



Union Budget 2026-27 as a policy instrument for 'Viksit Bharat 2047'

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Abstract

The Union Budget 2026-27 represents a significant fiscal policy instrument aligned with India's long-term vision of Viksit Bharat 2047. This study undertakes a comprehensive analysis of the Budget using secondary data drawn from official budget documents and PRS Legislative Research tables covering expenditure, receipts, deficits, sectoral allocations, subsidies, major schemes, and Finance Commission devolution criteria. The analysis reveals a strategic shift towards capital expenditure-led growth, with higher allocations for infrastructure, housing, digital connectivity, innovation, and employment generation, while maintaining a gradual path of fiscal consolidation. Direct tax revenues show stronger growth compared to indirect taxes, indicating moderation in GST buoyancy. Social sector allocations for women, children, Scheduled Castes, Scheduled Tribes, and the North Eastern Region underscore the government's commitment to inclusive development. At the same time, rationalisation of subsidies and declining primary deficit reflect improved fiscal discipline. The study concludes that while the Budget lays a robust foundation for sustainable and inclusive growth, its long-term success will depend on effective implementation, enhanced revenue mobilisation, outcome-based budgeting, and strong centre-state coordination.

Keywords: Union Budget 2026-27, Viksit Bharat 2047, fiscal policy, capital expenditure, fiscal deficit, public finance

Introduction

The Union Budget is one of the most important policy documents of the Government of India, serving not only as an annual financial statement but also as a strategic blueprint that reflects the government's economic priorities, reform agenda, and developmental vision. In the context of India's aspiration to achieve *Viksit Bharat 2047*, the Union Budget 2026-27 assumes special significance as it seeks to align short-term macroeconomic management with long-term structural transformation. Presented at a time of global economic uncertainty, evolving geopolitical challenges, and domestic development imperatives, the Budget attempts to balance growth-oriented public spending with fiscal prudence and sustainability.

The Union Budget 2026-27 focuses on strengthening the foundations of economic growth through increased capital expenditure, infrastructure development, industrial revival, and support for innovation and technology-driven sectors. At the same time, it places considerable emphasis on social inclusion by enhancing allocations for welfare programmes targeting women, children, Scheduled Castes, Scheduled Tribes, and backward regions such as the North Eastern Region. The rationalisation of subsidies, particularly in fertilisers and energy, indicates a gradual shift towards targeted welfare delivery while preserving essential social protection.

From a fiscal perspective, the Budget continues the path of consolidation by containing the fiscal and revenue deficits and improving the primary deficit position. The emphasis on revenue mobilisation through direct taxes, disinvestment, and non-tax revenues reflects efforts to strengthen fiscal capacity without imposing additional burden on taxpayers. The recommendations of the 16th Finance Commission further influence the fiscal architecture by redefining criteria for tax devolution and centre-state financial relations.

In this backdrop, the present study undertakes a comprehensive assessment of the Union Budget 2026-27 by

analysing key budgetary indicators, sectoral allocations, deficit trends, and policy priorities. The study aims to evaluate whether the Budget effectively functions as a policy instrument to support sustainable, inclusive, and long-term economic development in line with the vision of *Viksit Bharat 2047*.

Significance of the Study

The Union Budget 2026-27 is a critical fiscal policy document that reflects the Government of India's strategic intent to align short-term economic management with the long-term vision of *Viksit Bharat 2047*. An analytical examination of the Budget is significant as it provides insights into the government's priorities related to growth, fiscal consolidation, social inclusion, and cooperative federalism. This study contributes to the existing literature by offering a comprehensive assessment of budgetary trends using official data tables on expenditure, receipts, deficits, sectoral allocations, subsidies, and Finance Commission devolution criteria. The findings of the study are expected to be useful for policymakers, academicians, researchers, and students by enhancing understanding of fiscal policy effectiveness and its role in sustainable and inclusive development. The study also serves as a reference for future budgetary evaluations and policy formulation.

