



Budget 2025-26 Transformative reforms fuel Viksit Bharat

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The Budget for 2025-26 is a dream budget for MSMEs and the middle class. The size of the Union Budget, at around USD 550 billion, is larger than the GDP of many countries, proving surprising income tax reliefs for middle and fuelling the growth MSMEs and startups through structural reforms, enhanced credit availability, customized credit cards, and a new Fund of Funds.

The Union Budget 2025-26 is presented at a crucial juncture of geopolitical headwinds. Despite the uncertain global economic environment, India's economy remains robust with strong GDP growth, steady exports, and a conducive investment environment vis-à-vis ease of doing business. As per the NSO's first advance estimates, real GDP for the current year (2024-25) is estimated to grow steady at 6.4 per cent, significantly faster than the all major leading economies.

A historic high Union Budget

At this backdrop, Union Budget 2025-26 is dedicated to accelerating growth, secure inclusive development, enhance private sector investments, boost household sentiments, and enhance spending power of India's rising middle class, driven by aspirations for 'Viksit Bharat.' The size of the Budget with a historic high of Rs. 50.65 lakh crore (Around USD 550 billion), is set to foster substantial growth across various sectors and segments. Total receipts, excluding borrowings are estimated at Rs. 34.96 lakh crore and total expenditure at Rs 50.65 lakh crore, resulting in a fiscal deficit of around Rs 15.69 lakh crore, equivalent to 4.4% of GDP as compared with 4.8% in 2024-25.

Budget for Sabka Vikas

The theme of the Union Budget 2025-26 is 'Sabka Vikas' stimulating balanced growth of all regions. It outlines the broad Principles of Viksit Bharat including Zero-poverty, Hundred per cent good quality school education, Access to high-quality, affordable, and comprehensive healthcare, Hundred per cent skilled labour with meaningful employment, Seventy per cent women in economic activities, and Farmers making our country the 'food basket of the world'.

The budget proposes a comprehensive set of 10 development measures focusing on Garib, Youth, Annadata and Nari (GYAAN). They emphasize on spurring agricultural growth and productivity, building rural prosperity, and ensuring that growth is inclusive. Additionally, there is a strong focus on boosting manufacturing through initiatives like Make in India, supporting micro, small, and medium enterprises (MSMEs), and enabling employment-led development. Investments will also be directed towards people, innovation, and the economy while securing energy supplies, promoting exports, and nurturing innovation to create a more robust and dynamic economic landscape.

In the journey towards a 'Viksit Bharat', the budget 2025-26 identifies four powerful engines including Agriculture, MSMEs, Investments, and Exports. The budget highlights six focus areas including taxation, power, urban development, mining, the financial sector, and regulatory reforms to initiate transformative reforms. The growth and

development of these domains will drive growth, improve infrastructure, enhance governance, and ensure sustainable development across various sectors.

Agri as a first engine of growth

Agriculture and the rural economy is the backbone of India's economy. Agriculture is referred as the first engines of development in the Union Budget 2025-26. To transform the agriculture sector, Prime Minister Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme has been announced in partnership with states covering 100 districts having low productivity, moderate crop intensity and below-average credit parameters. This programme will enhance agricultural productivity, crop diversification and sustainable agriculture practices, augment post-harvest storage at the panchayat and block level, improve irrigation facilities, and facilitate availability of long-term and short-term credit, impacting 1.7 crore farmers.

In addition, a 6-year "Mission for Aatmanirbharta in Pulses" with focus on Tur, Urad and Masoor, a comprehensive programme for Vegetables & Fruits, Mission for significant improvement in cotton productivity and for High Yielding Seeds are also announced. Notably, a Makhana Board to be established in Bihar to improve production, processing, value addition, and marketing of makhana. All these reforms in the farm sector are for the objective to increase farm incomes and rural prosperity which will boost demand trajectory and employment in the country.

The 2nd engine of MSMEs

The budget highlights the vital role of MSMEs as a significant driver of development, contributing 45% to the nation's exports. To strengthen this sector, the government has increased the investment and turnover limits for MSME classification to 2.5 and 2 times respectively, aiming to enhance efficiency, encourage technological upgrades, and improve access to capital. Additionally, a new initiative has been announced to support 5 lakh women, as well as Scheduled Castes and Scheduled Tribes, by providing term loans of up to Rs. 2 crore over the next five years for first-time entrepreneurs.

To further bolster indigenous manufacturing, the government plans to establish a scheme to transform India into a global hub for toys, promoting the 'Made in India' brand, along with a National Manufacturing Mission that includes small, medium, and large industries to advance the "Make in India" campaign and a new Fund of Funds (FoF) to support high growth startups and entrepreneurship.

Investments as the 3rd engine of development

The budget emphasizes investment in people, economy and innovation. Within its ambition of investments in people, 50,000 Atal Tinkering Labs will be set up in Government schools in next 5 years, broadband connectivity will be provided to all Government secondary schools and primary health centres in rural areas under the Bharatnet project, Bharatiya Bhasha Pustak Scheme will be implemented to provide digital-form Indian language books for school and higher education, Five National Centres of Excellence for skilling will be set up and a Centre of Excellence in Artificial Intelligence for education will be set up with a total outlay of ` 500 crore, among others. These will create a pool of more skilled workforce and enhance educational resources for students leading to increased employability and better job opportunities for youth.

