

Budget Analysis 2025-26

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Budget Analysis 2025-26: Ambitious Vision, Practical Hurdles

Context

The **Union Budget 2025-26** is a pivotal step in India's journey towards becoming a **Viksit Bharat** (Developed India). Presented amidst macroeconomic challenges, it outlines bold measures aimed at boosting sectors like **agriculture**, **manufacturing**, **MSMEs**, and **infrastructure**. While the budget's vision is ambitious, its execution will determine whether these reforms will translate into sustainable growth and development.

Union Budget FY26: Key Announcements

1. Personal Income Tax Cuts: A Catalyst for Growth

- **Tax Exemption:** Individuals earning up to **₹12 lakh annually** are **tax-free**, with added benefits for salaried taxpayers through **standard deductions**.
 - **Economic Boost:** This will increase **disposable income**, sparking demand in sectors like **retail**, **real estate**, and **automobiles**. A surge in consumption is expected to create **new jobs** and boost **business growth**.
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2. Capital Expenditure: Laying the Foundation for Future Growth

- **₹11.2 Lakh Crore Investment:** A **10% increase** from last year to boost **infrastructure development**.
 - **Infrastructure Impact:** This will enhance **logistical efficiency**, attract **private investment**, and create jobs, pushing the economy towards **sustainable growth**.
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3. Manufacturing Push: National Manufacturing Mission

- **Goal:** To transform India into a **global manufacturing hub**, with a focus on **policy support, execution frameworks**, and collaboration with **state and central governments**.
 - **Outcome:** Reduced import dependency and an influx of **foreign investment** will propel India as a **key player** in global supply chains.
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4. Labour-Intensive Sectors: Fueling Employment

- **Incentives for Key Sectors:** The budget prioritizes **tourism, food processing**, and **leather** to **generate employment** and enhance **export competitiveness**.
 - **Outcome:** This will create **job opportunities** while boosting the country's **global standing** in these industries.
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5. Maritime and Aviation Growth

- **Maritime Fund:** Establishment of a fund to enhance **coastal economy** and support **maritime states**.
 - **UDAN Scheme Expansion:** Expansion of flight connectivity to **120 new destinations**, boosting regional economic growth and accessibility.
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6. Agricultural Reforms: Rural Prosperity

- **PM Dhan-Dhaanya Krishi Yojana:** Aimed at enhancing **agricultural productivity** and improving **rural livelihoods** in low-productivity districts.
 - **Farmer Benefits:** With an estimated **1.7 crore beneficiaries**, it's set to increase **rural incomes** and bolster **consumer goods** and **agricultural supply chains**.
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Strategic Announcements: Impact and Evaluation

1. Fiscal Prudence: The Deficit Target

- **Goal:** Reduce fiscal deficit from **4.8% of GDP** to **4.4%** by FY26.
 - **Risks:** The reliance on optimistic **revenue projections** and **asset monetization** plans raises questions about the **feasibility** of this target.
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2. Tax Revisions: Short-Term Relief, Long-Term Questions

- **Impact:** **₹1 lakh crore in lost tax revenue** from **income tax cuts**. While it may stimulate **consumer spending**, it raises concerns about funding key development initiatives.
 - **Challenge:** Balancing immediate relief with long-term fiscal stability.
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3. Manufacturing Sector: Ambition vs. Reality

- **Challenges:** Despite initiatives like **PLIs** and **MSME support**, India's manufacturing sector remains sluggish, contributing just **17% of GDP**.
 - **Needed:** Addressing **regulatory inefficiencies**, **weak innovation capacity**, and **infrastructure deficits** is crucial for the sector's success.
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4. Agricultural Reforms: A Step in the Right Direction

- **Positive Moves:** Initiatives like the **PM Dhan-Dhaanya Krishi Yojana** and enhanced **Kisan Credit Cards** support farmers, but they miss addressing issues like **price volatility** and **market access**.
 - **Missed Opportunity:** No push for **agricultural exports** like **millets** or **organic farming**, which could position India as a **global leader** in these sectors.
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5. External Sector: Missed Global Opportunities

- **Export Strategy:** Limited focus on diversifying exports beyond **IT services** and **business outsourcing**. More attention to sectors like **pharmaceuticals**, **renewable energy**, and **electronics** could enhance **export competitiveness**.
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6. Climate Commitments: Incremental but Not Transformative

- **Climate Action:** While the budget introduces incentives for **battery recycling** and **solar manufacturing**, a more transformative push in **renewable infrastructure** and **carbon capture technologies** is essential for long-term sustainability.
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Conclusion

The **Union Budget 2025-26** reflects a clear vision for **economic growth**, **fiscal discipline**, and **structural reforms**. While the **tax cuts**, **infrastructure investments**, and **manufacturing focus** are promising, the **implementation** will be crucial. Concerns over **fiscal deficits**, **optimistic revenue projections**, and **agricultural challenges** must be addressed to ensure the success of the budget's vision. **Strategic execution** will determine whether India achieves its goal of becoming a truly **developed nation**.



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