Objective of the Study

1. To examine the overall fiscal framework of the Union Budget 2026-27.
2. To analyse trends in government expenditure, receipts, and deficit indicators.
3. To evaluate sector-wise and scheme-wise budgetary allocations and their developmental implications.

Research Methodology

The study adopts a descriptive and analytical research design based entirely on secondary data. Data have been collected from official publications such as the Union

Budget 2026-27 documents, Budget at a Glance, Expenditure and Receipts Budgets, Economic Survey of India, PRS Legislative Research reports, Finance Commission documents, and Reserve Bank of India statistics. The collected data have been analysed using comparative analysis, percentage change analysis, and trend analysis to interpret fiscal performance across years. Tables and structured interpretations have been used to present findings in a systematic manner.

Budget Highlights

1. In the Union Budget 2026-27, the total expenditure of the central government is projected at 53,47,315 crores, reflecting an increase of 7.7 percent over the revised estimates of the previous financial year. A significant portion of this expenditure is devoted to servicing past borrowings, with interest payments constituting nearly one-fourth of total expenditure and absorbing around 40 percent of the government's revenue receipts.
2. On the receipts side, the government estimates non-borrowed receipts at 36,51,547 crores for 2026-27, representing a growth of approximately 7.2 percent compared to the revised estimates of 2025-26. Tax revenues continue to form the backbone of government income and are expected to rise by 8 percent, indicating moderate improvement in revenue mobilisation.
3. The macroeconomic framework of the Budget is anchored on a projected nominal GDP growth rate of 10 percent for 2026-27, encompassing both real economic expansion and inflationary factors. In terms of fiscal discipline, the revenue deficit is maintained at 1.5 percent of GDP, unchanged from the previous year's revised estimate, while the fiscal deficit is targeted at 4.3 percent of GDP, marking a marginal improvement over the 4.4 percent recorded in 2025-26.
4. With regard to public debt, the central government has reiterated its commitment to long-term debt consolidation by aiming to reduce outstanding liabilities to around 50 percent of GDP by March 2031. However, in the short term, the debt burden remains elevated, with outstanding liabilities in 2026-27 estimated at 55.6 percent of GDP.

Main Tax Proposals in the Finance Bill

1. The Union Budget 2026-27 has retained the existing income tax slab structure, with no revisions proposed for the assessment year 2026-27, thereby ensuring continuity and stability in the personal income tax regime.
2. To promote investment in strategic and globally competitive sectors, the Budget introduces long-term tax incentives. Foreign companies offering global cloud services through Indian data centres have been granted a tax exemption extending up to 2047, subject to the condition that services provided to Indian customers are routed through domestic resellers. In addition, the tax holiday period for units operating in the International Financial Services Centre (IFSC) and Offshore Banking Units has been extended from 10 years to 20 years. After the expiry of this period, IFSC units will be subject to a concessional tax rate of 15 percent.
3. With respect to corporate financial restructuring, the Budget proposes to treat all share buybacks as capital gains, accompanied by an additional levy on promoters. Consequently, the effective tax burden on buybacks

