



Post-Budget Analysis 2025-26

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Introduction

- The Union Budget 2025-26 was presented with a focus on economic growth, fiscal consolidation, and social welfare. The budget aims to strike a balance between stimulating economic activity and maintaining fiscal discipline.
- The Key sectors targeted include Infrastructure, Agriculture, MSME, Taxation and Social Welfare
- The fiscal deficit target has been set to 4.4% of GDP (down from 5.1% in FY25). However, achieving this target amidst a slowing global economy and high inflation will require careful management of expenditures and efficient revenue collection.
- The projected growth rate is 6.4% (compared to 8.2% in the previous year) reflecting the challenges posed by weak urban demand and high inflation.
- The total budget size is ₹48.7 lakh crore highlighting the government's intention to support economic recovery and social welfare. The allocation of funds to key sectors like infrastructure and agriculture is crucial for sustained growth. However, balancing the budget with the need for fiscal consolidation remains a delicate task.

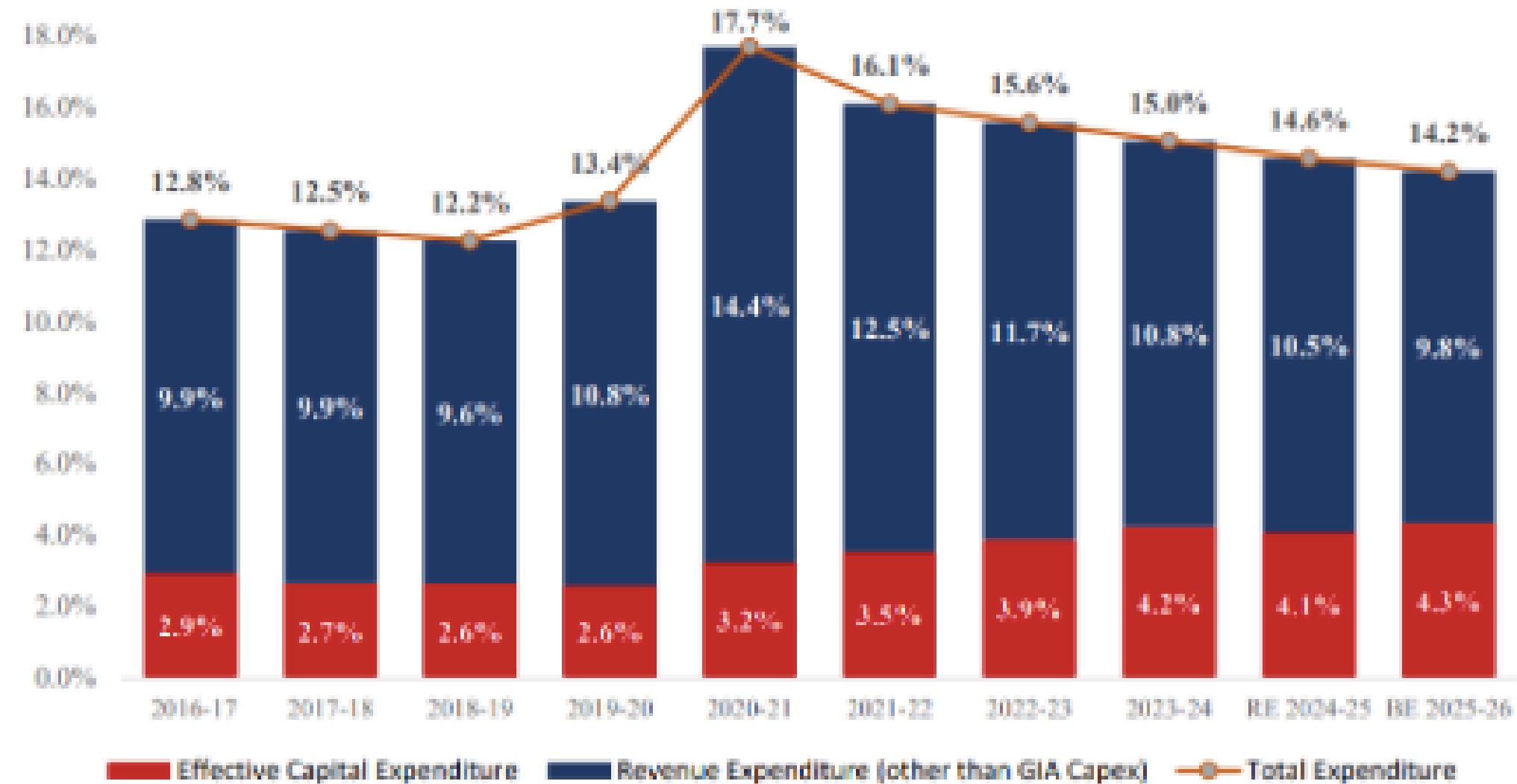
Economic Context

- **Household Savings and Debt Levels:** Household savings have hit a 47-year low, with debt rising to 39% of GDP, indicating financial stress that curtails consumer spending and investment, slowing economic growth.
- **Private Consumption:** Private consumption growth stands at a 20-year low of 4%, reflecting weak consumer confidence and demand, which are critical for GDP expansion.
