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YOJANA

A DEVELOPMENT MONTHLY SINCE 1957

UNION BUDGET
2025-26

- ✓ Roadmap for Viksit Bharat @2047
- ✓ Charting Next Infrastructure Frontier
- ✓ Tax Reforms: Empowering Middle Class

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No. 03

YOJANA

Let noble thoughts come to us from all sides.
Rig Veda

Since 1957 A DEVELOPMENT MONTHLY

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Budgeting for a Brighter Tomorrow

The Indian economy has been making steady progress in recent years, consistently defying global trends and solidifying its position as a significant player on the world stage. As we continue on this trajectory, the recently presented Union Budget 2025-26 has sent a clear signal that the Government is committed to sustaining this momentum, with a focus on driving growth, boosting investment, and enhancing the overall quality of life for its citizens. The budget mentions four engines of growth, namely Agriculture, MSMEs, Investment, and Exports, which are expected to propel the economy forward.

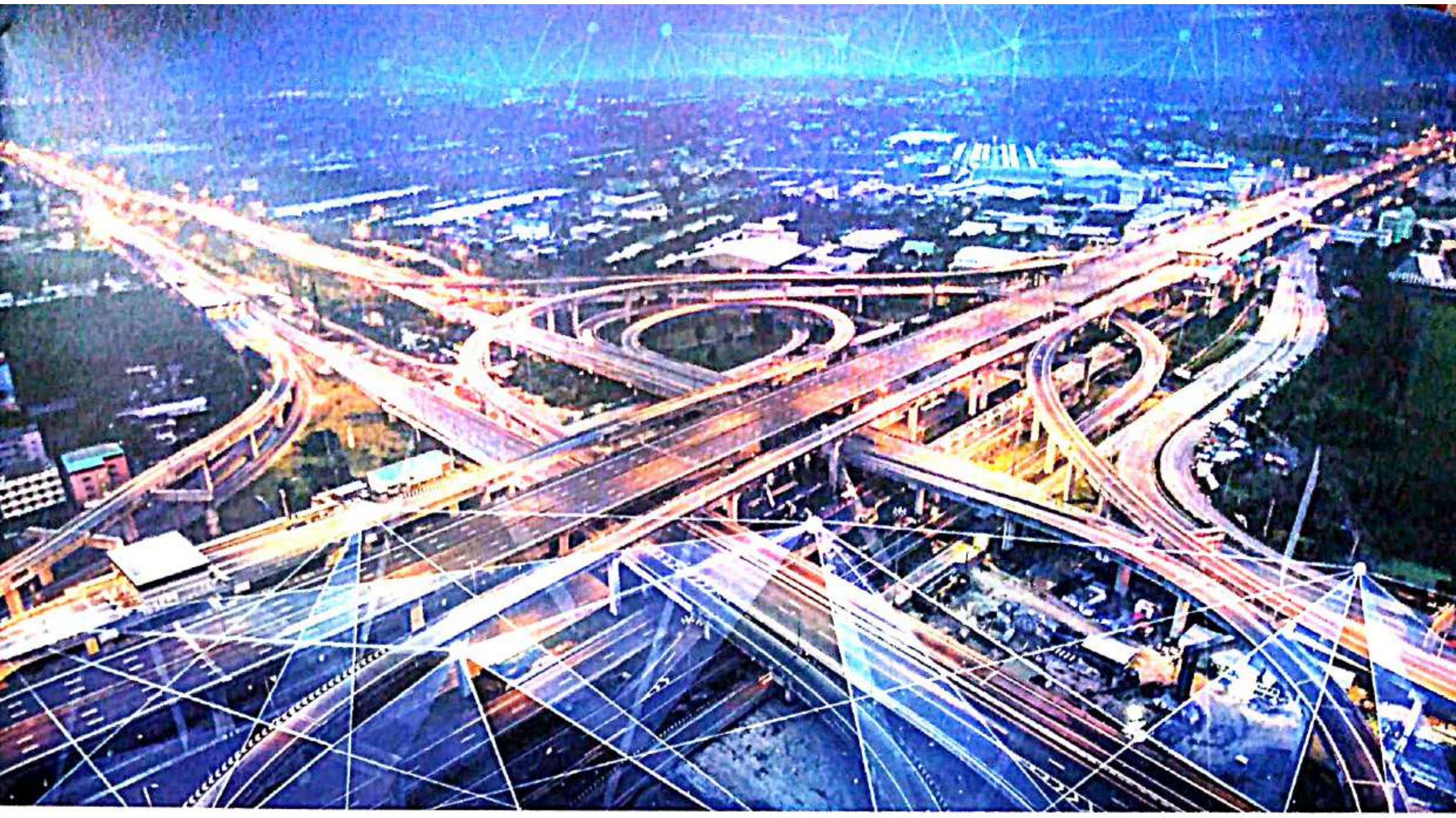
The Reserve Bank of India's (RBI) recent move to cut the repo rate by 25 basis points, lowering it to 6.25 per cent, marks a significant shift in monetary policy after a prolonged period of unchanged rates. This rate cut is expected to inject fresh liquidity into the system. This monetary policy decision, combined with the government's move to exempt income tax up to Rs 12 lakhs, is a potent combination that is likely to boost growth by spurring demand. Moreover, this move has brought big relief and joy to the middle class, an important cog in the economic wheel, as it will increase their disposable income and provide them with more financial flexibility, allowing them to plan for their future with greater confidence. This, in turn, will have a profound impact on the most marginalised sections of society, empowering them to break free from poverty and aspire for a better life.

The Government of India has been actively working to boost the agricultural sector, and the latest budget allocations are a testament to this commitment. The Agricultural Infrastructure Fund has also sanctioned Rs 52,738 crore for over 87,500 projects to improve post-harvest management. The establishment of a Makhana Board in Bihar is expected to promote the cultivation and marketing of this highly nutritious crop, benefiting hundreds of farmers in the region. Additionally, the new urea plant in Assam, with an annual production capacity of 12.7 lakh tonnes, will help reduce the country's dependence on imported urea, making it more self-sufficient in meeting the fertiliser needs of its farmers.

The Union Budget 2025-26 has introduced a landmark initiative to propel India's maritime development, with the establishment of a dedicated Maritime Development Fund. As announced by the Finance Minister, this fund will be a game-changer for the industry, providing access to affordable and steady capital for shipbuilding and other maritime infrastructure projects.

However, as we navigate this complex landscape, we must be mindful of the headwinds that the world is facing. Conflicts in the form of wars have disturbed oil supply and trade routes, leading to rising prices and uncertainty. In this tumultuous environment, India will need to carefully navigate these challenges to stay on course, ensuring that the benefits of growth reach the last person in the queue.

This issue also commemorates International Women's Day on 8th March. We are reminded of the indomitable commitment and contributions of women to make this world a better place. Their struggles, their triumphs, and their unwavering spirit are an inspiration to us all, and a testament to the power of the human spirit to overcome adversity and achieve greatness and the important role they play in the economy. In this context, the current issue of Yojana is particularly relevant, as it focuses on the Union Budget 2025-26, with articles from some of the best experts, policy analysts, and researchers in the field. ❑



Roadmap for Viksit Bharat @ 2047

V ANANTHA NAGESWARAN | The author is the Chief Economic Advisor to the Government of India. Email: cea@nic.in

India's journey towards becoming a developed nation by 2047 is driven by economic, demographic, and geopolitical realities. The 1991 reforms laid the foundations for India's transformation. Sustaining high growth requires adapting to global shifts and revitalising internal growth engines. This involves broad-based deregulation, building a robust manufacturing base, ensuring energy security, and fostering collaboration between the government, private sector, and academia. Deregulation promotes a competitive business environment, manufacturing strength creates jobs, and energy security supports sustained growth. Fair income distribution between capital and labour is crucial for stability and inclusive growth. Embracing these priorities will define India's growth trajectory for the next two decades and beyond.

The reforms of 1991 laid the foundations for India's transformation into one of the world's fastest-growing economies by leveraging the forces of globalisation to its benefit. Facing a severe balance of payments crisis and a stagnating economy, India had embarked on a path of liberalisation, privatisation and globalisation. These reforms not only marked a significant shift in the thought process adopted by policymakers but also embodied the aspiration of fast-tracking India's journey towards a developed nation. They dismantled the protectionist policies that had defined India's economic strategies for decades and opened the country to foreign

investment, trade and global competition. By acting promptly, the change in orientation allowed India to benefit from the increasingly integrated global environment. This accelerated economic growth, created jobs, and expanded our industrial and service sectors.