- would be approximately 22 percent for corporate promoters and 30 percent for non-corporate promoters.
4. The Budget *also* revises Securities Transaction Tax (STT) rates upward, increasing the levy on options transactions, exercised options, and futures contracts. This measure is expected to influence trading behaviour in derivative markets.
 5. Further, the Budget withdraws the deduction for interest expenditure incurred to earn dividend income or income from mutual fund investments. Earlier, such deductions were permitted up to a specified proportion of gross income; however, this benefit will no longer be available under the revised provisions.
 6. In the area of corporate taxation, changes have been introduced to the Minimum Alternate Tax (MAT) framework. From April 1, 2026, no new MAT credit will accrue, and the MAT rate has been reduced from 15 percent to 14 percent. Moreover, utilisation of existing MAT credit will be restricted to a maximum of 25 percent of the tax liability under the new tax regime.
 7. To encourage voluntary compliance, the Foreign Assets Disclosure Scheme, 2026 has been launched for certain categories of small taxpayers, including returning non-residents. This time-bound scheme offers graded relief, such as immunity from penalties and prosecution, contingent upon the payment of applicable tax, additional levies, or a prescribed fee, depending on the nature of non-disclosure.
 8. The Budget *also* provides select tax relaxations for non-residents, including a five-year income tax exemption for those supplying capital goods to electronics manufacturers, exemption of global income for specialised non-resident professionals working in India for up to five years under notified schemes, and an extension of MAT exemptions to additional categories of non-residents.
 9. In line with the objective of improving the ease of doing business, the government has undertaken rationalisation of penalty and prosecution provisions, with several tax offences either decriminalised or carrying a reduced maximum imprisonment term of two years.
 10. Finally, the Budget proposes a significant reduction in Tax Collected at Source (TCS) rates. TCS on remittances exceeding 10 lakhs for education and medical purposes has been lowered from 5 percent to 2 percent. Similarly, TCS on overseas tour packages, including travel and accommodation expenses, has been reduced uniformly to 2 percent, replacing the earlier higher and differential rates.

Policy Highlights

1. Finance and Economy

- A High-Level Committee on Banking for Viksit Bharat will be constituted to conduct a comprehensive review of the banking sector and suggest reforms for strengthening financial stability and efficiency.
- The Foreign Exchange Management (Non-Debt Instruments) Rules will be revised with the objective of simplifying regulations governing foreign investment.
- Persons Resident Outside India (PROI) will be allowed to invest in equity shares of listed Indian companies under the Portfolio Investment Scheme.
- The investment ceiling for individual PROI investors under this scheme will be enhanced from 5 percent to

10 percent, expanding overseas participation in Indian equity markets.

- To deepen the corporate bond market, a market-making framework with access to funds and derivative instruments linked to corporate bond indices will be introduced.
- Total return swaps on corporate bonds have been proposed to improve liquidity and risk management.
- To encourage urban infrastructure financing, a financial incentive of 100 crore will be provided for single municipal bond issuances exceeding 1,000 crores.

2. Industry and Commerce

- A dedicated scheme will be launched to revive 200 legacy industrial clusters through modern technology adoption and infrastructure upgradation.
- To strengthen traditional industries, the Mahatma Gandhi Gram Swaraj Initiative will focus on khadi, handloom, and handicrafts.

3. Infrastructure

- Public capital expenditure will be increased from ₹11.2 lakh crore to ₹12.2 lakh crore, reinforcing infrastructure-led growth.
- An Infrastructure Risk Guarantee Fund will be established to boost private sector confidence in large-scale projects.
- Five tourism destinations will be developed in the Purvodaya states, along with the allocation of 4,000 electric buses in the region.
- A dedicated freight corridor connecting Surat and Dankuni will be developed.
- Over the next five years, 20 new national waterways will be made operational.
- New schemes will be introduced to support construction equipment enhancement and container manufacturing.

4. Urban Development

- City Economic Regions (CERs) will be identified based on specific growth drivers, with a financial allocation of ₹5,000 crore per CER over five years.
- Seven high-speed rail corridors will be developed between selected urban centres to improve connectivity and mobility.

5. Labour and Employment

- A Standing Committee on Education to Employment and Enterprise will be established to strengthen service sector employment.
- The Committee will also study the impact of artificial intelligence on employment

patterns and job creation.

6. Education

- Five university townships will be developed along industrial and logistics corridors to promote industry-academia integration.
- Support will be extended to the Indian Institute of Creative Technologies, Mumbai to set up laboratories for animation, visual effects, gaming, and comics in 15,000 secondary schools and 500 colleges.

