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Analysis of Union Budget 2026-2027

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Abstract

Geopolitical uncertainties surround the World. The Russia- Ukraine war, protest in Bangladesh, Nepal, France and other countries; USA taking on the Venezulean President; EU-India Trade Deal; US-Israel-Iran tensions are many of the developments that challenge the economies today. Indian Economy reposes stability and resilience amidst these uncertainties. The Economic Survey 2025-26 projects a GDP growth rate of 7.4% for FY 26 and 6.8-7.2% in FY 2026-27. The FX reserves are at all time high of US$ 701.4 billion. The overall strengths of the economy offer certainty of stable growth providing internal and external equilibrium projecting a strong economy in the world economic order. Budget 2026-27 provides for inclusive growth and development, it is employment generating and reflects on the Indian culture and heritage as its driving force. It has its focus on developing women as workforce, enabling divyangjan, empowering the youth through the industry and allied sector support and continuing the schemes for the poor and marginalized.

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I. Introduction

INDIA REMAINS STEADY, stable and the fastest growing economy amidst the difficult, turbulent and uncertain times of geo-political tensions. The Russian-Ukraine war and the US-Israel-Iran has claimed many lives, created economic disruptions and is creating a geo political tension with more economies supporting the war. The trade tariffs posed by US on many economies, including India to upto 50%, has made it difficult to trade and maintain balance of trade and capital. The earlier Israel- Hamas conflict was also inviting the economies to take sides for the ongoing conflict which would have converted into full fledged war. The interventions in the area

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with the setting of the "Board of Peace" for rehabilitating Gaza has helped create a goodwill among countries. The tension was further increased with protest overturning power in Bangladesh and Nepal in the Asian Region. The internal strife has caused much loss to the public and public property, Europe, Russia, Eastern Europe, Arabic Region, Asian Region, Latin America and Eastern Asia as well. The protests were also seen in developed nations like France and the political uncertainty affected much of European Union and the World. The recent incident of US taking on the Venezulean President overturned the political regime in Venezula. The recent tensions between the US, Israel and Iran continue to challenge the geo-political uncertainties that make economic policies and politics a difficult domain.

The uncertainties and the actions of the geo-political tensions have caused India to remain a balancing power in the world politics and economics. India made its stand clear with the Ukraine war where it did not favour the war and stood in solidarity with the loss of the Ukrainian brothens while economically balancing trade with Russia with regards to Technology, Oil and Cultural Exchange in place since 1947. The silence to vote or not to vote had much said in its political balancing strategy. India has had the recent visit of Russian President to India who visited India with his full cabinet and signed a new Trade Agreement (FTA). India has also been enriched by entering into an Free Trade Agreement with the European Union being worked upon for over 20 years commonly known as "*Mother of All Trade*", in which for the first time we see the agreement on labour mobility; Defense equipemnts being purchased from India and seeking defense as security for Europe. Furthering these, the US also decided to reduce trade terrif and engage in new FTAs with India. These trends show a shift in Diplomacy and economic ties with India.

The day after the Union Budget 2026-27 was presented by the Honourable Finance Minister Mrs. Nirmala Sitaraman at the Lok Sabha, India has signed the US trade deal that reduced the trade tariffs from 50% to 18%. We clearly see the emergence of the multi-polar world, which offers complex, uncertain choices to the political and economic order of the world economies, restraining and opportunistic in its own realms. India in its economic survey has presented the results of its constrained and balanced approach results maintaining internal and external balances of stability, steady growth and progressive outlook.

II. The Economic Survey 2025-26

The Economic Survey 2025-26 provides for results of the macroeconomic developments which offer strong macroeconomic fundamentals, fiscal space with economic growth and development. Growth is above 7% with GDP growth rate of 7.4% for FY 2025-26 and 6.8-7.2% in FY 2026-27. the outlook remains favourable with fiscal space that can provision for Capital expenditure of upto 20% concentrating on healthcare, education and infrastructure while prioritizing its industries in agriculture and industry. Inflation is contained at 1.7 % (April-December 2025) primarily for the GST reforms undertaken by the government last year; low metal prices globally;

