



**Indian budget splurges  
cash on Modi's new allies**

## INTERNATIONAL

India

# Modi spends big to keep new allies on side

Budget offers largesse to regional coalition partners after BJP lost its majority

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Narendra Modi unveiled a spending splurge for his new coalition partners alongside job creation schemes in an effort to shore up public support following the election setback last month.

The Indian prime minister's Bharatiya Janata party won a historic third term in June but lost its majority, making it dependent on two regional parties to form a governing coalition.

In the new government's first budget,

for the year ending March 2025, finance minister Nirmala Sitharaman yesterday announced plans to keep capital investment at a record Rs11.1tn (\$133bn), while trimming the fiscal deficit to 4.9 per cent of GDP, from its current 5.1 per cent target.

Sitharaman described India, the world's fastest-growing large economy, as "the shining exception" to slowing global growth. The economy is projected to expand between 6.5 per cent and 7 per cent this year.

Modi said the budget would "decide the direction for the next five years of our term [and] become a strong foundation of our dream of a *Viksit Bharat* [developed India]".

Much of Sitharaman's budget speech

detailed billions of dollars of spending for the government's coalition partners, the Telugu Desam party of southern Andhra Pradesh and Janata Dal (United) from Bihar in the north.

This included a Rs260bn industrial corridor running through Bihar, Rs150bn for a new "high-tech" capital in Andhra Pradesh called Amaravati and funds for flood reconstruction and developing local temples.

The government's budgetary firepower was bolstered by a record Rs2.1tn transfer from the Reserve Bank of India, giving it room to continue spending while lowering its fiscal deficit target. Sitharaman said the government aimed to bring the deficit under 4.5 per cent the following year.

Andrew Holland, chief executive of Mumbai-based Aventus Capital Public Markets Alternate Strategies, said the budget was likely to "alleviate any worries about any coalition problems", adding: "A lot of the RBI dividend has obviously gone towards rural development, jobs and Andhra Pradesh and Bihar."

The BJP also sought to mollify the public frustration that many analysts blamed for its electoral disappointment, announcing schemes to tackle youth joblessness and boost agricultural productivity.

Jairam Ramesh, spokesperson for the opposition Indian National Congress, called the budget "far too late and . . . far too little", adding that the government "seems to have finally come

around to tacitly admitting that mass unemployment is a national crisis".

India's benchmark Nifty 50 index fell more than 1 per cent after the government announced in the budget that it would raise short-term and long-term capital gains tax. Yields on 10-year government bonds fell to a two-year low on plans to cut borrowing levels.

The budget "struck broadly the right notes on the important issues", including employment, macroeconomic stability and cutting the deficit, said Montek Singh Ahluwalia, economist and former deputy chair of India's planning commission. But, the key would be "how well the schemes are designed and how well they're implemented. We've had these schemes before."