Lessons from our past show us that the strong economic fundamentals our nation benefits from today were the product of two significant factors: a changing world order and India's policies aimed at adapting to and leveraging these changes. Today, just over thirty years later, a similar situation appears to have arrived at our doorstep, one that signifies that it is time to revisit the growth paradigms that have guided us thus far. The global order is shifting, marking the recess of the globalised era that once fuelled our rapid economic expansion. Headwinds to our domestic growth prospects are emerging due to waves of protectionism, reshaping trade dynamics, and growing geopolitical tensions. Major economies that once championed the principles of a free and open global market are now turning inward, prioritising domestic resilience over cross-border dependencies. Supply chains are being reconfigured to emphasise national security concerns. These transitions are not merely a temporary reaction to the pandemic-induced shocks but potentially mark a structural shift redefining how nations pursue economic growth.

In light of these considerations, sustaining high growth on our journey towards a *Viksit Bharat* by 2047 is a non-trivial feat. The growth drivers we have relied on thus far may not be able to provide the necessary push as we advance. Additionally, geoeconomic fragmentation can potentially exacerbate the challenges India already faces. Energy transition and adaptation to climate change are prominent among these, and they can significantly impact how India produces, procures, and meets its energy requirements. Similarly, India will have to create 78.5 lakh new non-farm jobs annually till 2036, achieve 100 per cent literacy, develop the quality of our education institutions, and develop high-quality infrastructure at scale and speed. Therefore, fulfilling our vision of transforming into a developed economy by 2047 will require India to, once again, adapt promptly to these shifting tides and reinvigorate the internal engines of growth.

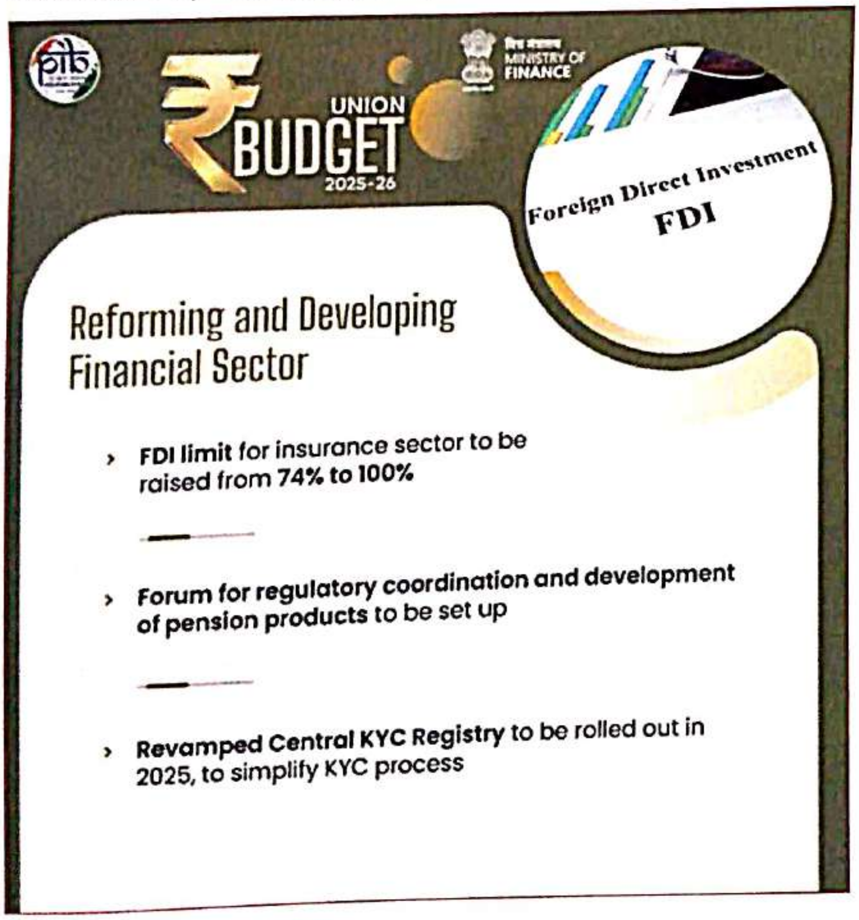
Relying on internal growth drivers without a benign external environment is the key to attaining our developmental goals. Catalysing the domestic drivers thus rests on fulfilling four main priorities: broad-based deregulation, building a robust manufacturing base, an energy transition sensitive to the needs of India, and a tripartite compact between the government, private sector and academia. As India stands at the crossroads of a shifting global landscape, its ability to sustain high growth and achieve its developmental aspirations will depend on how effectively it reinvents its economic strategies. By embracing bold reforms and fostering domestic resilience, India can navigate the challenges of a fragmented world order and continue to deliver tangible improvements in living standards to its citizens.

In the following sections, we discuss each of the four priorities in detail, shedding light on their importance and the initiatives undertaken by the Government of India to address them.

Deregulation for Growth

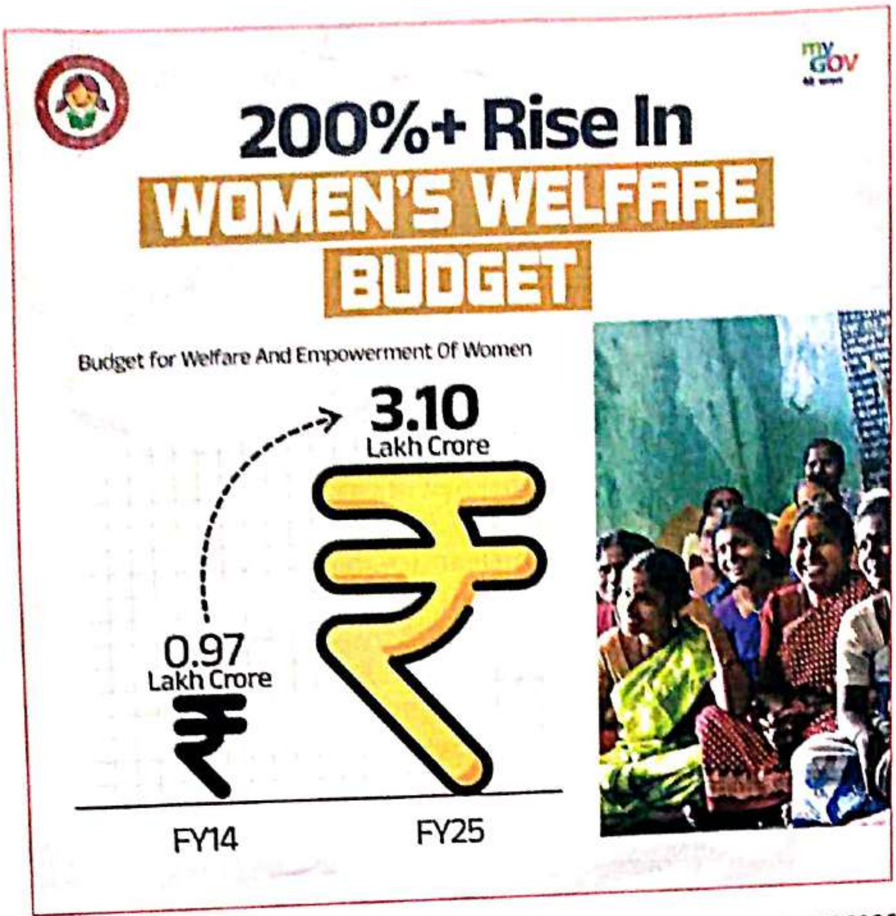
As illustrated earlier, deregulation has been a pivotal force in shaping India's economic landscape, particularly during the landmark reforms of 1991. India unlocked significant economic potential by dismantling the intricate web of licenses and permits—collectively known as the Licence Raj—that previously stifled entrepreneurial activity. This shift facilitated a more business-friendly environment and attracted substantial foreign investment, accelerating economic growth. However, this was not a 'one-and-done' strategy but a continuous process that the Government of India has also remained committed to over the last decade. India's policy focus has also demonstrated cognisance of the urgency of deregulation while establishing a foundation for broader process and governance reforms.

Since 2014, several big-ticket items have been reformed, including rationalising over 20,000 compliances, decriminalising and removing/ simplifying penalties in 300 laws, and incentivising businesses by extending unique benefits to key sectors and clusters. The central government has also pursued deregulation by introducing governance and procedural reforms, simplifying tax laws, rationalising labour regulations, and decriminalising business-related laws. For instance, it introduced reforms in forest regulations to remove obstacles that previously prevented businesses from undertaking basic activities, such as constructing a passageway from their property to a main road. Other structural reforms have included the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), which established a framework for dealing with corporate renewal, the Real Estate Regulation Act (RERA), which helped clean up the real estate sector and the roll-out of the India Stack (UID, UPI, DBT), which has helped reduce process inefficiencies and plug leakages in the system. These efforts have set the stage for states to initiate the next phase of reforms, which are urgently needed and offer significant potential for transformation.