7. Energy

- The allocation for the Electronics Component Manufacturing Scheme will be increased from ₹22,919 crore to ₹40,000 crore.
- Rare Earth Corridors will be developed in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu.
- An amount of ₹20,000 crore over five years will be allocated for carbon capture, utilisation, and storage initiatives.
- Semiconductor Mission 2.0 will be launched to strengthen domestic semiconductor manufacturing.

8. Health & Pharmaceuticals

- New Allied Health Professional institutions will be established in both public and private sectors, covering disciplines such as radiology, anaesthesia, and behavioural health.
- To promote medical tourism, five regional medical hubs will be developed.
- Three All India Institutes of Ayurveda will be established to strengthen traditional healthcare education and services.
- The Biopharma SHAKTI scheme will be implemented for five years with an outlay of ₹10,000 crore to support domestic production of biologics and biosimilars.
- Three new National Institutes of Pharmaceutical Education and Research (NIPERs) will be set up, and seven existing institutions will be upgraded.

9. Agriculture

- Tax deductions will be extended to cooperative members engaged in supplying cotton seeds and cattle feed.
- The animal husbandry sector will receive support through a credit-linked subsidy programme.
- A coconut development scheme will be implemented to enhance productivity and output.

Budget Estimates of 2026-27 as compared to revised estimates of 2025-26:

Table 1: Budget at a Glance 2026-27 (Rs. crore)

Particulars	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
Revenue Expenditure	36,00,914	39,44,255	38,69,087	41,25,494	6.6%
Capital Expenditure	10,51,953	11,21,090	10,95,755	12,21,821	11.5%
⇒ Capital Outlay	8,55,244	8,95,245	8,87,364	9,43,042	6.3%
⇒ Loans and Advances	1,96,710	2,25,844	2,08,391	2,78,780	33.8%
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315	7.7%
Revenue Receipts	30,36,619	34,20,409	33,42,323	35,33,150	5.7%
Capital Receipts	41,818	76,000	64,027	1,18,397	84.9%
⇒ Recoveries of Loans	24,617	29,000	30,190	38,397	27.2%
⇒ Disinvestments	17,202	47,000	33,837	80,000	136.4%
Total Receipts (Excl. Borrowings)	30,78,436	34,96,409	34,06,350	36,51,547	7.2%

Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344	12.4%
Revenue Deficit (% of GDP)	1.7%	1.5%	1.5%	1.5%	-
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768	8.8%
Fiscal Deficit (% of GDP)	4.8%	4.4%	4.4%	4.3%	-
Primary Deficit	4,58,856	2,92,598	2,84,154	2,91,796	2.7%
Primary Deficit (% of GDP)	1.4%	0.8%	0.8%	0.7%	-

Source: Budget at a Glance, Union Budget Documents 2026-27; PRS

Interpretation: Table 1 presents a comprehensive overview of the Union Budget 2026-27, highlighting the government's emphasis on growth-oriented yet fiscally disciplined spending. Total expenditure is budgeted to increase by 7.7 percent, driven largely by a robust 11.5 percent rise in capital expenditure, indicating a clear focus on asset creation and infrastructure development. Revenue expenditure

shows a moderate increase, reflecting efforts to control recurring expenses. On the receipts side, non-borrowed receipts are projected to grow by 7.2 percent, supported mainly by higher tax revenues. Despite rising expenditure, the fiscal deficit is marginally reduced to 4.3 percent of GDP, while the revenue deficit is maintained at 1.5 percent of GDP, signalling a gradual move towards fiscal consolidation.