conducive temperatures and normal rainfall for good agricultural produce; improved stock position of foodgrains; timely intervention in stabilizing prices of pules. Private Consumption is estimated at 61.5% for FY 2025-26, investment at 30% in FY 2025-26, The gross value added growth in FY 2025-26 is 7.3% with agriculture GVA growing at 3.1%, Industry GVA growth at 6.2% and services GVA at 9.1%. The Rainfall and Agricultural prospects are supportive of the Growth impetus. The Services sector continues to drive growth as well, though the government from time to time apart from Budget annoucement is presenting various growth oriented schemes for the Services Sector itself. There has been sustained capital expenditure, private investment revival and logistics reform observed in 2025-26. With Demonetization, Jan-Dan Account and GST there has been greater formalization of the informal economy. A focus on the skill development has enhanced employment opportunities as well. The Bharatmala, Sagarmala projects with physical infrastructure developments of road, railways, ports and airports with digital public infrastructures has empowered the common man and the indigenous industries with public services at 24x7x365 days ensuring accountability, transparency and efficiency in operations. The reforms for the simplification of regulatory norms and decriminalization of the laws together offer ample opportunities to the corporate and the common man.

External liabilities for India are on a lower fotting with growth factors on its side. The compounded annual growth rate over the past 5 years in total exports has been 9.4% of which the merchandise exports growth is 6.4%. The Free Trade agreement with European Union and 39 other countries is likely to boost trade in the next 2 years. The foreign exchange reserves are at the highest level of 11 months import of US $ 704.10 billion, with RBI mentaining them consistant and building on Stronger Gold reserves as well. The services exports continue to support the economy. The Foreign Direct investment in FY 2025-26 is estimated at US$ 64.7 billion while the External debt to GDP is down from 23.8% in FY 2014-15 to 19.2 % in FY 2024-25. The Current Account Deficit is at -0.8% of GDP as well. Banks are healthy, stable and strong with NPAs at their lowest and well flushed with liquidity. The RBI is also taking measures to have efficient regulatory prudence in a systemic manner. There is effective transmission of monetary policy keeping the rates low and enabling liquidity in the market. There continued to strong growth in the MSME credit. The Gross NPAs of the scheduled banks were 2.2% and Net NPAs stand at 0.5%. Liquidity conditions are comfortable, while Credit growth is respectable and growing. In the primary market the total resource mobilization was ₹ 169.9 thousand Crore and there were 260 IPOs (April-November 2025). Corporate balance sheets are strong and inducing Employment and Growth. The Medium and High Technology industry activities account for 43% of the total activity in the industry. The overall flow of funds to the commercial sector is robust.

Presently we have 1,46, 572 km of national highways, 5,364 kms of operational high speed corridors, average commissioning of railway projects of 3118 km (2014-2025); total cargo handled in major and minor ports of

1602mmt and with total port capacity of 2771 mmt; average container vessel time turnover has reduced to 30.08 hours; cargo movement in 2024025 was 146 mmt. Capacity addition in power sector in generating capacity addition was 40,938 MW (April - November FY 2025-26) and transformation capacity addition of 60,260 MVA. There has been a turnaround in the power distribution with a profit of ₹ 2,701 crore (FY 2024-25). Over 81% of rural households have access to tap water under Jal Jeevan Mission. The digital connectivity has also reached 2.15 lakh gram panchayats with 6.95 lakh kms optic fibre cable laid and high speed broad band of 14.07 lakh. The telecom access with total connections is 123.38 million, urban connection of 689.61 million and rural connection of 541.77 million. There is 101.78 crore internet connections and 99.56 broadband connections. The renewable energy installation in solar, wind, hydro provide for sustainable climate change initiative. To meet the energy needs nuclear energy is also inducted. The policy directions are dynamic and robust keeping the Indian Economy resilient amidst uncertainties of geo-political tensions.

III. Union Budget 2026-27

The Union Budget 2026-27 moves forward with stability, fiscal discipline, sustained growth and moderate inflation as its trajectory. It pursues the structural reforms, monetary stability, domestic capacity enhancement, energy security, universal access to public services and infrastructure, inclusive growth and integration with global market by expanding trade and seeking long term investment.

The budget initiated its proposals on the 3 Kartavya paths of sustained growth, people centric approach and inclusivity. The government offers intervention in six areas namely interventions in six areas: (a)Scaling up manufacturing in 7 strategic and frontier sectors; (b) Rejuvenating legacy industrial sectors; (c) Creating “Champion MSMEs”; (d) Delivering a powerful push to Infrastructure; (e) Ensuring long-term energy security and stability; and (f) Developing City Economic Regions.