Deregulation is a critical enabler of sustained economic growth, fostering an environment where businesses can thrive, investments can flow freely, firms can enter or exit the market easily, and job creation can accelerate. Excessive regulation often imposes high costs on businesses, particularly small and medium enterprises (SMEs), which struggle to navigate complex administrative procedures. For instance, as highlighted in the Economic Survey 2024-25, SMEs can lose approximately 50 per cent of their industrial plot to building standards while inflexible work hours prevent manufacturers from meeting demand surges during festive periods. Excessive regulation not only hampers our industries but also stifles the creation of quality human capital. Current University Grants Commission and All India Council for Technical Education regulations prevent institutions from flexibly altering their course offerings for their degree programmes and adapting the education provided to changing market demands.

A well-calibrated deregulation strategy enhances competition, spurs



a generally positive impact on economic growth.

Recent initiatives undertaken in the budget reflect the Union Government's commitment to fuelling growth through reforms and deregulation. From simplifying the Income Tax Act to making the Bilateral Investment Treaties more investor-friendly, enhancing the ease of doing business and living marks a commendable move towards more trust-based governance. Further, establishing a High-Level Committee for Regulatory Reforms in partnership with the State Governments to review all non-financial sector regulations and requirements will contribute significantly towards transforming the country's business environment and unlocking growth opportunities.

In an era where global supply chains are shifting and economies are reassessing their dependencies, countries that foster a flexible and efficient regulatory framework stand to gain a competitive edge. Encouraging economic freedom through deregulation strengthens domestic industries and makes a nation a more attractive destination for global investment. In essence, sustainable and inclusive growth depends on reducing the friction that excessive regulations impose, allowing businesses and individuals to maximise their potential.

innovation, and attracts private investment, which is essential for long-term economic resilience. It also reduces the scope for rent-seeking and corruption, ensuring that resources are allocated efficiently rather than being wasted on navigating regulatory red tape. By creating a business-friendly environment that prioritises ease of doing business, deregulation enables industries to respond dynamically to market demands and technological advancements. Similarly, entrusting our educational institutions, faculty and students to develop novel solutions to emerging challenges will only contribute to raising the overall quality of human capital by fostering a spirit of innovation and critical thinking among our youth.

Deregulation has worked in the past, and addressing the 'nuts and bolts' of India's regulatory environment is imperative to sustaining growth. Chapter 7 of the Economic Survey 2024-25 has supported this hypothesis, as states with higher ease of doing business scores have demonstrated higher levels of industrial activity over the years. These findings are consistent with international experiences in deregulation, which have led to increased consumer welfare, enhanced competition and innovation in industries, and

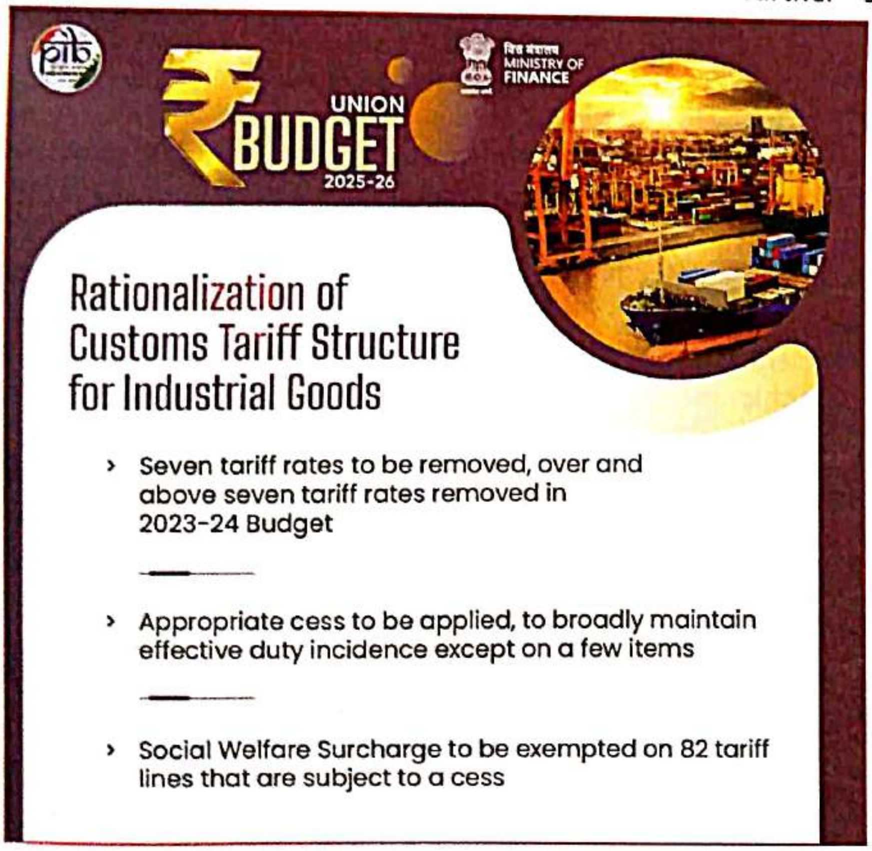
Manufacturing as a Force Multiplier

Across history, manufacturing strength has been a marker of the economic prowess of a nation. The hum of manufacturing was at the centre of ancient empires such as the Cholas or the Guptas, medieval empires across Europe, the UK in the 19th century, and the US in the 20th century. East Asia lifted millions out of poverty, raised their standard of living, upskilled young populations, and absorbed them into the workforce on the back of the manufacturing wave that started in the 1970s. As a poster child of the East Asian miracle, China is expected to command a share of 45 per cent of all global manufacturing, single-handedly matching or outmatching the US and its allies by 2030. In 2000, China accounted for 6% of global manufacturing three decades prior.

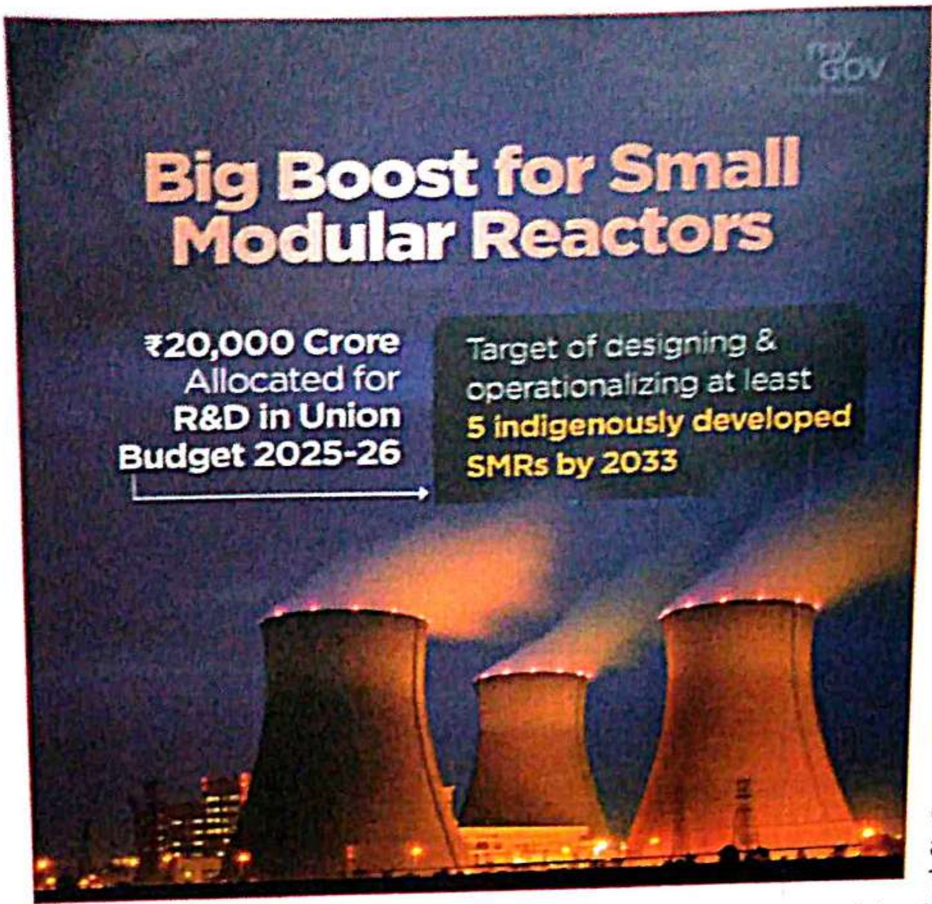
Three aspects of manufacturing make it a force multiplier. Firstly, manufacturing development creates a network of linkages that can be vertical or horizontal. On the one hand, these linkages can create a self-sufficient vertically linked ecosystem, such as the 'fibre-to-fashion' firms of Vietnam or the shipbuilding companies of Korea. On the other hand, horizontal linkages lead to multiple industrial ecosystems that overlap in terms of firms and technologies involved. As is evident now, China's strength across multiple overlapping industries has helped create a compounding effect for its industrial policy efforts.

