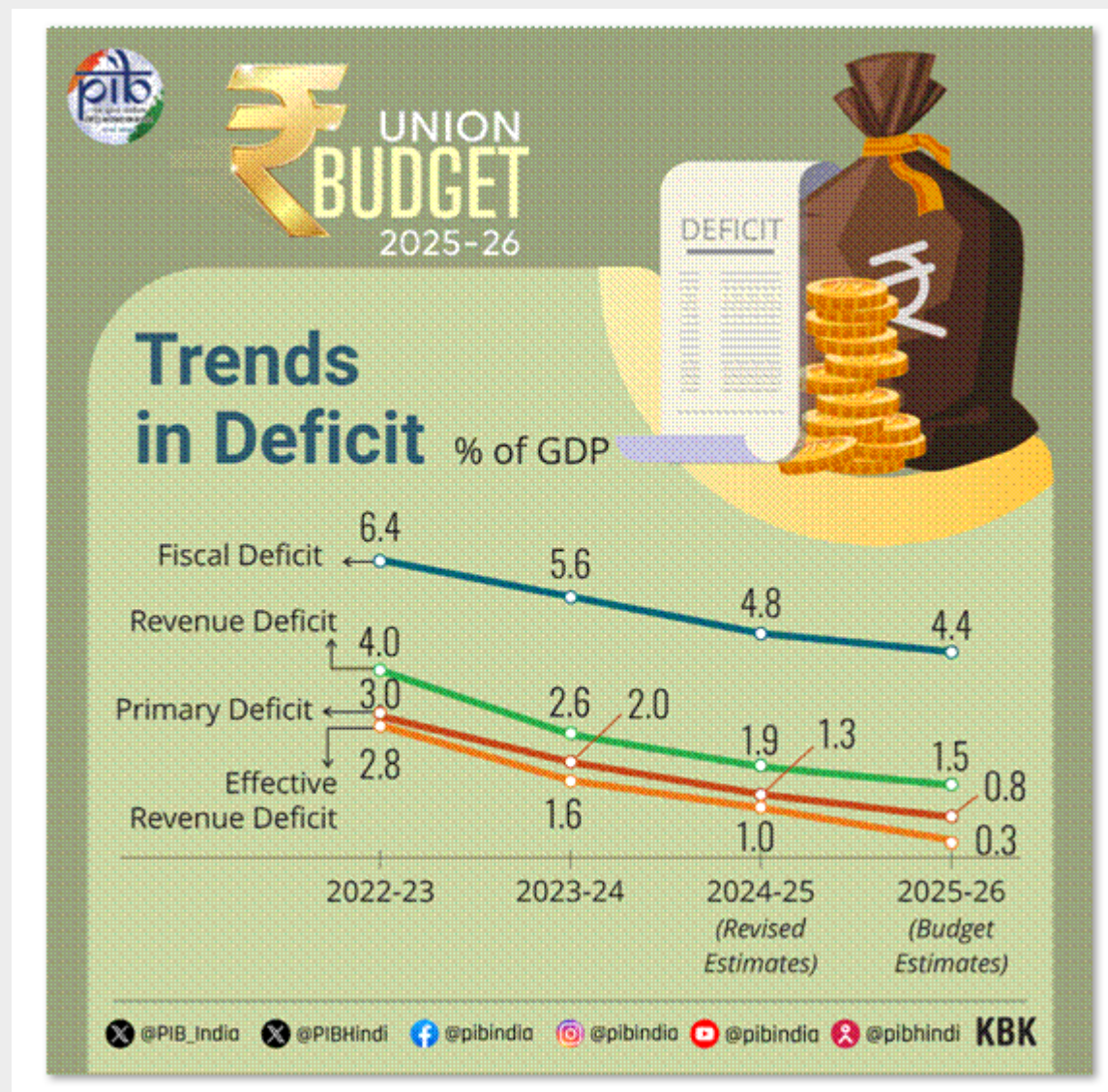
This relief is given to income tax payers. It will leave them with more money in their pockets. The government hopes that the additional money will be spent, and that will kick-start a growth process that will also incentivise companies to finally start investing in new capacities, thus creating new jobs and incomes.

