



# India Union Budget 2024-2025

Point of view

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Public Infrastructure

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## Key announcements for the sector

The Union Budget 2024-25 has identified Infrastructure as one of the key priority pillars, owing to its strong multiplier effect on the overall economy. To fulfil its commitment on creation of world class infrastructure in the country, government has allocated INR 11.11 lakh crore towards capital expenditure, which accounts to 3.4 per cent of GDP. Approximately 47 per cent of this investment would be made in transport infrastructure like Roads, Railways, and Ports.

Apart from a significant budget allocation for creation or upgradation of capital assets, government has proposed the following initiatives and reforms for infrastructure development:

- Focus on development of State Infrastructure
  - Centre has provisioned INR 1.5 lakh crore financial assistance to states in form of long-term interest free loans, a significant portion of which shall be utilised for creation of infrastructure and implementation of next generation reforms
  - To boost economic development and infrastructure upgradation of Andhra Pradesh, INR 15,000 crore has been allotted (under Andhra Pradesh Reorganisation Act) for promoting industrial development. This shall include essential infrastructure such as water, power, railways, and roads in Koppa party node on the Vishakhapatnam-Chennai Industrial Corridor and Orvakal node on Hyderabad-Bengaluru Industrial Corridor
  - Envisioned formulation of 'Purvodaya' - a holistic plan for all-round development of region covering Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh. Initiatives under this plan would include Industrial node development, road connectivity projects, power projects, airports, and other social infrastructure.
- Urban Infrastructure push
  - Funds have been earmarked for several urban development schemes such as AMRUT (INR 8,000 crore), Swachh Bharat Mission-Urban (INR 5,000 crore), Smart Cities Mission (INR 2,400 crore), and National Urban Digital Mission (INR 1,150 crore),
  - Development of investment-ready 'plug and play' industrial parks is proposed in or near 100 cities. 12 industrial parks will be sanctioned under the National Industrial Corridor Development Programme
  - Promotion of private sector infrastructure investment is proposed through viability gap funding (VGF), a market-based financing framework and enabling policies and regulations

- Technology adoption for digitalising the economy is planned for further bridging inequality
- Budget has highlighted facilitation for service sector including water supply, sewage treatment and solid waste management for 100 large cities through bankable projects
- Envisioning a scheme for street vendors (over the next five years) to support the development of 100 weekly 'haats' or street food hubs in select cities.
- Land related Reforms
  - Land-related reforms and actions pertaining to administration, planning and management, urban planning, usage and building bylaws shall be incentivised if completed within the next 3 years
  - Plans to formulate frameworks for enabling policies, market-based mechanisms, and regulation for creative brownfield redevelopment to ensure efficient land utilisation
  - Digitisation of land records using GIS mapping in urban areas has been proposed to administer records and taxes as well as facilitating the enhancement of financial position of ULBs.
- Urban Housing Reforms
  - Investment of INR 10 lakh crore is envisaged under Pradhan Mantri Awas Yojana (PMAY) Urban 2.0, including central assistance of INR 2.2 lakh crore in next 5 years. This would further strengthen the government's commitment to deliver affordable housing to 1 crore urban poor and middle-class families
  - Allocations have been made for 3 crore additional houses in rural and urban areas
  - Encouraging States to continue charging high stamp duty to moderate property purchase rates for all. However, lowering duties for properties purchased by women would empower women and reduce the prevalent gender divide
  - Rental housing with dormitory type accommodation for industrial workers has been proposed for facilitation through Public-Private-Partnership (PPP) mode with Viability Gap Funding (VGF) support and commitment from anchor industries. In addition, government shall support through enabling policies and regulations for efficient and transparent rental housing markets with improved supply.
- Upgrading Urban Transportation
  - With the focus on transportation projects, funds have been allocated to metro projects (INR 21,336 crore), National Capital Region Transport Corporation (INR 3,596 crore), Road Safety Works - Road Over/Under Bridges (INR 9,275 crore) and Metropolitan Transportation Projects (INR 1,090 crore)
  - Funds have also been allocated for several public transport sector initiatives and schemes, such as PM-eBus Sewa Scheme (INR 1,300 crore), Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India - FAME India (INR 2,671 crore)
  - Government has proposed formulation, implementation, and financing of Transit Oriented Development (TOD) plans for 14 large cities (population greater than 30 lakh).