Secondly, manufacturing development kick-starts skilling at the firm level. This creates dividends for poor economies that cannot afford to invest heavily in education. For instance, firms were vehicles of industrial learning in East Asia, which led these nations to tap the potential of young, unskilled demography even when resources were limited. Thirdly, a rising manufacturing sector, in turn, puts pressure on the creation of hard infrastructure, smoothens governance, and reduces regulatory burdens. 19th-century England is an example of industrial growth, which, in turn, kick-started governance reforms. Hernando de Soto writes in his book titled 'The Mystery of Capital' that it was not until the Industrial Revolution that the British reformed their institutions, public service delivery, and improved governance.

For India to be able to employ nearly 80 lakh people every year till 2030, scaling up manufacturing is going to be crucial. The Government of India has recognised the manufacturing sector's potential, notably Micro, Medium and Small Enterprises (MSMEs), in reducing external dependencies and employment generation. This is reflected in the host of manufacturing-specific and allied sector policies to incentivise higher domestic production. Credit constraints for MSMEs have been eased through initiatives like the Credit Guarantee Scheme for MSEs and TReDS (Trade Receivables Discounting System), facilitating Rs 1.38 lakh crore in financing as of FY24. The newly introduced ULI aims to lower credit costs through real-time risk assessment. Infrastructure advancements have also played a crucial role, with the median turnaround time at Indian ports halving between 2014 and 2024, making them more efficient than those in the US, Australia, and Singapore. This efficiency gain is reflected in India's rise in the World Bank's Logistics Performance Index, climbing from 54th place in 2014 to 38th in 2023. The FY26 budget further supports manufacturing and MSMEs through initiatives such as the National Manufacturing Mission, increased MSME thresholds, and enhanced credit guarantee cover. Additionally, the recently launched Mutual Credit Guarantee Scheme provides a 60% credit guarantee for MSMEs purchasing machinery and equipment worth up to Rs 100 crore, fulfilling a commitment made in the FY25 budget.



Going forward, technology-intensive sectors will also shape the nation's future. The global economy is advancing towards Industry 4.0, characterised by artificial intelligence, robotics, automation, semiconductors, biotechnology, and green energy solutions. India must rapidly expand its capabilities in these domains to establish itself as a leader in the 21st century. In this regard, India is off to a good start, and the Production



Linked Incentive (PLI) Scheme scorecard across high-technology sectors shows an impressive performance. PLI for white goods has aided in creating a self-sufficient, complete value chain for air conditioners in India. At the same time, import substitution of 60 per cent has been achieved in the telecom sector. Production-linked incentive (PLI) schemes in industries such as solar photovoltaics, battery storage, and electric vehicles bolster manufacturing and enhance India's energy security.

Progress along these lines needs to be sustained, and to do so, the right industrial policy that balances the deployment of labour and capital is important. Given India's demographic advantage, with a high proportion of youth, labour-intensive growth is critical to ensure mass employment and social stability. However, this does not mean that technology-intensive growth should be disregarded. Technology-intensive industries can and must complement labour-intensive sectors rather than replace them entirely. Labour-intensive sectors can absorb the large workforce while technology is leveraged to enhance manufacturing, logistics and supply chain efficiency without displacing jobs outright. Combined with systemic deregulation across sectors, this will create a viable *Mittelstand*, i.e., India's SME sector.

Even as the government creates a conducive policy ecosystem for industries, the entrepreneurial gumption of young India will set the gears of industrial growth in motion. Long-term industrial growth is a self-renewal process, not just for the firms and the industry but also for the entrepreneurs. This renewal happens by looking beyond *'jugaad'* to long-run productivity enhancements. It happens when aspirations are global, and entrepreneurs are no longer content as big fish in a small pond.

Energy Security

Climate change and the green energy transitions demonstrably affect India's economic growth. The energy transition policies pursued by Western nations have often led to unintended economic consequences, including deindustrialisation and rising energy prices. In their rush to transition away from fossil fuels, many developed economies have prematurely shut down conventional power plants without securing reliable and affordable renewable alternatives. The result has been an increase in energy costs, making manufacturing less competitive and leading to the offshoring of industries. Europe, for instance, has struggled with an energy crisis exacerbated by geopolitical factors and policy missteps, highlighting the risks of an abrupt transition without a robust framework for energy security.

As a rapidly growing economy, India must avoid these pitfalls and ensure that its energy transition aligns with its long-term development goals. A key lesson from economic history is that industrialisation is deeply tied to energy availability and affordability. As economic historian Prof Peter Temin argued, "*Modern technology has extended the innovations of the Industrial Revolution in the context of high wages and cheap power. However, these factor prices are not typical in many areas of Africa and Asia, and modern technology is not as profitable there as in other higher-wage parts of* *the world."*[1] Think about this carefully. "*High wages and cheap power*". What are the implications for energy transition for India and other developing countries?

The rise of the United States and other industrial powerhouses was built on access to abundant and affordable energy sources, enabling large-scale manufacturing and economic expansion. Maintaining cost-effective energy supplies is essential for India, which aims to sustain high growth rates and expand its manufacturing base under initiatives like *Make in India*. Despite having per capita carbon emissions of only a third of the global average, India remains committed to a low-carbon growth trajectory. However, it must navigate its transition in a way that prioritises energy security and economic competitiveness. Challenges such as the high costs of renewable energy storage, limited access to critical minerals, and an inadequate flow of international climate finance require a pragmatic approach. Unlike Western nations, which have relied on extensive government subsidies and financial markets to support their energy transitions, India has primarily funded its efforts domestically, with adaptation expenditures rising from 3.7% to 5.6% of GDP between FY16 and FY22.

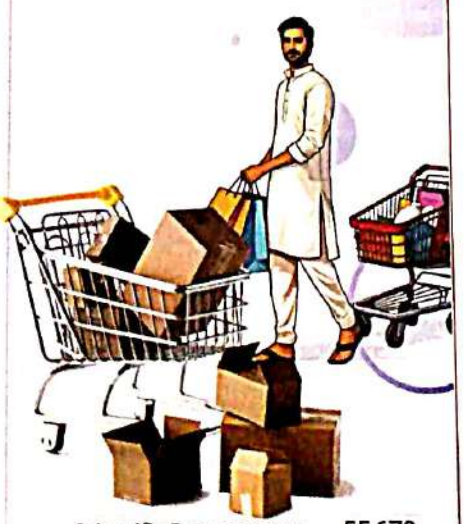
UNION BUDGET 2025-26

Central Govt Expenditure

Total: **50,65,345**

Budget Estimates for 2025-26 (in ₹ crore)

Interest	12,76,338
Transport	5,48,649
Defence	4,91,732
Major Subsidies	3,83,407
Pension	2,76,618
Rural Development	2,66,817
Home Affairs (including UTs)	2,33,211
Tax Administration	1,86,632
Agriculture and Allied Activities	1,71,437
Education	1,28,650
Health	98,311
Urban Development	96,777
IT and Telecom	95,298
Energy	81,174
Commerce and Industry	65,553
Finance	62,924
Social Welfare	60,052
Scientific Departments	55,679
External Affairs	20,517
Development of North East	5,915
Others	4,82,653



India's strategy must be built around a phased and technologically inclusive approach. Renewable energy must be expanded, but not at the cost of dismantling existing conventional energy infrastructure prematurely. The initiative announced in the recent Union Budget to enhance private sector participation in Nuclear Energy and amendments to existing laws that facilitate technology exchange with foreign suppliers are pivotal decisions that can help achieve India's ambitious target of 100 Gigawatts of Nuclear capacity by 2047. In addition to sustaining energy supply, demand management through initiatives like the Lifestyle for Environment (LiFE) movement, which promotes sustainable consumption and circular economy principles, and expanding public transportation access across the country will play a crucial role in shaping India's transition.

By learning from the missteps of Western economies and implementing a transition strategy that balances sustainability with affordability, India can ensure that its energy policies do not hinder industrial growth but rather serve as a catalyst for long-term economic resilience.

A Tripartite Compact for a Prosperous India

In their work, 'All trade wars are class wars,' Matthew C Klein and Michael Pettis highlight the example of how post-WW II Japan successfully transformed itself into a developed and industrialised country thanks to a clear recognition of the obligations of the government, the private sector and workers to each other.

A fair and reasonable income distribution between capital and labour is imperative to secure long-term stability. It is essential for sustaining demand and supporting corporate revenue and profitability growth in the medium to long run. Again, citing economic historian Peter Temin, his paper on the origins of the Industrial Revolution suggests that the shortage of workers caused by the Black Death led to a rise in real wages and tipped the scale in favour of technology and capital-led growth in the labour-scarce West. Unfortunately, labour-rich societies have also followed or had to follow the same template for various historical and social reasons. However, social stability and long-term profitability rest on the private sector finding the right balance between capital deployment and labour employment. This is especially significant as technological advancements reshape the manufacturing sector.