2. Fiscal Discipline Maintained, Deficit to Reduce Despite Foregone Revenue

When governments overspend or provide tax relief, there is fear that it may force them to borrow more money.

When governments borrow more, they either leave less money for private citizens and companies to borrow, which, in turn, raises interest rates for everyone. Or, they are forced to print money – and that leads to inflation, which also works like a tax because it reduces the purchasing power of people's money.

However, despite the massive tax cut, which will cost the government around Rs 1 lakh crore in foregone revenues, the fiscal deficit (or the level of money borrowed) of the government will be reduced further to 4.4% (of the GDP) in 2025-26.

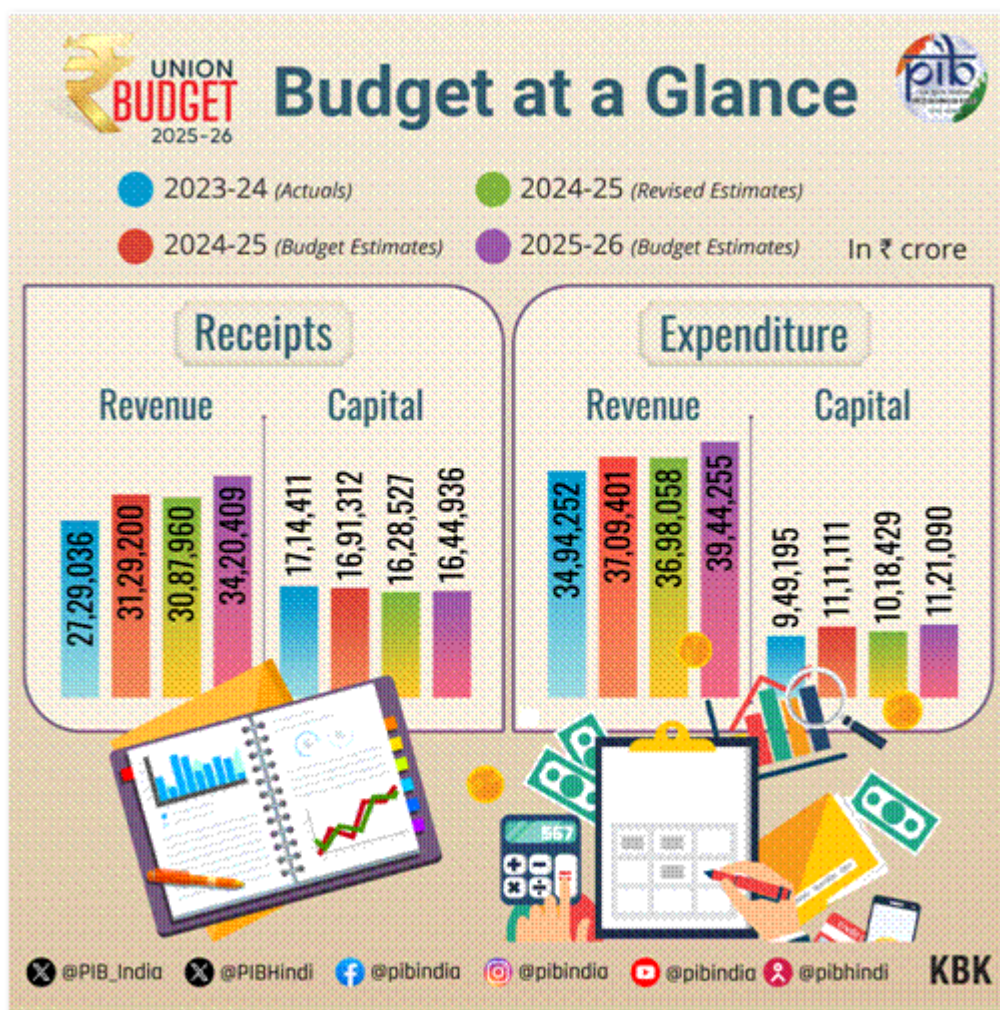


3. Capital Expenditure Failed to Meet Target

Capital expenditure essentially refers to spending towards creating productive assets such as roads and ports and bridges, etc.