Table 2: Break-up of Central Government Receipts in 2026-27 (Rs. Crore)

Particulars	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
A. Gross Tax Revenue	37,96,382	42,70,233	40,77,772	44,04,086	8.0%
Corporation Tax	9,86,767	10,82,000	11,09,000	12,31,000	11.0%
Taxes on Income	12,35,171	14,38,000	13,12,000	14,66,000	11.7%
Goods and Services Tax (GST)	10,27,041	11,78,000	10,46,480	10,19,020	-2.6%
⇒ Central GST (CGST)	8,76,471	10,10,890	9,58,480	10,19,020	6.3%
⇒ GST Compensation Cess	1,50,570	1,67,110	88,000	0	-
Customs Duty	2,33,201	2,40,000	2,58,290	2,71,200	5.0%
Union Excise Duties	3,00,253	3,17,000	3,36,550	3,88,910	15.6%
B. Devolution to States	12,86,885	14,22,444	13,92,971	15,26,255	9.6%
C. Centre's Net Tax Revenue	25,00,039	28,37,409	26,74,661	28,66,922	7.2%
D. Non-Tax Revenue	5,36,580	5,83,000	6,67,662	6,66,228	-0.2%
⇒ Interest Receipts	40,435	47,738	40,165	41,763	4.0%
⇒ Dividends and Profits	3,08,424	3,25,000	3,75,590	3,91,000	4.1%
⇒ Other Non-Tax Revenue	1,84,206	2,05,668	2,48,461	2,29,373	-7.7%
E. Capital Receipts (Excl. Borrowings)	41,818	76,000	64,027	1,18,397	84.9%
⇒ Disinvestment	17,202	47,000	33,837	80,000	136.4%
Receipts (Excl. Borrowings) (C + D + E)	30,78,437	34,96,409	34,06,350	36,51,547	7.2%
Borrowings	15,74,431	15,68,936	15,58,492	16,95,768	8.8%

Source: Receipts Budget, Union Budget Documents 2026-27; PRS

Interpretation: Table 2 presents the composition of central government receipts for 2026-27, highlighting trends in revenue mobilisation and financing strategy. Gross tax revenue is budgeted to rise by 8 percent, supported mainly by strong growth in corporation tax and income tax, reflecting improved direct tax performance. In contrast, GST collections show a marginal decline at the aggregate level, indicating moderation in indirect tax buoyancy. Devolution

to states increases by 9.6 percent, reinforcing cooperative federalism and greater fiscal support to states. Non-tax revenue remains broadly stable, with higher dividends and profits offsetting a decline in other non-tax receipts. Capital receipts excluding borrowings rise sharply due to an ambitious disinvestment target. Overall, receipts excluding borrowings grow by 7.2 percent, while increased borrowings continue to play a significant role in financing the fiscal deficit.

Table 3: Break-up of Central Government Expenditure in 2026-27 (Rs. Crore)

Particulars	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
Central Expenditure	37,44,781	40,16,003	41,19,301	43,57,429	5.8%
Establishment Expenditure of Centre	8,29,423	8,68,096	7,82,701	8,24,114	5.3%
Central Sector Schemes	14,94,392	16,21,899	16,37,156	17,71,928	8.2%
Other Expenditure	14,20,966	15,26,008	16,99,445	17,61,387	3.6%
⇒ Interest Payments	11,15,575	12,76,338	12,74,338	14,03,972	10.2%
Centrally Sponsored Schemes & Other Transfers	9,08,086	10,49,343	8,45,540	9,89,885	17.1%
Centrally Sponsored Schemes	4,02,368	5,41,850	4,20,078	5,48,798	30.6%
Finance Commission Grants	1,20,858	1,32,767	1,52,953	1,29,397	-15.4%
⇒ Rural Local Bodies	41,262	48,573	54,314	55,909	2.9%
⇒ Urban Local Bodies	19,260	26,158	26,023	45,272	74.0%
⇒ Disaster Management Grants	25,249	26,969	33,515	28,216	-15.8%
Post-Devolution Revenue Deficit Grants	24,483	13,705	13,705	0	—
Other Grants	3,84,860	3,74,725	2,72,510	3,11,691	14.4%
Capex Loans to States	1,49,484	1,50,000	1,44,000	1,85,000	28.0%
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315	7.7%