The integration of artificial intelligence (AI), the Internet of Things (IoT), and additive manufacturing (3D printing) is making Indian industries more efficient and globally competitive. However, this shift necessitates careful consideration of its impact on employment. While automation and AI-driven systems enhance productivity, they diminish demand for low-skilled labour, necessitating workforce reskilling initiatives to ensure inclusive economic growth. If India is to successfully power its internal growth drivers while achieving a delicate balance between the factors of production, a tripartite compact between the private sector, academia, and the government is required to ensure that growth is inclusive and delivers broad-based benefits to its large population.

The government must implement policies incentivising labour-intensive and technology-driven industries, ensuring a smooth transition without massive job losses. Expanding Skill India and vocational training programs will equip the workforce for emerging industries, while stronger public-private partnerships in R&D for automation, AI, and advanced manufacturing can drive innovation. Supporting MSMEs with affordable credit and technological aid is essential to making them globally competitive.

Meanwhile, the private sector must invest in upskilling programs, adopt inclusive automation strategies that enhance productivity without large-scale job displacement, and expand manufacturing operations into rural and semi-urban areas to create employment. Strengthening local supply chains will also reduce dependency on foreign inputs and boost domestic production. This will require strategic, long-term thinking on the part of the private sector. Special attention must also be paid to promoting better workplace cultures, as poor conditions can adversely impact the mental health of the people employed.

Academia is crucial, as is aligning education and research with industrial needs through stronger industry-academia collaborations. A greater focus on STEM education, vocational training, and applied research will support both labour-intensive and technology-intensive industries while fostering entrepreneurship and innovation hubs that will drive self-reliance and generate new employment opportunities. India can ensure a smooth industrial transition supporting economic growth and job creation through a well-coordinated approach.

Conclusion

India's journey towards becoming a developed nation by 2047 is not merely an aspiration but a necessity dictated by economic, demographic, and geopolitical realities. The past has shown that timely course corrections, driven by structural reforms and market-oriented policies, have been pivotal in steering the economy towards higher growth. However, global headwinds and domestic challenges require a fresh approach.

Sustaining high growth in an era of economic fragmentation will demand a renewed focus on internal growth drivers. This means deepening deregulation to foster a more competitive business environment, revitalising manufacturing to create employment at scale, ensuring a pragmatic and stable energy transition, and forging more substantial synergies between the government, private sector, and academia. Each of these elements is interdependent—manufacturing strength depends on regulatory ease, energy security underpins industrial competitiveness, and technological progress must be integrated with workforce development.

India stands at a decisive moment. The interplay of policy choices today will determine whether we emerge as a resilient, high-income economy or remain caught in the middle-income trap. A stable macroeconomic framework, credible governance, and an innovation-driven private sector will be critical in achieving this transformation. The lesson from history is clear: nations that adapt swiftly to shifting paradigms thrive, while those that delay are left behind. India's ability to embrace this reality will define its growth trajectory for the next two decades and beyond. □

Make in India 2.0

'Make in India' Initiative was launched on 25 September 2014 to facilitate investment, foster Innovation, build best-in-class Infrastructure, and make India a hub for manufacturing, design, and innovation. Presently, Make in India 2.0 focuses on **27 sectors** implemented across various Ministries/Departments and State Governments. The list of sectors under Make in India 2.0 are:

Manufacturing Sectors

i. Aerospace and Defence
ii. Automotive and Auto Components
iii. Pharmaceuticals and Medical Devices
iv. Bio-Technology
v. Capital Goods
vi. Textiles and Apparel
vii. Chemicals and petrochemicals
viii. Electronics System Design and Manufacturing (ESDM)
ix. Leather & Footwear
x. Food Processing
xi. Gems and jewellery
xii. Shipping
xiii. Railways
xiv. Construction
xv. New and Renewable Energy

Service Sectors

i. Information Technology & Information Technology-enabled Services (IT & ITeS)
ii. Tourism and Hospitality Services
iii. Medical Value Travel
iv. Transport and Logistics Services
v. Accounting and Finance Services
vi. Audio Visual Services
vii. Legal Services
viii. Communication Services
ix. Construction and Related Engineering Services
x. Environmental Services
xi. Financial Services
xii. Education Services

The government has taken a series of policy initiatives that include the Atmanirbhar Bharat packages, investment opportunities under the National Infrastructure Pipeline (NIP) and National Monetisation Pipeline (NMP), India Industrial Land Bank (IILB), Industrial Park Rating System (IPRS), the soft launch of the National Single Window System (NSWS), etc., to promote manufacturing. An institutional mechanism to fast-track investments has been put in place in the form of Project Development Cells (PDCs) in all concerned Ministries/ Departments of the Government of India. All the above initiatives/schemes are implemented across various Ministries/Departments, Central Government and State Governments.

One of the significant measures taken up by the Government keeping in view India's vision of becoming 'Atmanirbhar', Production Linked Incentive (PLI) Schemes for 14 key sectors have been announced with an outlay of Rs. 1.97 lakh crore to enhance India's Manufacturing capabilities and Exports. With the announcement of PLI Schemes, significant improvement in production, skills, employment, economic growth and exports is expected over the next five years and more. As of now, 764 applications have been approved across the country in 14 sectors.

In addition to ongoing schemes of various Departments and Ministries, Government has taken various steps to boost domestic and foreign investments in India. These include the introduction of Goods and Services Tax, reduction in corporate tax, improving ease of doing business, FDI policy reforms, measures for reduction in compliance burden, measures to boost domestic manufacturing through public procurement orders, Phased Manufacturing Programme (PMP) and QCOs (Quality Control Orders), to name a few.

The activities under the Make in India initiative are also being undertaken by all the Central Government Ministries/ Departments and various State Governments. Ministries formulate action plans, programs, schemes and policies for the sectors being dealt with by them, while States also have their own Schemes for attracting investments. ❑

Source: Investment Promotion Section, DPIIT

Fiscal Federalism in India: The Role of Union Budget 2025-26

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The Union Budget for 2025-26, presented by Finance Minister Nirmala Sitharaman, emphasises *'Viksit Bharat'* through fiscal federalism. The budget is built on four pillars: Enhanced Devolution of Taxes and Duties, Special Assistance for Capital Expenditure, Higher Grant-in-Aid, and a Higher Borrowing Ceiling for states. The central government introduced the Scheme for Special Assistance to States for Capital Expenditure in 2020-21. The scheme's impact has been overwhelmingly positive, prompting continued support despite the challenge of reducing the fiscal deficit. The budget for 2025-26 earmarks Rs 5,41,850 crore for Centrally Sponsored Schemes (CSS). Agriculture is recognised as a key growth engine, with significant initiatives announced. The *Jal Jeevan Mission* is extended until 2028. Education reforms include new Atal Tinkering Labs and expanded infrastructure for IITs. The budget supports strategic investments in states through central sector schemes and a technology-led development agenda. An additional borrowing provision of 0.5% of a Gross State Domestic Product (GSDP) is announced, unlocking Rs 2 lakh crore for states. This budget reinforces India's commitment to cooperative and competitive fiscal federalism.

On 01 February 2025, during Budget speech for the fiscal year 2025-26, Union Finance Minister Nirmala Sitharaman unveiled an ambitious roadmap to drive and sustain *'Viksit Bharat.'* Highlighting India's growth trajectory, she emphasised that the next five years present a unique opportunity to realise *'Sabka Vikas'* and foster balanced regional development.

The Finance Minister emphasised that realising the vision of *'Viksit Bharat'* hinges on a strong partnership between the Centre and the States. This collaboration is essential not just for economic growth but for ensuring balanced development across the country's diverse geographical landscape. A series of developmental schemes and strategic measures outlined in the Budget underscore that fiscal federalism will be the key instrument in achieving this goal.

Fiscal Federalism

The term 'fiscal federalism,' coined by German economist Richard Musgrave, describes the financial relationship and resource allocation between different levels of government in a federal system. In India, it refers to the distribution of financial powers and responsibilities between the central and state governments.

Fiscal federalism is the backbone of India's economic governance. The Indian Constitution clearly defines the financial roles of the Union and the States. This division is structured through the Union List, State List, and Concurrent List in the Seventh Schedule of the Constitution, specifying legislative and taxation powers at each level. To address vertical and horizontal imbalances in tax collection, mechanisms such as tax devolution, grants-in-aid, and other fiscal transfers from the Centre to the States play a crucial role in ensuring financial stability and equitable growth.

