KARTAVYA PCS

UNION BUDGET 2026–27 : HIGH-YIELD ANALYSIS

1. CONSTITUTIONAL PROVISIONS & BUDGET HISTORY

Constitutional Framework:
- **Article 112:** Annual Financial Statement (The term *'Budget'* is not mentioned in the Constitution).
- **Prepared by:** Budget Division, Department of Economic Affairs, Ministry of Finance (guided by Chief Economic Advisor).
- **Article 266:** Prior Parliamentary approval (Appropriation Bill) is mandatory to withdraw funds from the Consolidated Fund of India (CFI).

Historical Milestones & Records:
- **Morarji Desai:** Presented the maximum number of budgets (10 times); twice on his birthday (29 Feb).
- **Nirmala Sitharaman:** 9th consecutive budget in 2026 (Highest consecutive); longest duration speech in 2020; equals P. Chidambaram (9 times).
- **Dr. Manmohan Singh:** Longest budget in terms of word count (1991 historic reform budget).

2. MACROECONOMIC PROJECTIONS & GUIDING PILLARS

- **GDP Growth Projections (FY27):** Real GDP Growth: **6.8% – 7.2%** | Nominal GDP Growth: **10.0%**.
- **Key Growth Drivers (How 7%+ Growth is Sustained):** Structural reforms, fiscal prudence, robust public investment (CAPEX), energy security, monetary stability & domestic manufacturing capacity.
- **Broad Reform Push:** Over 350 structural reforms implemented (GST streamlining, 4 Labour Codes, high-level committees, deregulation & compliance reduction).
- **Theme & Focus:** *Yuva Shakti-Driven Budget* focusing on the poor, underprivileged, and disadvantaged.
- **The 3 Guiding Kartavyas:**
  1. Accelerate & sustain high economic growth.
  2. Fulfill citizens' aspirations and build capacity.
  3. *Sabka Saath, Sabka Vikas* (Inclusive, all-round national development).

3. FISCAL LANDSCAPE, DEFICIT RATIOS & 16TH FINANCE COMMISSION

Deficit / Fiscal Metric	BE 2026–27	RE 2025–26	Exam Insights & Trajectory
Fiscal Deficit (FD)	**4.3% of GDP**	4.4% of GDP	Continuously declining since peak in FY 2020–21.
Revenue Deficit (RD)	**1.5% of GDP**	1.8% of GDP	Bridging gap between revenue receipts & spending.
Effective Revenue Deficit	**0.3% of GDP**	0.5% of GDP	Excludes grants for creation of capital assets.
Primary Deficit (FD - Interest)	**0.7% of GDP**	0.8% of GDP	Reflects current fiscal stance excluding legacy debt.
Debt-to-GDP Ratio	**55.6% (FY27)**	56.1% (FY26)	Targeted glide-path to reach **50% by 2030**.
16th Finance Commission	Chaired by **Dr. Arvind Panagariya** (for 2026–31 period). Accepted **41% vertical devolution** to States. Grants to States in FY27: **₹1.4 Lakh Crore** (including Rural, ULBs & Disaster Management).		

Receipts Profile (FY 2026–27):
- **Revenue Receipts:** ₹35.3 Lakh Crore (Tax + Non-tax)
- **Capital Receipts:** ₹18.1 Lakh Crore (Disinvestment, Recoveries, Borrowings)
- **Total Transfers to States/UTs: ₹26.2 Lakh Crore** (Continuous increase since 2022–23).

Expenditure Profile (FY 2026–27):
- **Revenue Expenditure:** ₹41.25 Lakh Crore (Salaries, Pensions, Subsidies)
- **Capital Expenditure (CAPEX): ₹12.2 Lakh Crore** (Asset Creation)
- **Effective Capital Expenditure: ₹17.1 Lakh Crore** (including State capital grants).

4. WHERE RUPEE COMES FROM & WHERE RUPEE GOES

Source (Rupee Comes From)	Share (%)
Borrowings & Other Liabilities	**25%**
Income Tax	**21%**
Corporate Tax	**18%**
GST (Goods & Services Tax)	**15%**
Non-Tax Revenue	**10%**
Union Excise Duties	**6%**
Customs Duty	**4%**
Non-Debt Capital Receipts	**2%**

Destination (Rupee Goes To)	Share (%)
State Share of Taxes & Duties	**22%**
Interest Payments	**20%**
Central Sector Schemes (CS)	**17%**
Defence	**11%**
Centrally Sponsored Schemes (CSS)	**8%**
Finance Commission & Other Transfers	**7%**
Other Expenditures	**7%**
Subsidies (Food, Fertilizer, Fuel)	**6%**
Civil Pensions	**2%**

Sectoral Expenditure Ranking (Descending Order):
Transport > Defence > Rural Development > Home Affairs > Agriculture & Allied > Education > Energy > Health > Urban Development > IT & Telecom > Commerce & Industry > Social Welfare > Science & Tech > Tax Administration > MEA > Finance > North East Development.

5. STRATEGIC SECTORAL INITIATIVES & ECONOMIC ENGINES

- **Higher Education, Tourism & Skilling:**
  - **5 University Townships:** Setup in major industrial and logistics corridors to seamlessly integrate academia with industrial demand.