Source: Budget at a Glance, Union Budget Documents 2026-27; PRS

Interpretation: Table 3 provides a detailed overview of the composition and growth of central government expenditure in 2026-27. Total expenditure is budgeted to rise by 7.7 percent over the revised estimates of 2025-26, indicating a moderate expansion in public spending. Central expenditure increases by 5.8 percent, driven primarily by higher allocations to central sector schemes, which grow by 8.2 percent, reflecting the government’s emphasis on

developmental programmes. Centrally sponsored schemes and other transfers record a significant rise of 17.1 percent, suggesting enhanced fiscal support to states. Interest payments continue to form a substantial component of expenditure, increasing by 10.2 percent, underscoring the pressure of debt servicing. Notably, capital expenditure loans to states increase sharply, highlighting the focus on infrastructure-led growth and cooperative federalism.

Table 4: Ministry-wise Expenditure in 2026-27 (Rs. Crore)

Ministry	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
Defence	6,36,003	6,81,210	7,32,512	7,84,678	7.1%
Road Transport and Highways	2,99,460	2,87,333	2,87,142	3,09,875	7.9%
Railways	2,55,263	2,55,445	2,55,466	2,81,377	10.1%
Home Affairs	2,24,585	2,33,211	2,41,485	2,55,234	5.7%
Consumer Affairs, Food and Public Distribution	2,15,009	2,15,767	2,38,409	2,39,521	0.5%
Rural Development	1,79,307	1,90,406	1,88,753	1,97,023	4.4%
Chemicals and Fertilisers	1,84,993	1,61,965	1,91,186	1,77,061	-7.4%
Agriculture and Farmers’ Welfare	1,39,744	1,37,757	1,33,370	1,40,529	5.4%
Education	1,10,736	1,28,650	1,21,949	1,39,289	14.2%
Health and Family Welfare	90,684	99,859	96,854	1,06,530	10.0%
Communications	1,47,832	1,08,105	79,768	1,02,267	28.2%
Jal Shakti	46,720	99,503	41,437	94,808	128.8%
Housing and Urban Affairs	53,255	96,777	57,204	85,522	49.5%
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315	7.7%

Source: Expenditure Budget, Union Budget 2026-27; PRS

Interpretation: Table 4 presents the ministry-wise allocation of central government expenditure for 2026-27, highlighting shifts in sectoral priorities. Defence continues to receive the highest allocation, registering a growth of 7.1 percent over the revised estimates of 2025-26, reflecting ongoing strategic and security commitments. Significant increases are also observed in Railways, Education, Health, and Road Transport, indicating emphasis on infrastructure development and human capital formation. Notably,

allocations to Jal Shakti and Housing and Urban Affairs record sharp growth, suggesting renewed focus on water security and urban development after under-spending in the previous year. In contrast, expenditure on Chemicals and Fertilisers declines, primarily due to rationalisation of subsidies. Overall, the distribution of funds underscores a balanced approach combining national security, infrastructure expansion, social sector development, and urban transformation.

Table 5: Subsidies in 2026-27 (Rs. Crore)

Type of Subsidy	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
Food Subsidy	1,99,867	2,03,420	2,28,154	2,27,629	-0.2%
Fertiliser Subsidy	1,70,683	1,67,887	1,86,460	1,70,799	-8.4%
Interest Subsidy	21,885	27,840	24,666	27,441	11.3%
LPG Subsidy	14,479	12,100	15,121	12,085	-20.1%
Other Subsidies	15,692	14,969	15,105	16,820	11.3%
Total Subsidies	4,22,606	4,26,216	4,69,505	4,54,773	-3.1%

Source: Expenditure Profile, Union Budget 2026-27; PR

Interpretation: Table 5 highlights the trend and composition of subsidy expenditure in the Union Budget 2026-27. Total subsidies are budgeted to decline by 3.1 percent compared to the revised estimates of 2025-26, indicating an effort towards subsidy rationalisation and fiscal consolidation. Food subsidy, which constitutes the largest share, remains broadly stable with a marginal reduction, reflecting continued support for food security

programmes. Fertiliser subsidy shows a notable decline, suggesting improved targeting and moderation in input costs. In contrast, interest subsidy records an increase, pointing to enhanced credit support measures. LPG subsidy witnesses a sharp reduction, indicating a gradual withdrawal of broad-based energy support. Overall, the subsidy structure reflects a shift towards targeted assistance while maintaining essential welfare commitments.