- **Wage Growth:** Stagnant wage growth—0.8% in agriculture, 0.2% in non-agriculture, and negative in construction—has reduced purchasing power and widened economic inequality.
- **Foreign Direct Investment (FDI):** Net FDI has plunged from \$8.5B to \$0.48B, signaling declining investor confidence that hampers technology transfer, job creation, and economic expansion.
- **Gross Fixed Capital Formation (GFCF):** Gross Fixed Capital Formation (GFCF) at 34.7% of GDP highlights sluggish private investment, underscoring economic uncertainties that demand policy stability and infrastructural improvements.

Fiscal Overview

- **Fiscal Deficit:** The fiscal deficit target is set at 4.4% of GDP (down from 5.1% in FY25), reflecting the government's commitment to fiscal consolidation, though achieving it requires balancing expenditures and revenues amid economic uncertainties.
- **Capital Expenditure Allocation:** Capital expenditure allocation of ₹11.2 lakh crore (3.1% of GDP) aims to drive infrastructure and long-term growth, but timely and efficient execution is essential.
- **Revenue Expenditure:** Revenue expenditure has declined post-pandemic, potentially straining public services and social welfare programs.
- **Interest Payments:** Interest payments at 3.6% of GDP highlight a significant national debt burden, restricting resources for productive investments.
- **Tax Revenue Projection:** tax revenue is projected at ₹42.7 lakh crore with an expected 11% YoY growth, an optimistic estimate reliant on economic conditions and effective tax collection.

TOTAL EXPENDITURE (REVENUE ACCOUNT & EFFECTIVE CAPITAL EXPENDITURE) * (जीडीपी का %) (% of GDP)