- **Girls STEM Hostels:** Dedicated girls hostel in higher education STEM institutions across *every district*.
- **Content Creator Labs:** Established across 500 colleges and 15,000 secondary schools nationwide; Khelo India Mission support.
- **Tourism & Design:** National Institute of Hospitality; National Institute of Design (NID) in Eastern India; Global Big Cat Summit; Buddhist Circuit in Northeast; 15 archaeological sites developed into world-class cultural destinations.

- **Agriculture & Farmers Welfare:**
  - **Bharat-VISTAAR:** High-tech agricultural digital framework leveraging Artificial Intelligence (AI) and remote sensing.
  - **High-Value Agriculture:** Rejuvenation of Horticulture; Entrepreneurship in Animal Husbandry; Special program for Cashew & Cocoa; Sandalwood cultivation & post-harvest processing.
  - **Fisheries & Blue Economy:** 500 reservoirs and Amrit Sarovars integrated for commercial fisheries & aquaculture.
- **MSMEs & Commerce:**
  - **₹10,000 Crore SME Growth Fund:** Dedicated corpus to scale high-potential micro and small enterprises.
  - **Corporate Mitras:** Deployed across Tier-II and Tier-III towns to assist MSMEs with compliance at affordable cost.
  - **TReDS Integration:** Mandatory onboarding of all CPSE procurement on TReDS; linking Government e-Marketplace (GeM) with TReDS; Credit Guarantee support.
- **High-Tech, Semiconductors, Biopharma & Manufacturing:**
  - **India Semiconductor Mission 2.0:** Accelerated ecosystem expansion with dedicated rare earth/critical mineral corridors in **Odisha, Kerala, Andhra Pradesh & Tamil Nadu**.
  - **Biopharma SHAKTI (₹10,000 Cr over 5 years):** Targeted mission to eliminate Active Pharmaceutical Ingredient (API) import dependency.
  - **Data Centre Tax Holiday:** Strategic tax exemptions to attract global hyperscale cloud and AI data centers.
  - **Manufacturing Schemes:** Electronics Component Manufacturing Scheme + Integrated Programme for Textiles + Dedicated Chemical Parks + Revitalization of 200 legacy industrial clusters; Tax reforms to boost domestic manufacturing.
- **Services & Healthcare:**
  - Standing Committee on 'Education to Employment & Enterprise'; 5 Hubs for Medical Value Tourism; Training 1.5 lakh multiskilled caregivers.
  - 3 new All India Institutes of Ayurveda; Upgradation of WHO Global Traditional Medicine Centre.
- **Financial & Capital Market Reforms:**
  - High-Level Committee on Banking for Viksit Bharat; Restructuring of PFC & REC; Comprehensive review of FEMA regulations.
  - ₹100 Crore incentive fund for municipal bond issuances; STT on Futures increased from 0.02% to 0.05%.

6. INFRASTRUCTURE, URBANISATION, WELFARISM & TAXPAYER RELIEF

Infrastructure & Freight Corridors:
- **Public CAPEX:** Stepped up to ₹12.2 Lakh Crore (focus on Tier-II & Tier-III cities).
- **Infrastructure Risk Guarantee Fund:** Established to mobilize private capital.
- **Dedicated Freight Corridor (DFC):** Connecting Surat with Dankuni.
- **National Waterways (NW):** 20 new waterways operationalized connecting mineral-rich regions, industrial hubs, and ports.
- **Coastal Cargo Promotion Scheme:** Double the share of inland waterways and coastal shipping from 6% to 12% by 2047; Ship repair ecosystem.
- **Purvodaya:** Integrated East Coast Industrial Corridor.
- **Urbanisation:** City Economic Regions (especially Tier-II, Tier-III & Temple-towns); 7 High-Speed Rail Corridors as regional *'Growth Connectors'*.

Welfarism, Social Security & Healthcare:
- **SHE-Marts:** Self-Help Entrepreneur retail outlets as community-owned marketing channels for women SHGs.
- **Divyangjan Kaushal Yojana:** Industry-relevant, customized vocational training for persons with disabilities.
- **Divyang Sahara Yojana:** Universal access to quality, modern assistive devices.
- **Mental Health Infrastructure:** NIMHANS-2 setup; Upgradation of National Mental Health Institutes at Tezpur & Ranchi.
- **Emergency Healthcare:** Advanced emergency & trauma care centers established across all district hospitals.

Ease of Doing Business (EoDB) & Taxpayer Simplification:
- **TCS Reduction:** Overseas tour packages TCS slashed from 20%/5% to **2%**; Education and medical remittances under Liberalized Remittance Scheme (LRS) slashed from 5% to **2%**.
- **Foreign Investment:** Persons Resident Outside India (PROIs) allowed direct equity investment in listed Indian companies via Portfolio Investment Scheme.
- **Tax Dispute Resolution & Relief:** One-time 6-month foreign asset disclosure scheme for small taxpayers; Share buyback taxed across all shareholder categories as Capital Gains; Honest taxpayers allowed to settle legacy disputes by paying a defined amount.
- **Customs & Trade:** Single digital window for cargo clearance; Rollout of nationwide Custom Integrated System over next 2 years.