



Agri Articles

(e-Magazine for Agricultural Articles)

Volume: 06, Issue: 02 (MAR-APR, 2026)

Available online at <http://www.agriarticles.com>

© Agri Articles, ISSN: 2582-9882

Fiscal Policy and Budget 2026

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The Union Budget 2026-27 Speech was tabled by the Union Minister for Finance and Corporate Affairs Nirmala Sitharaman inside the newly inaugurated Kartavya Bhawan. The Minister laid out three governing Kartavyas (duties) for India to move towards its “Viksit Bharat” 2047 vision. First, to accelerate and sustain economic growth through productivity and competitiveness. Second, to fulfill the aspirations of citizens by building capacity for prosperity. And third, to ensure inclusive development under the mandate of Sabka Saath, Sabka Vikas to provide meaningful participation for every region.

Economic Survey 2025-26

Describing the Indian economy as a ‘oasis of stability’ in a volatile global environment, the Economic Survey 2025-26 was tabled by Nirmala Sitharaman, Union Minister for Finance. The Survey projects real GDP growth at 7.4 per cent for 2025-26 and estimates a range of 6.8 per cent to 7.2 per cent for FY27. This growth path is supported by a “double engine” of strong domestic demand – supported by a multidecadal low headline inflation of 1.7% during April-December 2025 – as well as sustained public capital spending that continues to successfully crowd in private investment.

(Government of India, Ministry of Finance, January 29, 2026, Highlights Section)

PRS Legislative Research

The Union Budget Analysis 2026-27 by PRS Legislative Research stated: “Underlining the government’s shift to a more flexible fiscal targeting regime, The government has now moved away from the tight annual deficit targets under the FRBM law and fixed the debt-to-GDP ratio as the key anchor, with a target to bring down outstanding liabilities to around half the GDP by March 2031. For the current budget cycle, the fiscal deficit target is 4.3% of GDP for FY27, a marginal but tactical consolidation from the revised estimate for FY26 at 4.4%.

(PRS India, February 2026, Page 1)

KPMG India

KPMG India (Professional Services Network) in its report titled “India Union Budget highlights 2026-27” has done a detailed analysis on the legislative shift from the Income-tax Act, 1961 to the historic Income-tax Act, 2025. The new code, effective April 1, 2026, seeks to deliver “certainty, stability and competitiveness” by making compliance easier with redesigned forms and automated processes. The report says the reform is aimed at a “trust-based administration” that will reduce litigation for individuals and small businesses.

(KPMG, February 2026, Page 3)

Income Tax Slabs

Bajaj Finserv’s overview of "Income Tax Slabs" confirms that the new tax regime continues to be the default option for resident individuals, as the zero tax slab is available to individuals

earning up to ₹12 lakh per annum due to the increased Section 87A rebate of ₹60,000. For salaried individuals, the effective tax-free limit is further extended to ₹12.75 lakh, after taking into account the standard deduction of ₹75,000. The government has also offered relief to senior citizens by raising the limit of their deduction from ₹50,000 to ₹1 lakh. (Investment Advisory, February 2026, Retention of New Tax Regime)

Union Budget 2026–27: Catapulting India’s Next Growth Leap

"The budget sends a message of a nation beyond consumption by empowering its manufacturing capabilities," said Sanjeev Krishan, Chairperson, PwC in India in the report Union Budget 2026-27: Catapulting India’s Next Growth Leap. One important corporate reform is reduction of Minimum Alternate Tax (MAT) from 15% to 14% to improve ease of doing business.¹² However, the Chairperson points to a structural trade-off: effective April 1, 2026, no new MAT credit accumulation will be allowed and set-offs of existing credits will be capped at 25% of the normal tax liability in any year.

(PwC India, February 2026, Page 26)

Manufacturing Sector Proposals in Union Budget 2026–27

Author and Economist Biswajit Dhar in his article, “Manufacturing Sector Proposals in Union Budget 2026–27”, looks at the stimuli that have been provided for high value strategic industries. The budget launches the India Semiconductor Mission (ISM) 2.0, which shifts from assembly to domestic manufacturing of equipment and materials and the development of “full-stack Indian IP”. The outlay for the Electronics Components Manufacturing Scheme has been almost doubled to ₹40,000 crore to promote this technological sovereignty with an emphasis on reducing critical import dependencies.

(Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026)

Press Information Bureau (PIB) Release

In a Press Information Bureau (PIB) Release dated 1st February, 2026 titled “Transforming India into a Global Biopharma Hub”, Union Minister Dr. Jitendra Singh gave details of the launch of Biopharma SHAKTI mission with an outlay of Rs.10,000 crore over five years. The mission aims to make India a global manufacturing hub by setting up three new National Institutes of Pharmaceutical Education and Research (NIPER) and creating a network of 1,000 accredited clinical trial sites. This infrastructure is ideal for shortening approval timelines and for global acceptance of Indian pharmaceutical products.

Is This Budget a Reset for Infrastructure

In his article "Is This Budget a Reset for Infrastructure?", author and economist Partha Mukhopadhyay looks closely at how the government sees asset creation as a key tool for development. The budget creates a new Infrastructure Risk Guarantee Fund that gives private developers partial credit guarantees to help them during the risky construction phase. This fund is meant to lower the risks for lenders and bring in private money for big logistics and connectivity projects.

(Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026)

City Economic Regions (CERs)

In her speech for the Union Budget 2026-27, Nirmala Sitharaman, the Union Minister for Finance and Corporate Affairs, talked about City Economic Regions (CERs) as places where growth can happen. There will be ₹5,000 crore set aside for each CER over five years, and seven new high-speed rail corridors will be built to support the development of these areas.¹⁰ The budget also suggests a ₹10,000 crore plan to create a competitive container manufacturing ecosystem and make 20 new national waterways usable. These are both ways to lower the cost of trade around the world.