In scaling manufacturing of 7 strategic and frontier sectors, the selected sectors are Biopharma, semiconductors, electronic components, 3 dedicated chemical parks, capital good capability, textiles. The allocation of Rs. 10,000 crore for next five years for Bio Pharma SHAKTI creating 1000 clinical trial sites creates avenue for natural development of drugs based on the Indian Knowledge system and innovations. It provides for employment and development of indigenous healthcare specialities that have been long recognized in the traditional forms of medicines in India. The Semicondutor mission is aimed to collaborate with the industry where Google and Reliance have already commited to establish AI capability centres to develop the technology. In electronics there is an increased outlay of Rs. 40,000 crores giving thrust to employment and consumer welfare. Rare earth corridors for mining, processing, research and manufacturing are provided in mineral rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu. In the capital goods, the high tech tool room in CPSEs, scheme for construction and infrastructure equipment and scheme for container manufacturing would advance the manufacturing capabilities of the units concerned. The national fibre scheme, modernizing traditional clusters, national handloom and handicraft program, tex-eco initiative, smarath 2.0 is likely to boost the textile sector and generate employment in the sector. Mega Textile parks, Khadi and sport equipment development will help meet the varied economic needs of the economy.

A scheme to rejuvenating the legacy industrial clusters would help in restoring balance of employment in these cluster and provide for their future. The recognition of SME Chapions with equity support of ₹ 10,000 crore to SME Growth fund and ₹ 2000 to Self Reliant fund for the micro enterprises would support and enhance employment in these sector and would help them grow. To further support the MSME the TReads frameworks provides for ₹ 7 lakh crore to the MSME. To scale up the MSME units the ICSI and ICMAI to design programs to meet the needs of MSME.

The Capital expenditure in the Union Budget has been increased to ₹12.2 lakh crore for the FY 26-27, while the economic survey given the robust growth in FY 2025-26, provids the government with a buffer, accordingly a much higher Capex amounting to about ₹ 20 lakh crore could have been provided for. This would have further enhanced the employment, productivity and overall growth of the economy.

The Budget also talks about the Asset Monetisation, which is sought in real estate of CPSE's through dedicated REITS. This enhances the public infrastructure the budget provides (a) to establish new Dedicated Freight Corridors connecting Dankuni in the East, to Surat in the West and (b) operationalise 20 new National Waterways (NW) over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra. Large number of Training Institutes are proposed to be set up as Regional Centres of Excellence for development of the required manpower seeing the Growth impetus in India post Covid-19, while large part of the work is suffering from Inflationary preassures. The launch a Coastal Cargo Promotion Scheme would increase the contribution of inland waterways enhancing the livelihoods of the people surrounding the region. This is further supported by Seaplane VGF for enhancing connectivity. Also the Carbon Capture and Utilisation has been provided with ₹ 20,000 crore outlay for the end use application of five industries namely steel, power, cement, refineries and chemicals, this marks the commitment of India towards climate change.

The budget provides for development of Tier II and Tier III cities through City Economic Regions which are allocated ₹ 5,000 crore per CER for 5 years to develop their infrastructure. This is likely to inclusivily grow the cities and its generate employment in these economic regions. The budget also provides for sustainable passenger systems, we will develop seven High-Speed Rail corridors between cities as "growth connectors", namely (a) Mumbai-Pune, (b) Pune-Hyderabad, (c) Hyderabad-Bengaluru, (d) Hyderabad-Chennai, (e) Chennai-Bengaluru, (f) Delhi-Varanasi, (g) Varanasi-Siliguri.

The budget has also proposes to establish a High Level committee for Banking for Viksit Bharat. It proposes to restructure the Power Finance Corporation and Rural Electrification Corporation retaining the Public sector undertaking for the good of the economic power and rural sector. The Municipal bonds have been encourage for development at local levels. The equity investment limit for PROIS is increased from 10 % to 24% giving greater diversification to PROIS and also depth to the capital markets for international investors.

AI technologies have also been given due focus in the buget for AI to be used to help the Divyangjan through AI mission, National Quantam Mission, Anusandhan National Research Fund, research and development fund. To enhance the possibility of employment the budget further proposes to establish Education to Employment to Enterprise Standing Committee. Existing Institutions to be upgraded and new Allied Professional Institutions to be established in 10 Allied sectors namely optometry, radiology, anesthesia, OT Technology, Applied Psychology and Behavioural Health and add 100,000 AHPs over the next 5 years.