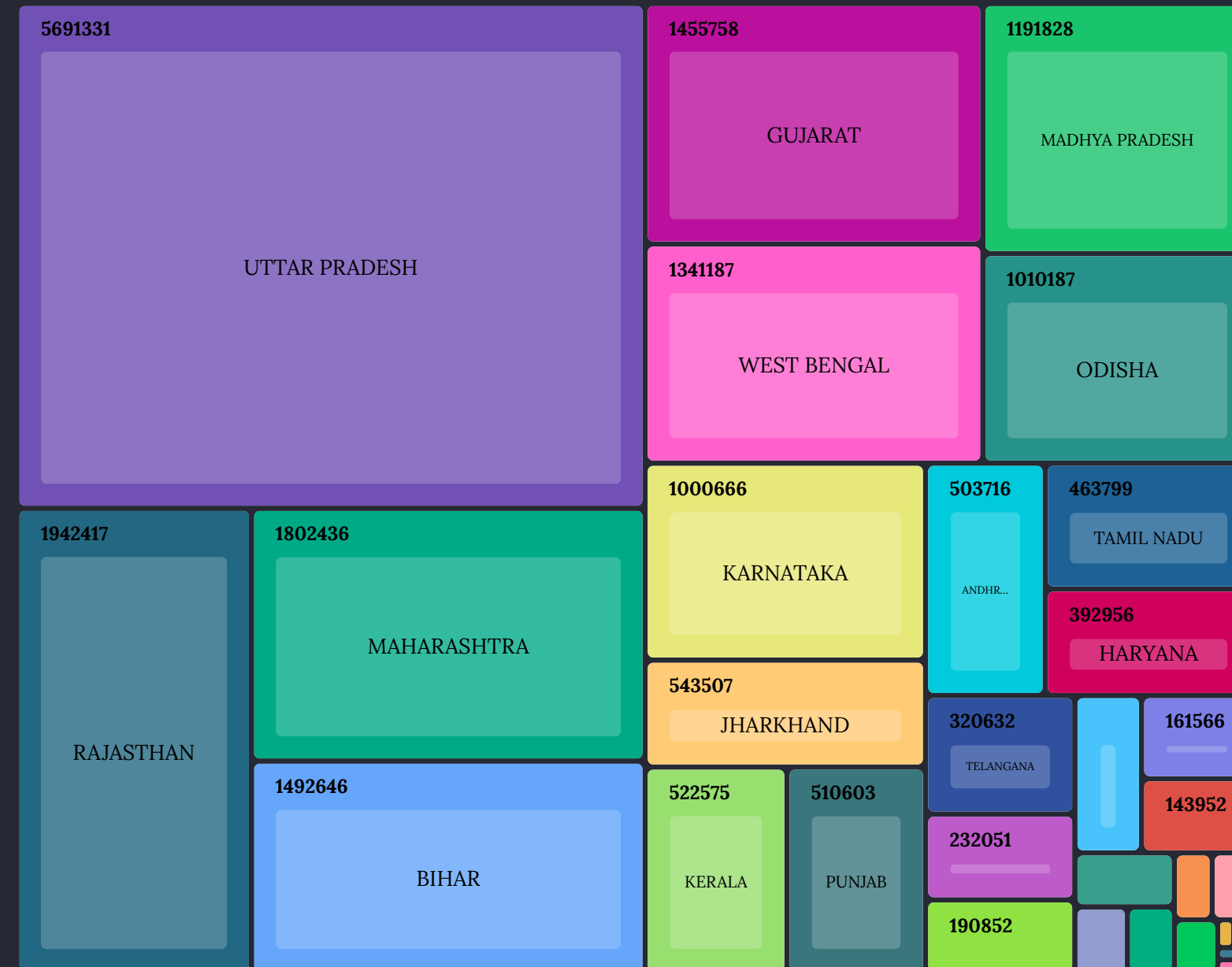


The total expenditure peaked at 17.7% of GDP in 2020-21 due to pandemic-related spending but has gradually declined to 14.2% in 2025-26. Effective Capital Expenditure has seen a steady increase, highlighting the government's focus on long-term infrastructure projects. However, the reduction in Revenue Expenditure post-pandemic raises concerns about the potential impact on public services and social welfare programs. High interest payments continue to limit fiscal flexibility, stressing the need for better debt management and efficient allocation of resources.

Agriculture and Farmers' Welfare

- **PM-KISAN Allocation (₹63,500 crore):** The annual transfer of ₹6,000 to farmers remains a cornerstone of direct support, helping over 10 crore beneficiaries. However, concerns over the sufficiency of this amount to offset rising input costs persist.
- **Agricultural Credit Target (₹22 lakh crore):** A significant increase aimed at enhancing rural liquidity and credit access. Monitoring disbursement to small and marginal farmers is critical to avoid concentration among larger landowners.
- **Fertilizer Subsidy (₹1.64 lakh crore):** While this ensures affordability for farmers, rising global prices and subsidy dependency raise fiscal concerns.
- **Minimum Support Price (MSP):** Increased MSPs for major crops ensure income security but face challenges such as inadequate procurement infrastructure and regional disparities in benefits.