Strengthening Fiscal Federalism: A Decade of Progress

Over the past decade, the central government has laid a robust foundation for fiscal federalism. While maintaining a strong emphasis on fiscal discipline, it has ensured that resource devolution to the States is not compromised. This commitment is reflected in the substantial increase in the Gross Transfer of Resources from the Centre to the States.

The gross transfers have surged from Rs 5.35 lakh crore in 2013-14 to Rs 21.12 lakh crore in 2024-25 (BE). The Union Budget 2025-26 enhances it further to Rs 25,59,764 crore. Year-wise data, illustrated in Graph-1, highlights a consistent upward trend in these transfers. The Gross Transfer of Resources comprises the devolution of central taxes and duties, grants from the Centre, and gross loans extended to the States. This steady increase underscores the Centre's commitment to cooperative federalism and balanced regional development.

Union Budget 2025-26: The Four Pillar Model of Fiscal Federalism

The Union Budget for 2025-26 reaffirms the central government's commitment to strengthening

Constitutional Provisions pertaining to Fiscal Federalism in India

- **Article 270:** Deals with taxes levied and distributed between the Union and States.
- **Article 275:** Deals with grants from Union to States.
- **Article 279A:** Provides for Constitution of GST Council. The GST Council is responsible for providing recommendations to the Union and the State governments on matters related to Goods and Services Tax (GST).
- **Article 280:** Deals with the constitution of Finance Commission every 5 years to recommend the distribution of tax proceeds between the Union and States, grants to States, and measures to augment State and local government funds.
- **Article 282:** Mentions that the Union and States can make grants for any specific purpose, even if it is not within the scope of laws that Parliament/State Legislature can enact. It allows flexibility in funding various projects regardless of legislative authority.
- **Article 293:** Gives States the executive power to borrow money within the limits that the State legislature sets subject to consent of the Government of India in certain cases.

Source: Based on RBI report: State Finances: A Study of Budgets of 2024-25

Graph 1: Gross Transfers from Centre to States

fiscal federalism and fostering balanced regional development. It aims to stimulate economic growth, support key sectors, and provide tax relief to the middle class. The budget is built on a four-pillar model designed to enhance fiscal decentralisation and empower States. These pillars are:

i. Enhanced Devolution of Taxes and Duties to States
ii. Special Assistance to States for Capital Expenditure
iii. Higher Grant-in-Aid to States
iv. Higher Borrowing Ceiling to States

Pillar-1: Higher Devolution of Central Taxes and Duties

The devolution of central taxes and duties to the states is guided by the recommendations of the Finance Commission, constituted under Article 280 of the Constitution of India. Recognising that strong states build a strong nation, the union government accepted a sharp increase in the devolution from 31% to 42%, as recommended by the 14^{th} Finance Commission. The 15^{th} Finance Commission retained this principle, recommending a 41% share for states, with a 1% reduction due to the reorganisation of Jammu and Kashmir into a Union Territory. These recommendations were fully accepted by the Centre.

Higher tax devolution plays a pivotal role in strengthening fiscal federalism and enhancing the financial autonomy of states by providing more untied resources. This flexibility enables states to innovate and implement policies tailored to their specific needs, addressing regional challenges effectively.

The Union Budget 2025-26 reaffirms this commitment by proposing a total transfer of taxes and duties of Rs 14,22,444 crore (BE) to states. This marks a significant increase of 14.01 per cent from Rs 12,47,211 crore in 2024-25 (BE). This reflects the Centre's dedication to making states equal partners in India's growth.

Pillar-2: Special Assistance to States for Capital Investment

Capital expenditure has a high multiplier effect, enhancing the economy's productive capacity and driving long-term economic growth. Recognising its significance, the central government introduced the Scheme for Special Assistance to States for Capital Expenditure in 2020-21, despite fiscal pressures during the Covid-19 pandemic. Under this initiative, State governments received financial assistance in the form of a 50-year interest-free loan, specifically aimed at boosting capital investment.

The scheme's impact has been overwhelmingly positive, prompting the central government to continue it in subsequent years. Despite mounting fiscal constraints, the government has expanded allocations under this initiative. Year-wise outlays and expenditures under this scheme have seen a consistent increase as depicted in Table-1.

The scheme has provided States with untied funds, empowering them to allocate resources to capital investment in any sector. Additionally, it has incentivised States to undertake key reforms in citizen-centric areas, including urban planning, modernisation of land records in rural and urban areas, creation of a farmer's registry, and scrapping of old vehicles.

Despite the formidable challenge of reducing the fiscal deficit from 4.9 per cent in 2024-25 (BE) to 4.4 per cent in 2025-26 (BE), the Finance Minister has demonstrated unwavering commitment to this initiative. Acknowledging the States' demands, she has proposed a substantial outlay of Rs 1.5 lakh crore for the scheme in 2025-26. This allocation will not only support capital expenditure but also encourage states to implement crucial reforms, reinforcing the Centre's vision of cooperative and competitive federalism.

Pillar-3: Grant-in-aid for Centrally Sponsored Schemes

Grant-in-aid from the Centre to States serves as a crucial mechanism for reinforcing cooperative fiscal federalism in India. These grants include allocations recommended by the Finance Commission as well as funding for Centrally Sponsored Schemes (CSS). CSS are designed by the Centre and implemented by the States. The cost of these schemes is shared between the Centre and the States.

In the budget estimates for 2025-26, the Finance Minister has not only proposed a substantial increase in outlay for the CSS but has also announced a promising set of schemes and measures across sectors that fall exclusively within the State List or the Concurrent List, such as agriculture, fisheries, and public health. The budget for 2025-26 earmarks Rs 5,41,850 crore for CSS, reflecting a substantial increase from Rs 5,05,978 crore allocated in the previous fiscal year's budget estimates.

Some of the most significant new initiatives announced are discussed below.

Agriculture

Agriculture has been recognised as the primary engine of economic growth and development, receiving special attention from the Finance Minister. Several new schemes have been proposed to benefit farmers and stimulate agricultural growth. These include the following:

i. ***Prime Minister Dhan-Dhaanya Krishi Yojana*—Developing Agri Districts Programme:** Inspired by the success of the Aspirational Districts Programme, this initiative aims to benefit 1.7 crore farmers across 100 districts. It will target districts with low productivity, moderate crop intensity, and below-average credit parameters. In collaboration with States, the program will focus on enhancing agricultural productivity, promoting crop diversification and sustainable practices, improving irrigation, and expanding both short-term and long-term credit availability.

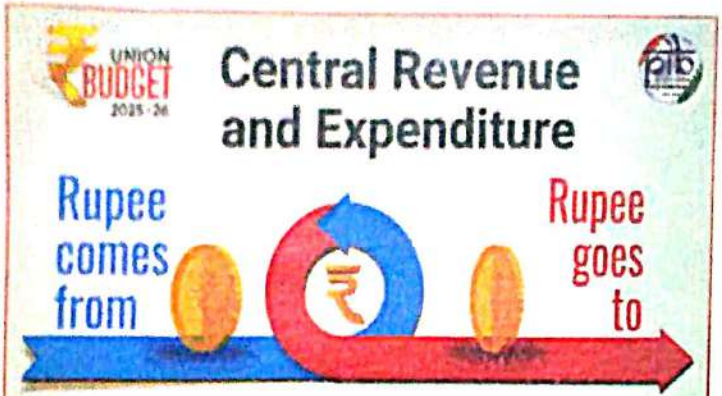
ii. **'Aatmanirbharta' in Pulses:** A six-year 'Mission for Aatmanirbharta in Pulses' has been announced with a special emphasis on Tur, Urad, and Masoor. An allocation of Rs 1,000 crore has been set aside for this initiative, with the central government agencies committing to procure these three pulses for the next four years from farmers who enter into agreements with them.

iii. **Comprehensive Programme for Vegetables & Fruits:** This initiative aims to enhance the production, supply efficiency, and processing of vegetables and fruits while ensuring remunerative prices for farmers. The central government, in partnership with States, will establish institutional mechanisms involving Farmer Producer Organisations (FPOs) and cooperatives to drive this program forward.

iv. **Mission for Cotton Productivity:** A five-year 'Mission for Cotton Productivity' has been announced to significantly improve the productivity and sustainability of cotton

Table-1: Allocation and expenditure under the schemes for financial assistance to States for capital expenditure/investment (Rs in crore)

Year	Allocation	Expenditure
2020-21	12,000	11,830.29
2021-22	15,000	14,185.78
2022-23	1,00,000	81,195.35
2023-24	1,30,000	1,09,554.30
2024-25 (Till 04.02.2025)	1,50,000	1,11,001.30



Rupee comes from		Rupee goes to	
Borrowings and Other Liabilities:	24p	Centrally Sponsored Schemes:	8p
Corporation Tax:	17p	Central Sector Schemes:	16p
Income Tax:	22p	Interest Payments:	20p
Customs:	4p	Defence:	8p
Union Excise Duties:	5p	Major Subsidies:	6p
Goods and Services Tax and Other Taxes:	18p	Finance Commission and Other Transfers:	8p
Non-Tax Receipts:	9p	States' Share of Taxes & Duties:	22p
Non-Debt Capital Receipts:	1p	Pensions:	4p
		Other Expenditure:	8p

farming. This initiative will also promote extra-long staple cotton varieties, increasing farmers' incomes while ensuring a steady supply of quality cotton to rejuvenate India's traditional textile sector.