The budget also provides for the care ecosystem by training 1.5 lakh care givers. A scheme was further introduced to support states to develop 5 Regional Medical Hubs. It also provides for 3 new All India Institute of Ayurveda, upgrade Ayush Pharmacies, drug testing centres and WHO global tradition medical centre. It also provides for scaling up of 20,000 veterinary professionals. It also provides for support to the Indian Institute of Creative Technologies in setting up AVGC content creator labs in 15,000 secondary schools and 500 colleges. It also provides for establishing 5 University Townships in major industrial and logistics corridor. It also provides for 1 girl's hostel in every district. It also provides for 4 Telescope Infrastructure facilities.

In Tourism it provides for setting up National Institute of Hospitality, upskilling 10,000 guides in 20 iconic tourist sites, creation of National Destination digital knowledge grid, trekking and hiking experience with mountain trails, turtle trails and bird watching and have established the Big Cat Alliance in 2024 to host its summit this year. The budget also provided to develop 15 archaelogical sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace into vibrant, experiential cultural destinations.

In sport the budget launched the India Khelo Mission, establishing training centres, development of coaches and support staff, integrating sports, science and technology and organizing competitions.

To increase farmers income it provides for development of 500 reserviors, credit linked subsidy progam for Animal husbandry, support of high value crops such as coconut, sandalwood, cocoa and cashew, rejuvenating old, low yielding orchards and expand high density cultivation of walnuts, almonds and pine nuts. Bharat Vistar for integrating Agristack portals and ICAR packages. SHE Marts for the community owned retail outlets.

The proposals the budget and intiatives undertaken by the Government in the last 10 years provides for jobs and assistive devices for Divyangjans through schemes of Divyangjan Kaushal Yojana and Divyanjan Sahara Yojana. It provides for setting up NIMHANS-2 and upgrade National Mental Health Institutes. Increase the capacity by 50% of District Hospitals by establishing Emergency and Trauma Care Centres.

There has been extensive focus on the North Eastern Region in the last 2 budgets. The current budget provides for the development of 5 tourism destinations in the Purvodaya States with the provision of 4000 e-buses. It provides for Buddist Sites to be developed in North Eastern Region. The scheme will cover for preservation of temples, monasteries, pilgrimage interpretation centres, connectivity and amenities.

The budget has well provided for devolution of vertical share to States of 41% while mentaining the fiscal deficit at 4.3%, debt to GDP ratio is estimated at 55.6% instead of 56.1%.

There has not been much changes in the Tax rates or slabs, which have a direct impact on the Middle Class of India. Though, there are some reduced rates and exemption provided in the tax. There is also reduction in MAT rate from 15% to 14%. There has been extensive focus on simplification of the tax structure, decriminalization and penalization of the tax structure. The STT on the contrary is increased on Futures and Options to avoid speculation and secure small investors. There has been annoucement for Tax holiday upto 2047 for foreign investment in data centre services firms. The Deduction to Primary Cooperatives to also include supply of cattle feed and cotton seed produced by its members. Allow inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members. Exemption for a period of 3 years, to dividend income received by a notified national co-operative federation. The Custom Duty exemption for Capital goods and parts – Lithium Ions, nuclear power, critical minerals, civil and defence aircrafts to promote clean tech and defense has been introduced. The 7 rare drugs added for import exemption. Fish catching by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas will be made free of duty as well. It is also advised that the rejected and returned consignments will be improved with effective use. This does impact the over all tax famework. We had already seen a bumper Tax relief to the middle / lower middle class in September 2025 with the GST Reforms by removing and reducing GST on on large number of items and making it a Three (3) Slab Framework instead of Four (4).

IV. Conclusion

Overall the Budget proposals promote inclusive growth, employment, development of workforce by training. It is collaborative in approach with the industry and academic institutions for research and development. It protect the historical and traditional culture of the country through trekking, hiking, developing north eastern states, developing digital grid and tourism sites. It gives impetus to the investments with a Capex of of ₹ 12.2 Lakh crores. It puts at the centre the women, youth, poor and the marginalized.The aim of the new tax regime has been to simplify the process of taxation and to orient it towards a expenditure oriented economy that boost consumption which has high propensity of consumption especially in young economy like India (Agarwal, 1988). It would foster consumption and hence growth in segments where there is demand. Overall, the budget puts forth a structured, formal and controlled economic structure that has open market distribution and efficiency of resources and provides for the abled with little respite for the poorest of the poor in social development of institutions of welfare.

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