(Government of India, February 1, 2026, Urban and Logistics Sections)

Social Sector Budget: Look towards the States

In her article "Social Sector Budget: Look towards the States," Dipa Sinha, an associate professor at Azim Premji University, talks about how there is less room in the budget for discretionary social spending. She notes that the amount of money set aside for the social sector in the budget is still low at 2.5% of GDP, which is less than it was in 2014-15. Sinha says that welfare programs for the poor are unfairly bearing the brunt of fiscal consolidation because interest payments make up about 26% of total spending and 40% of revenue receipts. (Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026)

Fiscal Consolidation and Federalism: Interpreting Union Budget 2026–27

In her article "Fiscal Consolidation and Federalism: Interpreting Union Budget 2026–27," Lekha Chakraborty, an author and professor at NIPFP, looks at the budget and the suggestions made by the 16th Finance Commission. She says that the vertical devolution share for states will stay at 41% from 2026 to 2031. Chakraborty says that federal fiscal consolidation now depends on a "calculus of consent," which means that states are encouraged to keep their deficits at 3% of GSDP and get performance-linked grants for reforms in the power sector and governance.

(Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026, Pages 50-57)

India Development Update

In the "India Development Update," Paul Procee, the World Bank's Acting Country Director for India, says that regional growth forecasts are sensitive to geopolitical shocks. The World Bank lowered its forecast for India's FY27 growth from 7.2% to 6.6%, assuming that energy supplies from the Middle East will be disrupted for a long time. This possible energy shock would probably raise headline inflation by about 90 basis points, which would lower the boost in consumption that came from tax and GST rationalization.

(World Bank, April 9, 2026, Press Release)

World Economic Outlook

The IMF staff's "World Economic Outlook" report says that growth around the world will slow to 3.1% in 2026 because of wars that break up countries.⁵ The IMF says that India's real GDP will grow by 6.5% in 2026. The IMF also says that India has done better than other countries, but to keep this growth going, the country will need "strong spending discipline" to rebuild its fiscal buffers that were depleted during the pandemic.¹³ The IMF Executive Directors told the Indian government to look over their medium-term debt goals to make sure they can keep them up in the long run.

(International Monetary Fund (IMF), April 14, 2026, Chapter 1 Highlights)

The Indian Union Budget

In her article "The Indian Union Budget," author and economist Ashima Goyal says that the union government has successfully reached the "Golden Rule" in its estimates by borrowing mostly for investment instead of consumption. People say that this change in strategy has helped build economic buffers that make growth more stable over time and keep real interest rates low. Goyal, on the other hand, says that the "weakening of execution" is a major concern. He suggests that giving city-level governments more power is necessary to fix problems with implementation.

(Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026)

A Note on Public Finance in India

In his article "Union Budget 2026–27: A Note on Public Finance in India," author and economist Surajit Das takes a critical look at how to handle debt. He says that interest payments take up a "very high" percentage of the budget because the government has to pay high effective interest rates on its debts. Das says that the government should spend more on social and developmental projects than on making sure that the domestic capital market gets a

guaranteed 7% return. This is especially true since India is still 130th on the human development index.

(Economic and Political Weekly, Vol. 61, Issue No. 14, April 4, 2026)

Carbon Capture Utilisation and Storage (CCUS) Speech

Nirmala Sitharaman, the Union Minister for Finance and Corporate Affairs, talked about resource resilience in the Union Budget 2026–27. These include a ₹20,000 crore budget for a program to reduce carbon emissions in areas like the Carbon Capture Utilization and Storage (CCUS) Speech, which outlined specific steps for the steel and cement industries. The budget for agriculture focuses on moving from subsidies to investments. It suggests building 500 reservoirs and "Amrit Sarovars" to improve the value chain of coastal fisheries.

(Government of India, Ministry of Finance, February 1, 2026, Energy and Agriculture Sections)

“The federal budget is a tactical roadmap, not a breakthrough,” said Christian de Guzman, Senior Vice President at Moody’s Ratings. He recognized India’s improving track record of fiscal discipline but said the 4.3% target was still wider than pre-pandemic levels. Moody’s expects the country’s credit profile to stay at "BBB-" until fiscal metrics show more meaningful improvement. The "stable" outlook is maintained given the continued strength of the economy.

(Moody's Ratings, February 1, 2026).

Key Fiscal Indicators	FY2025-26 (Revised Estimate)	FY2026-27 (Budget Estimate)	Source Reference
Real GDP Growth	7.4%	6.8% - 7.2%	Economic Survey 2025-26
Fiscal Deficit	4.4% of GDP	4.3% of GDP	Union Budget Speech
Capital Expenditure	₹11.21 Lakh Crore	₹12.22 Lakh Crore	PRS Analysis
Debt-to-GDP Ratio	56.1%	55.6%	Union Budget Speech
Gross Tax Revenue	₹40.78 Lakh Crore	₹44.04 Lakh Crore	Axis Bank Research

Union Minister for Finance & Corporate Affairs, Nirmala Sitharaman, concluded her Union Budget 2026-27 Speech by reiterating that this is the first budget being presented in Kartavya Bhawan which is reflective of a new era of "transforming aspiration into achievement". The budget has to balance the needs of a high-tech industrial policy and the immediate needs of a large population. India has to become a “trusted and reliable partner” in the global economy. Now the success depends on the speed and consistency of implementation across states so that growth trickles down to every household.

(Government of India, February 1, 2026, Page 85 of transcript)

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