# Implications for the sector

- Allocation of INR 1.5 lakh crore in the form of interest-free loan for 50-year could significantly enhance the financial feasibility of large-scale infrastructure projects for the states. Additionally, states could strategically deploy these loans to accelerate infrastructure development, particularly in Tier 2 and Tier 3 cities.
- With the envisioning of 'Purvodaya' plan, the eastern regions of India are expected to see increased economic development in the region, thereby enhancing access to the other parts of the country. The scheme shall provide greater engagement opportunities for private players to assist the government in providing cross-sectoral development services.
- Brownfield redevelopment can be used as a strategy for regeneration/renewal of old unplanned areas, unauthorised colonies, slums, ageing and unsafe building stock, revitalisation of historically and culturally significant areas, enhancement of the public realm, strategic development in other select areas by unlocking their latent potential. It shall offer opportunity for private sector led redevelopment when enabled with suitable strategies.
- With the launch of Smart City 2.0 as a follow-up scheme and approval of CITIIS 2.0 program under the same, the earmarked fund shall support development of projects promoting circular economy. The focus shall be on integrated waste management at the city level, climate-oriented reform actions at the state level, and institutional strengthening and knowledge dissemination at the national level.
- Announcement on implementing Digital Public Infrastructure (DPI) Applications in other sectors like agriculture, logistics, MSME, education, health and urban governance will help in integrating services and have a resultant multiplier effect on the overall economy.
- The amplified attention on PMAY Urban is anticipated to catalyse a surge in investments and escalate operations in the construction industry. This would have a ripple effect on related sectors such as housing finance, construction material industry, etc. signifying a positive influence across diverse industries.
- Announcement of affordable housing for middle class segment is likely to revitalise interest toward mid and affordable housing sector from private developers and significantly help in plugging the overall housing shortage faced by the country.
- Incentivisation of land related reforms shall assist States to modernise their byelaws, faster project implementation and financial support for the priority projects which shall fill in for the overall sustainable development at the city level.
  - Digitisation of land records shall aid ULBs by having a digital repository for land related spatial data to assist in efficient data management and analysis, thereby facilitating improved planning for future and smoother cross-department coordination.
- Transport electrification of various modes of transport would play a crucial role in decarbonisation of the urban transportation sector, to help India in achieving its goal of Net Zero by 2070. Promotion of schemes focused on green mobility shall drive up the market share and adoption of EVs by end-consumers as well as by aggregators. This shall imply greater opportunity for OEMs to prioritise EV manufacturing with enhanced battery capacity to capitalise on subsidies.

- Formulation of envisaged TOD plans shall promote mixed use development, especially affordable housing, along the nodes and offers opportunities for collaboration between government and private developers (greater affordable housing stock and high-quality public transport) for execution. There could be increased interest from investors, both domestic and international, in TOD-based real estate projects. This shall also offer opportunity for development and implementation of Policy for Non-Motorised Transport (NMT) for Indian cities.
- With the allocation of a substantial budget, the public transport ecosystem in the country would be further intensified while supporting the Green Urban Mobility Initiatives (GUMI). It would also facilitate an increased coverage to Tier 2 cities by the development and implementation of new transit modes such as MetroNeo/ MetroLite.

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## KPMG in India contacts:

### Nilachal Mishra

#### Partner and Head

Government & Public  
Services

E: nilachalmishra@kpmg.com

### Vivek Agarwal

#### Partner and Head – Public Infrastructure

Lead - Industrial and Infrastructure  
Development (IIDA) Government &  
Public Services

E: vivekagarwal1@kpmg.com

### Akhilesh Avanish

#### Partner and Lead – Urban Transformation

Government & Public Services

E: akhilesh1@kpmg.com

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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