Other key initiatives in this sector include the 'Mission on High Yielding Seeds', and an enabling framework for sustainable fisheries development.

Rural Development

i. **Rural Prosperity and Resilience:** The Finance Minister announced a comprehensive multi-sectoral 'Rural Prosperity and Resilience' programme in collaboration with States to tackle underemployment in agriculture. This initiative will focus on skilling, investment, technology, and revitalising the rural economy. It will specifically target rural women, young farmers, rural youth, marginal and small farmers, and landless families. The goal is to generate ample opportunities in rural areas, ensuring that migration becomes a choice rather than a necessity.

ii. **Jal-Jeevan Mission:** The Finance Minister has also proposed extension of the *Jal Jeevan Mission* until 2028 with an enhanced total outlay. This mission aims to achieve 100% coverage of Functional Household Tap Connections (FHTCs) in rural areas through *'Jan Bhagidari'*.

Urban Development

Several measures were announced in the budget speech to enhance urban infrastructure and livelihoods.

i. **Strengthening Urban Livelihoods**: A new scheme was announced to uplift urban workers by improving their incomes, ensuring sustainable livelihoods, and enhancing their quality of life.

ii. **PM SVANidhi:** This scheme has already benefited over 68 lakh street vendors by providing relief from high-interest informal sector loans. It will now be revamped with enhanced bank loans, UPI-linked credit cards, and capacity-building support.

iii. **Urban Challenge Fund:** The Finance Minister announced the establishment of an Urban Challenge Fund worth Rs 1 lakh crore. This fund will support projects under 'Cities as Growth Hubs,' 'Creative Redevelopment of Cities,' and 'Water and Sanitation,' financing up to 25 per cent of bankable project costs.

iv. **Social Security Scheme for Online Platform Workers:** Recognising the growing gig economy, the government plans to provide social security benefits to one crore gig workers. They will be registered on the e-Shram portal and receive healthcare coverage under the *PM Jan Arogya Yojana*.

Education

The Union Budget 2025-26 outlines ambitious and forward-looking reforms in the education sector. To nurture innovation and entrepreneurship among students, 50,000 Atal Tinkering Labs will be established in government schools over the next five years. Additionally, all government secondary schools will receive broadband connectivity under the BharatNet project, ensuring seamless digital access to learning resources.

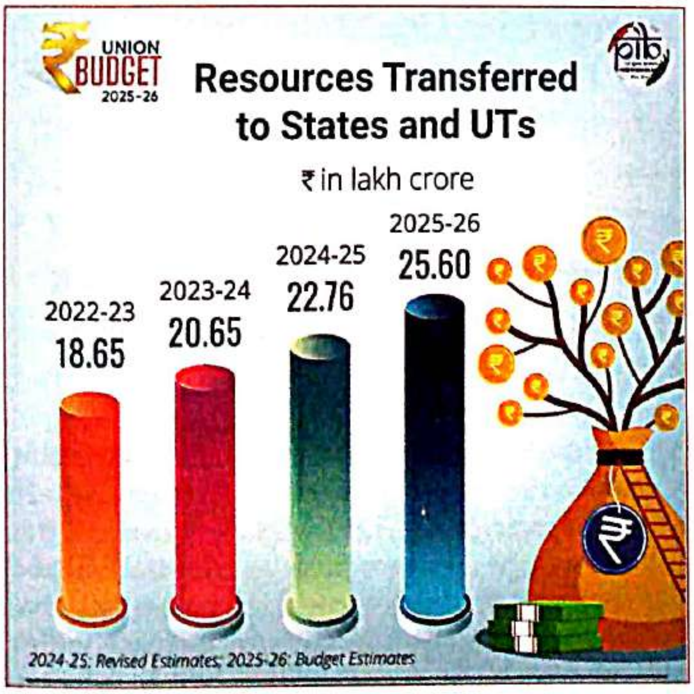
Recognising the rising intake of students in IITs, the budget also provides for the expansion of infrastructure to accommodate this growth. A significant step towards future-ready education is the establishment of a Centre of Excellence in Artificial Intelligence for Education, with an allocation of Rs 500 crore. By leveraging cutting-edge technology, these measures aim to equip Indian students with skills that enhance their employability and align them with global standards.

Boosting Growth Through Central Sector Schemes

The Union Budget 2025-26 reinforces the government's commitment to strategic investments in States through Central Sector Schemes, with proposed allocations rising from Rs 63,614.67 crore in 2024-25 (BE) to Rs 76,758.45 crore in 2025-26 (BE). These schemes focus on key areas such as innovation, infrastructure, and connectivity—sectors that serve as critical enablers of economic growth.

A technology-led development agenda is a defining feature of this budget. A Rs 20,000 crore fund has been earmarked to promote private sector-driven research, development, and innovation. Further, initiatives such as the Deep Tech Fund of Funds aim to support next-generation startups. The National Geospatial Mission, focused on developing foundational geospatial infrastructure and data, will further propel India's digital transformation.

Recognising the potential of aviation-led economic expansion, the government has announced the Regional Connectivity Scheme (RCS) UDAN 2.0—an ambitious initiative aimed at enhancing air connectivity. Over the next 10 years, the scheme is expected to facilitate travel for over 4 crore passengers while adding 120 new destinations, unlocking new avenues for tourism, trade, and local economic growth.



In the maritime sector, bold measures have been introduced to fulfil the objectives of India's Maritime Vision. The establishment of a Maritime Development Fund, the revamping of the Shipbuilding Financial Assistance Policy, and a new Capacity Development scheme are key steps towards revitalising the Indian shipbuilding industry, making it globally competitive, and fostering sustainable growth.

Pillar-4: Strengthening State Finances through Enhanced Borrowing

Recognising the critical role of fiscal flexibility in state-led development, the finance minister announced an additional borrowing provision of 0.5% of a Gross State Domestic Product (GSDP), unlocking Rs 2 lakh crore for states. However, this fiscal leeway comes with a strategic objective—an incentive for states to implement power sector reforms aimed at strengthening the financial health and operational capacity of electricity distribution companies (DISCOMs). This initiative aligns with the broader vision of ensuring a sustainable, financially robust power sector capable of supporting India's ambitious energy transition goals.

Epilogue

A robust and empowered federal structure is imperative for India's sustained progress. This principle has been deeply embedded in the central government's economic philosophy, with continuous efforts to place states on an equal footing in the nation's development journey. Prime Minister Narendra Modi has consistently emphasised the importance of aligning governance with regional aspirations, recognising that the vision of *'Viksit Bharat'* can only be realised when all states advance together. The Union Budget 2025-26 is a testament to this commitment, reinforcing India's resolve to foster both competitive and cooperative fiscal federalism. The foundation laid in this budget underscores the government's vision—a stronger, more resilient, and self-reliant India built on the strength of its states. ❑

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Budget 2025: Charting India's Next Infrastructure Frontier

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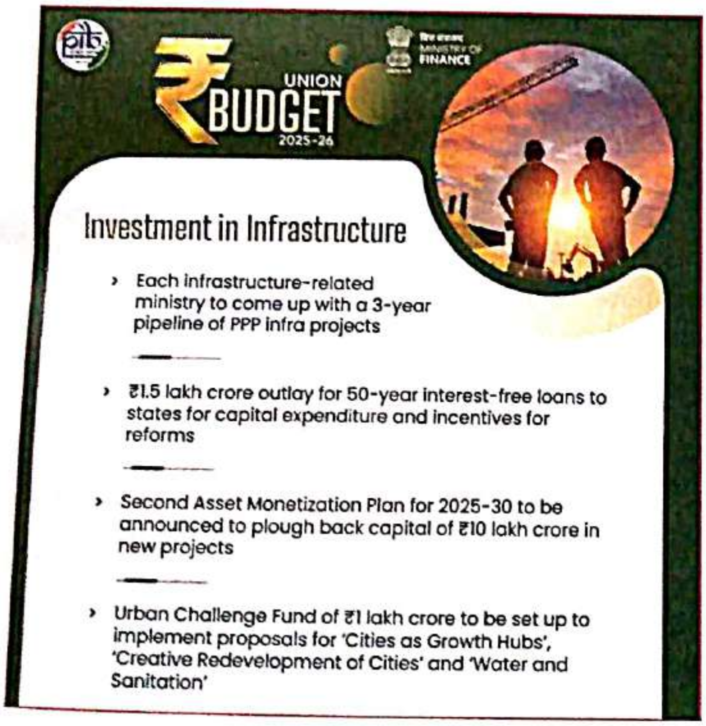
The Union Budget 2025-26 presents an ambitious vision for a $30 trillion economy by 2047, focusing on urban development, renewable energy, and shipbuilding. India's infrastructure narrative has transformed to global standards setting, showcasing significant growth in the national highway network, rural roads, and renewable energy capacity. Major initiatives include a Rs 1 lakh crore Urban Challenge Fund and Rs 2.2 lakh crore for affordable housing. The National Highway network grew by 60%, and the Real Estate (Regulation and Development) Act (RERA) of 2016 brought transparency to the real estate market. The introduction of GST in 2017 simplified the tax structure. The Union Budget 2025 gives shipbuilding infrastructure status to bolster India's maritime capability, creating a comprehensive ecosystem for growth.