State-wise details of farmers whose eKYC is pending

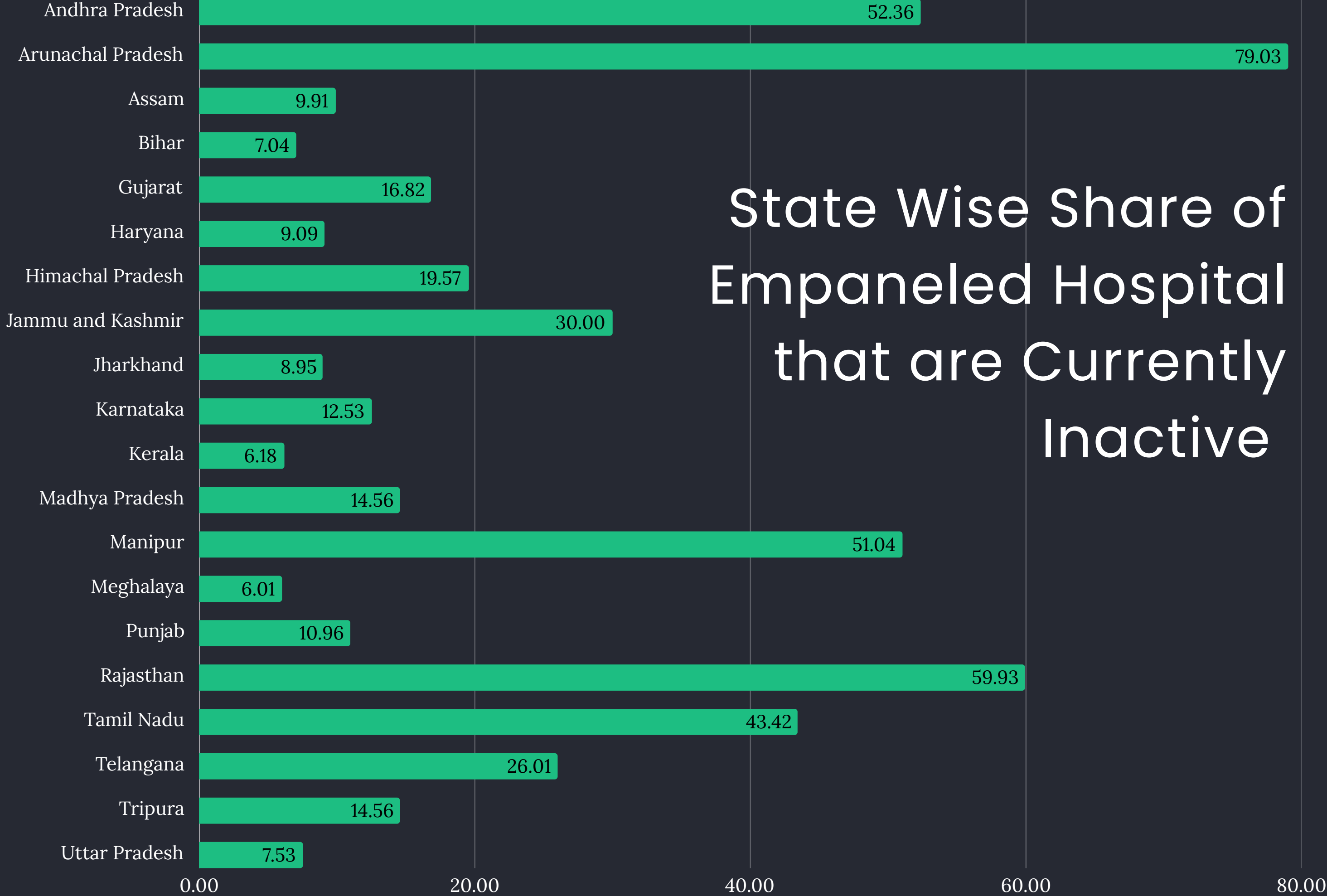


- High-Yield Crop Program:** The targeted program for 17 million farmers aims to improve productivity, though widespread adoption and technical support will determine its success.
- Agricultural Exports Target (\$50 billion by FY26):** This ambitious target demands bolstering cold-chain logistics, resolving tariff barriers, and ensuring quality compliance with international standards.