The investments in economy are also focused, infrastructure-related ministries will come up with a 3-year pipeline of projects in PPP mode, along with 50-year interest-free loans for state projects. These investments are expected to create a multiplier effect not only boosting India's GDP but also strengthening the states' economy. Government will also set up an Urban Challenge Fund of Rs.1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation'.

Many significant announcements are made for the power sector reforms to improve financial health and capacity of electricity companies, development of at least 100 GW of nuclear energy by 2047, comprehensive infrastructural development encompassing shipbuilding clusters, maritime development, Greenfield Airport in Bihar and mining sector reforms for the minor minerals, among others. The tourism sector will receive a strong boost with PM Gati Shakti data accessibility to the private sector, and the development of the top 50 tourist destinations. The 3rd investments engine also focuses on

- An allocation of ₹20,000 crore to implement private sector driven Research, Development and Innovation initiative, under investments for innovation.
- Ten thousand fellowships for technological research in IITs and IISc under the PM Research Fellowship scheme.
- The 2nd Gene Bank with 10 lakh germplasm lines to enhance future food and nutritional security.
- A National Geospatial Mission to create key infrastructure and data for modernizing land records and urban planning through PM Gati Shakti.
- The Gyan Bharatam Mission to document and conserve over 1 crore manuscripts in partnership with academic institutions and museums, while a National Digital Repository of Indian knowledge systems will promote knowledge sharing.

Exports as 4th engine of economic growth

The budget identifies exports as a fourth key driver for economic growth and has launched the Export Promotion Mission to assist MSMEs in entering the export market. A digital public infrastructure, Bharat Trade Net (BTN), will be set up to streamline trade documentation and financing solutions on a unified platform. Additionally, support will be provided to enhance domestic manufacturing capacities to better integrate the economy into global supply chains, focusing on bolstering the electronic equipment industry in light of Industry 4.0 opportunities. Furthermore, a National Framework has been proposed to promote Global Capability Centres in emerging tier 2 cities, while also facilitating upgrades to infrastructure and warehousing for air cargo, particularly for high-value perishable horticulture products.

Rationalisation of tax structure

The budget 2025-26 announced notable surprising reforms in the personal income tax structure to boost disposable income and drive economic growth. The direct tax proposals include personal income tax reform with special focus on middle class, TDS/TCS rationalization, encouragement to voluntary compliances along with reduction of compliance burden, ease of doing business and incentivizing employment and investment.

Under new regime, people earning up to Rs 12 lakh (i.e. average income of Rs 1 lakh per month other than special rate income such as capital gains, are now exempt from paying income tax. The tax slabs have been restructured to benefit those earning between Rs 12 lakh and Rs 24 lakh per year. The 30% tax will be applicable only at the income above Rs. 24 lakhs instead of the income of Rs. 15 lakhs earlier. The new structure will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment.

To rationalize TDS/TCS, Budget doubles limit for tax deduction on interest earned by senior citizens from the present Rs 50,000 to Rs 1 Lakh. Further, TDS threshold on rent has been increased to Rs 6 Lakh from Rs 2.4 Lakh per annum. Other measures include, increasing of threshold to collect TCS to Rs 10 Lakh and continuing with higher TDS deductions only in non-PAN cases. After the decriminalization of delay in payment of TDS, delay in TCS payments has now been decriminalized. This will strengthen and simplify the structure and system of TDS/TCS, provide greater tax stability and streamline the process for small charitable trusts and promote greater business friendly environment.

On indirect tax front, custom tariffs of industrial goods have been rationalised by removing seven tariffs, applying appropriate cess to maintain effective duty incidence, and levying not more than one cess or surcharge. The budget has come with a motivating stance for the tax system. Basic Customs Duty (BCD) on several lifesaving drugs and medicines for treating cancer, rare diseases and chronic diseases have been fully exempted providing relief to cancer patients. To support Domestic Manufacturing and Value Addition, many critical minerals have been exempted from BCD. Further, to rectify inverted duty structure, promote Make in India and enhance exports, BCD on various products including textiles, marine products, electronics, leather and telecommunication has been rationalized.

In conclusions, the Union Budget 2025-26 presents a comprehensive roadmap for fostering sustainable and inclusive growth in India, addressing the critical needs of various sectors while paving the way for a 'Viksit Bharat.' By emphasizing agriculture, MSMEs, strategic investments and exports, the budget aims to bolster resilience with inclusivity. The commitment to enhancing infrastructure, improving governance, and implementing transformative reforms particularly in tax structure, sets the stage for robust employment generation and enhanced living standards. This budget not only serves as a catalyst for growth but also encapsulates the aspirations of all stakeholders, ensuring that the benefits of development are trickled to every sector of the economy and section of society and citizens of the country.

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