The capital expenditure (capex) target for the current financial year (2024-25) was Rs. 11,11,111 crore. However, the actual capital expenditure for the year was Rs. 10,18,429 crore.

That being said, the capex allocation is increasing year by year.



4. Focus On Employment Generation, Visible in Attempt to Boost Specific Sectors

Another big turnaround in focus has been the shift towards employment generation.

For a while now, the government has been criticised for ignoring the employment generation aspects of its policy measures. For instance, the Production Linked Incentive (PLI) scheme was essentially a subsidy for companies and ventures that were heavy on the use of capital instead of labour.

This Budget brings the focus back on employment generation, and this shows up in the shape of measures announced for boosting economic activity in sectors such as textiles and leather that traditionally create more jobs for the same level of GDP.

5. Push For Regulatory Reforms

The FM announced the creation of a committee that will look into regulatory reforms that are required to make it easier for companies and entrepreneurs to do business in India.

Relevance: GS Prelims & Mains Paper III; Economics

Source: PIB and Indian Express

2. New Makhana Board Announced

When the Announcement was made?

Union Finance Minister Nirmala Sitharaman while presenting the Union Budget said that a "Makhana Board" will be set up in Bihar.



What is makhana?

Known in English as fox nut, makhana is the dried edible seed of the prickly water lily or gorgon plant (*Euryale ferox*), a species which grows in freshwater ponds across South and East Asia. The plant is known for its violet and white flowers, and massive, round and prickly leaves — often stretching more than a meter across.

Rising popularity of Makhana

In recent years, makhana has skyrocketed in popularity around the world as a "superfood" of choice among fitness enthusiasts. Makhana has gained popularity as a 'superfood' for its rich nutritional properties — makhana is nutrient-dense, low-fat,

and an ideal "healthy snack".

In 2022, 'Mithila Makhana' was conferred a Geographical Indication (GI) tag, a certification that signifies that a product can only be grown in a particular geographical location, and as a result, has unique characteristics (like Darjeeling's tea or Mysore sandal soap).

The state of Bihar contributes to roughly 90% of India's makhana production. Outside Bihar, the crop is cultivated in smaller quantities in the states of Assam, Manipur, West Bengal, Tripura and Odisha, as well as in Nepal, Bangladesh, China, Japan, and Korea.

Why is the announcement in the Budget significant?

Despite being the largest producer of makhana, Bihar has not been able to harness its growing market. This is exemplified by the fact that despite Bihar producing 90% of the country's makhana crop, the largest makhana exporters in India is Punjab and Assam. Punjab does not even produce makhana.

This is because Bihar neither has a developed food processing industry, nor required export infrastructure. In fact, not a single airport in Bihar has a cargo hold.

Thus, Bihar ends up selling all its fox nuts as raw material to FPU (food processing units) outside the state at cheap prices. These FPU add value to the product through flavouring and packaging, and thus command better prices.

Additionally, since the market in Bihar is not well-developed and organised, there is a long chain of intermediaries leading to those engaged in fox nut farming getting very low prices compared to what makhana commands in the commercial market. Thus, neither the farmer, nor the state — in terms of revenue — earns what they actually can.

Labour intensive

Low productivity is another major problem in makhana cultivation in Bihar. Currently, cultivating makhana is an extremely arduous and labour heavy process, which pushes up the overall input cost.

Seeds are sown in standing water bodies and harvesting is done manually by diving to the bottom of the water body. Subsequent processing of makhana — from cleaning and sun drying the seeds, to roasting and finally “popping” to produce the form in which they are consumed — too is manually done.

How exactly can having a Makhana Board help?

The Makhana Board, which has a budget of Rs 100 crore, is expected to provide training to farmers, making them export-oriented, help create an ecosystem that brings investments in the food processing sector, and help create required export infrastructure.

Relevance: GS Prelims & Mains Paper III; Economics

Source: Indian Express

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