Social Welfare and Employment

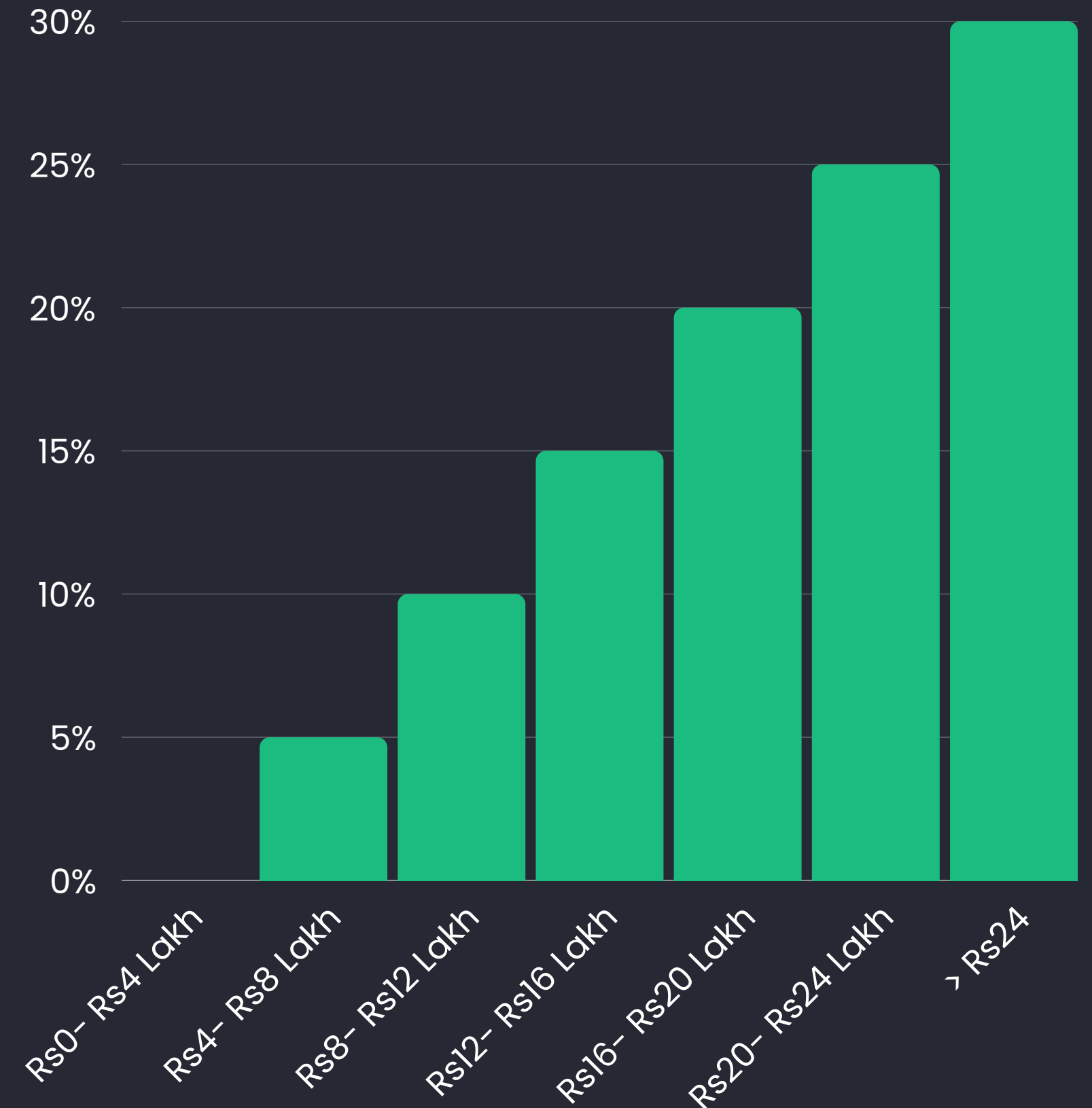
- **PM Garib Kalyan Anna Yojana (PMGKAY):** The ₹11.8 lakh crore extension secures food security for millions, but analysts caution about the program's long-term fiscal impact.
- **Ayushman Bharat Health Coverage:** The coverage of ₹1.16 lakh crore in hospital treatments strengthens healthcare accessibility but requires improvements in infrastructure, particularly in rural areas.
- **MGNREGA Allocation (₹60,000 crore):** The reduction from ₹89,000 crore reflects a shift in focus from rural employment to infrastructure-led growth. However, it raises concerns about income security for rural populations.
- **Youth Unemployment:** Despite budgetary provisions, job creation in high-growth sectors lags, necessitating comprehensive policy interventions to address skill mismatches and promote industrial employment.