Table 6: Scheme-wise Allocation in 2026-27 (Rs. Crore)

Scheme	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
VB-G RAM G	0	0	0	95,692	-
MGNREGS	85,834	86,000	88,000	30,000	-66%
Jal Jeevan Mission / National Rural Drinking Water Mission	22,612	67,000	17,000	67,670	298%

Category	2024-25	2025-26	2026-27	2027-28	% Change
PM-KISAN	66,121	63,500	63,500	63,500	0%
Pradhan Mantri Awas Yojana - Rural	32,327	54,832	32,500	54,917	69%
Samagra Shiksha	36,288	41,250	38,000	42,100	11%
National Health Mission	38,889	37,227	37,100	39,390	6%
Saksham Anganwadi and POSHAN 2.0	21,014	21,960	20,949	23,100	10%
Modified Interest Subvention Scheme	22,600	22,600	22,600	22,600	0%
Pradhan Mantri Awas Yojana - Urban	5,865	25,794	7,900	22,025	179%
PM Surya Ghar Muft Bijli Yojana	7,818	20,000	17,000	22,000	29%
PM Viksit Bharat Rozgar Yojana	0	0	0	20,083	-
Bharatnet	3,995	22,000	5,500	20,000	264%
Research, Development and Innovation (RDI) Scheme	0	20,000	3,000	20,000	566.7%

Source: Expenditure Profile, Union Budget 2026-27; PRS

Interpretation: Table 6 presents the scheme-wise allocation of major government programmes in the Union Budget 2026-27, reflecting a reorientation of welfare and development priorities. A notable shift is the introduction of the VB-G RAM G scheme with a substantial allocation, alongside the launch of the PM Viksit Bharat Rozgar Yojana, highlighting renewed focus on employment generation. In contrast, allocations to MGNREGS decline sharply, indicating a transition from wage-based support to asset-

and employment-linked programmes. Significant increases are observed in Jal Jeevan Mission, housing schemes, Bharatnet, and the Research, Development and Innovation scheme, underscoring emphasis on infrastructure, digital connectivity, and innovation-led growth. Stable allocations to PM-KISAN and interest subvention schemes reflect continuity in agricultural income and credit support. Overall, the pattern suggests a strategic shift towards long-term developmental and productivity-enhancing initiatives.

Table 7: Allocations for Women, Children, SCs, STs and North Eastern Region (Rs. Crore)

Category	Actuals 2024-25	Revised 2025-26	Budgeted 2026-27	% Change (2025-26 RE to 2026-27 BE)
Welfare of Women	3,59,722	3,97,885	5,00,879	25.9%
Welfare of Children	99,099	1,07,945	1,32,297	22.6%
Scheduled Castes	1,23,372	1,61,205	1,96,400	21.8%
Scheduled Tribes	1,05,711	1,23,435	1,41,089	14.3%
North Eastern Region	87,736*	88,741	1,08,335	22.1%

Sources: Expenditure Profile, Union Budget 2026-27; PRS

Interpretation: Table 7 highlights the government's commitment to inclusive and socially balanced development through targeted budgetary allocations in 2026-27. Expenditure on the welfare of women records the highest increase, rising by 25.9 percent over the revised estimates of 2025-26, reflecting a strong focus on gender-responsive budgeting. Allocations for children also grow substantially, indicating enhanced support for nutrition, education, and health-related programmes. Spending on Scheduled Castes

and Scheduled Tribes increases by 21.8 percent and 14.3 percent respectively, underscoring efforts to promote social equity and uplift marginalised communities. The allocation for the North Eastern Region rises by 22.1 percent, signalling continued emphasis on regional development and integration. Overall, the distribution of funds demonstrates a clear policy intent to strengthen social inclusion and address regional and demographic disparities through fiscal intervention.