State Wise Share of Empaneled Hospital that are Currently Inactive



Taxation Reforms

- **Tax Rebates (₹1 trillion):** Measures such as the increase in tax exemption thresholds aim to boost disposable incomes and consumption but could reduce fiscal space for public investments.
- **Direct Tax Collection:** The reduction by ₹1 lakh crore underscores the need for broader tax base reforms to maintain fiscal sustainability.
- **Indirect Tax Reduction:** The modest cut of ₹2,600 crore eases costs for industries but has a limited effect on consumer price relief.
- **Consumption Boost:** The focus on exemptions and rebates reflects an effort to stimulate demand, but its success depends on broader macroeconomic stability.



MSMEs and Startups

- **MSME Credit Guarantee (₹10 crore):** Doubling the credit guarantee supports small businesses' growth but requires streamlined processes to prevent bottlenecks.
- **Credit Infusion:** The ₹1.5 lakh crore infusion aims to address liquidity challenges over five years, providing a lifeline to struggling enterprises.
- **Startup Tax Exemptions:** The extension promotes innovation and entrepreneurship, encouraging more participation in the startup ecosystem.
- **Innovation Fund:** The ₹10,000 crore allocation underscores the government's commitment to fostering technological advancements and new-age businesses.

Infrastructure and Capital Investment

- **Interest-Free Loans to States (₹1.5 lakh crore):** This initiative empowers states to undertake crucial infrastructure projects, promoting federal cooperation in development.
- **Asset Monetization Plan (₹10 lakh crore):** The monetization of assets seeks to unlock value for reinvestment, though success depends on transparent and efficient execution.
- **National Infrastructure Pipeline (NIP):** Enhanced allocations prioritize transportation, energy, and logistics sectors to boost connectivity and economic productivity.
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- **Road and Railway Investments (₹2.4 lakh crore each):** The heavy investment reflects the government's emphasis on mobility and regional connectivity as drivers of growth.

Industrial and Trade Policies

- **Import Duty Reductions:** Reductions on high-end motorcycles, medical devices, and raw materials aim to stimulate domestic manufacturing and make these products more accessible.
- **Self-Reliance Push:** Efforts in electronics and semiconductor manufacturing align with India's vision of Atmanirbhar Bharat (self-reliant India), though substantial investment in R&D is required.
- **Export Promotion:** Incentives for textiles, electronics, and pharmaceuticals position India as a competitive player in global trade.
- **SEZ Revamp:** New tax incentives for Special Economic Zones aim to attract investments, but their success hinges on reducing bureaucratic hurdles.

Criticism and Challenges

- **Lack of Structural Reforms:** Critics highlight the absence of transformative policies to address issues like labor market rigidities and stagnant private investment.
- **Politically Driven Welfare Spending:** Concerns arise over the sustainability of welfare schemes amid high fiscal deficits.
- **Government Borrowing:** Reliance on borrowing to fund social schemes risks crowding out private investment and raising debt servicing costs.
- **Inflation and Interest Rates:** Persistent inflation and high rates impact household purchasing power and investment sentiment.

Conclusion

The 2025-26 budget aims to balance welfare measures and investment strategies, yet concerns remain as capital expenditure takes precedence while vulnerable sections continue to be overlooked. Structural challenges such as rising unemployment, inflation, and reduced subsidies further strain economic stability, highlighting the need for a more inclusive approach. Achieving long-term growth will depend on effective policy execution, fiscal discipline, and structural reforms to address these persistent economic challenges.



For any inputs, suggestions or clarifications, please contact us at cnesinfosphere@gmail.com



Thank you!