Table 8: Deficits as Percentage of GDP

Type of Deficit	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27
Fiscal Deficit	4.8%	4.4%	4.4%	4.3%
Revenue Deficit	1.7%	1.5%	1.5%	1.5%
Primary Deficit	1.4%	0.8%	0.8%	0.7%

Source: Budget at a Glance, Union Budget 2026-27; PRS Legislative Research

Interpretation: Table 8 indicates a gradual improvement in India's fiscal position over the period under review. The fiscal deficit declines from 4.8 percent of GDP in 2024-25 to a budgeted 4.3 percent in 2026-27, reflecting a

commitment to fiscal consolidation. The revenue deficit remains stable at 1.5 percent, while the primary deficit shows further improvement, signalling reduced dependence on borrowing for current expenditure.

Table 9: Criteria for Devolution under Finance Commissions (Weightage in %)

Criteria	14th Finance Commission (2015-20)	15th Finance Commission (2021-26)	16th Finance Commission (2026-31)
Income Distance	50.0	45.0	42.5
Area	15.0	15.0	10.0
Population (1971)	17.5	-	-
Population (2011)	10.0	15.0	17.5
Demographic Performance	-	12.5	10.0
Forest Cover	7.5	10.0	10.0
Tax and Fiscal Effort	-	2.5	-
Contribution to GDP	-	-	10.0
Total	100	100	100

Source: Reports of the 14th, 15th, and 16th Finance Commissions; PRS Legislative Research

Interpretation: Table 9 compares the evolution of criteria used for tax devolution by successive Finance Commissions. While income distance continues to receive the highest weight, its share has gradually declined, indicating a balanced approach between equity and efficiency. Greater emphasis on population (2011) and the introduction of contribution to GDP by the 16th Finance Commission reflect a shift towards recognising economic performance alongside redistribution.

Key Findings

1. The Union Budget 2026-27 reflects a clear shift towards capital expenditure-led growth, with capital spending growing faster than revenue expenditure.
2. Fiscal consolidation remains a priority, as evidenced by a declining fiscal and primary deficit while maintaining revenue deficit stability.
3. Direct tax revenues show stronger growth compared to indirect taxes, indicating moderation in GST buoyancy.
4. Increased allocations for infrastructure, housing, education, health, and digital connectivity highlight a long-term development orientation.
5. Social sector spending on women, children, SCs, STs, and the North Eastern Region demonstrates a strong commitment to inclusive growth.
6. Subsidy expenditure shows rationalisation, particularly in fertiliser and LPG subsidies, without compromising food security.
7. Finance Commission devolution criteria reflect a balanced approach between equity and performance-based federalism.

Recommendation

1. Strengthen GST compliance and revenue efficiency to improve indirect tax buoyancy.
2. Enhance outcome-based and performance-linked budgeting to ensure effective utilisation of increased capital expenditure.
3. Reduce long-term fiscal pressure by managing interest payments and public debt through prudent borrowing strategies.
4. Improve implementation capacity at the state and local levels to maximise returns from centrally sponsored schemes.
5. Continue targeted subsidy reforms to balance fiscal efficiency with social protection.
6. Promote cooperative federalism by aligning state-level planning with Finance Commission performance criteria.

Conclusion

The Union Budget 2026-27 presents a balanced fiscal framework that aligns short-term economic management with the long-term vision of Viksit Bharat 2047. By prioritising capital expenditure, infrastructure development, and social inclusion while maintaining fiscal discipline, the Budget lays a strong foundation for sustainable and inclusive growth. However, achieving desired outcomes will depend on improved tax mobilisation, efficient expenditure management, and effective centre-state coordination. Overall, the Budget emerges as a strategic policy instrument capable of supporting India's developmental transition, provided implementation and monitoring mechanisms are strengthened.

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