India's infrastructure narrative has changed from catch-up to global standards setting. Over the past ten years, the national highway network grew by 60%, rural roads linked 99% of the country's population, and renewable energy capacity surged to account for 47% of the energy mix. An ambitious vision for a $30 trillion economy by 2047 is presented in the Union Budget 2025–26 and Economic Survey 2024–25. Building on this momentum of infrastructure modernisation and self-reliance, the government has decided that shipbuilding is a vital industry to increase India's maritime capacity and generate highly valuable manufacturing employment. The budget calls for large expenditures in urban development, renewable energy, and shipbuilding to establish India as a major infrastructure powerhouse. Using the groundwork set since 2014, we investigate India's future development path and guide for *Viksit Bharat*.

The 2014–2024 Legacy: Building Blocks of Progress

The foundation set between 2014 and 2024 has been transformative. From 91,287 km in 2014 to 146,145 km by 2024, the National Highway network grew by an impressive 60%, substantially reducing logistical expenses by 15%. Rural connectivity saw a remarkable increase in 3.74 lakh km of rural roads built under the *Pradhan Mantri Gram Sadak Yojana* (PMGSY), linking 7.55 lakh habitations and generating economic possibilities to the most remote areas of India. India's worldwide shipping ranking dropped from 44th to 22nd as the ports doubled cargo handling capacity to 1,630 MT. While the *Pradhan Mantri Awas Yojana* - Urban (PMAY-U) supplied 1.18 crore dwellings to low-income households, addressing urban housing shortages, urban infrastructure grew with metro networks rising fourfold from 248 km to 993 km. The post-Covid economic revival used capital expenditure on infrastructure as a deliberate strategy. Supported by a strong 38.8% CAGR (Compound Annual Growth Rate) in infrastructure capex between FY20 and FY24, these investments have laid a strong basis for the audacious targets stated in Budget 2025.



India's Infrastructure Renaissance: How Regulatory Reforms and Infrastructure Push Rewired the Growth Story (2014-2024)

India's infrastructure transformation since 2014 has been supported by foundational reforms that revolutionised the real estate and construction sectors. The Real Estate Regulation and Development Act (RERA) of 2016 marked a watershed moment, bringing transparency and accountability to the previously opaque real estate market. This reform, along with the implementation of GST, altered market dynamics, enhanced consumer protection, and streamlined the entire construction value chain. The establishment of Real Estate Regulatory Authorities across states, mandatory project registrations, and stringent compliance requirements created a robust framework that has been critical in attracting institutional investment and boosting consumer confidence.

The introduction of GST in 2017, despite initial implementation challenges, proved transformative for the infrastructure sector by simplifying the complex tax structure and reducing cascading effects. This reform, combined with other initiatives like the Input Tax Credit and the e-way bill system, has significantly reduced logistics costs and improved supply chain efficiency. The rationalisation of GST rates for under-construction properties and affordable housing projects has stimulated demand and supported the government's housing-for-all mission. These reforms coincided with other crucial changes like demonetisation and the Benami Transactions Act, which helped formalise the sector and improve transparency in real estate transactions.

The real estate market cycle has entered a robust growth phase, evidenced by record sales volumes and sustained price appreciation across major markets. This upturn is structurally different from previous cycles due to the strong regulatory foundation laid by RERA and GST, combined with increased capital expenditure in infrastructure. The sector has witnessed unprecedented institutional investment, with private equity inflows reaching new highs and REITs (Real Estate Investment Trusts) emerging as a viable investment vehicle. The government's infrastructure push, manifesting in initiatives like the National Infrastructure Pipeline

and PM Gati Shakti, has created a multiplier effect, boosting connectivity, reducing logistics costs, and revitalising real estate development across both tier-1 and tier-2 cities. These reforms have positioned India's real estate sector for sustainable, long-term growth.

Budget 2025: Accelerating into the Future

The Union Budget 2025–26 is a watershed moment in India's infrastructure voyage, as it introduces bold initiatives and allocations that are expected to propel the nation into a new era of development. Leading this ambition is the historic choice to give shipbuilding infrastructure status, therefore anchoring a new industrial era for India. Another absolutely vital pillar of the Budget 2025 program is urban transformation. A Rs 1 lakh crore Urban Challenge Fund is intended to fund 25% of bankable projects in smart cities, water and sanitation infrastructure, and transit-oriented development. This fund is poised to transform urban living all throughout India, increasing liveability, sustainability, and economic vitality of cities. Aiming to build 300 km of new lines yearly, the metro rail development plan is as ambitious and targets 1,500 km by 2030. Twenty-three cities connected by metro systems will see this development improve urban mobility and ease traffic congestion. Housing is still a top priority, and PMAY-Urban 2.0 has set aside a sizeable Rs 2.2 lakh crore to build 80 lakh affordable dwellings, addressing the lack of available urban housing and enhancing millions of people's quality of life.

Budget 2025: Shipbuilding Steals the Spotlight

India, despite its continental landmass, functions essentially as an island economy. Over 95% of India's international trade by volume traverses maritime routes, with limited land alternatives. While India shares extensive borders with China, the Himalayan frontier serves as a natural barrier rather than a trade corridor. Trade with Pakistan remains virtually non-existent, and commercial exchanges with other neighbouring nations through land routes are minimal. This geographical and geopolitical reality makes maritime capability not just advantageous but existential for India's economic security.

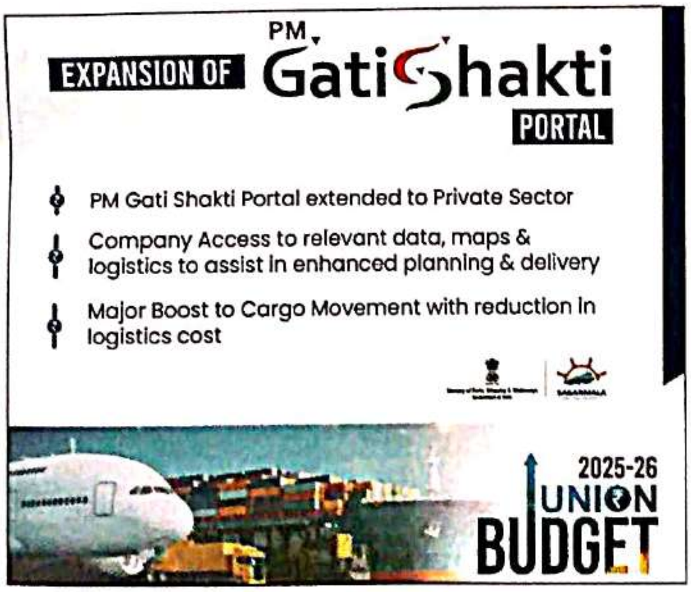
With India poised to become the world's third-largest economy, the nation faces critical deficiencies in its shipping sector. While discussions often gravitate toward port logistics, the interconnected domains of shipbuilding, ownership, and vessel registration demand urgent strategic attention. The current metrics are concerning: India owns just 1,526 ships with a capacity of 13.75 million gross tonnage, of which only 487 vessels serve overseas trade. India's global share in ship ownership stands at a mere 1.2%, in stark contrast to Greece (17.8%), China (12.8%), and Japan (10.8%). The shipbuilding scenario is even more critical, with India holding just 0.07% of the global market share, while China dominates at 46.6%, followed by South Korea (29.2%) and Japan (17.2%). These three nations effectively control 93% of global shipbuilding, with China maintaining near-monopolistic control over container manufacturing.

The economic implications are severe. India's dependence on foreign vessels for approximately 95% of its international cargo resulted in a forex outflow of $75 billion in sea freight charges to foreign companies in 2022-23. This is projected to exceed $100 billion imminently. This dependency transcends economic considerations to become a critical strategic vulnerability.

However, India possesses fundamental advantages for maritime ascendancy. The nation has demonstrated advanced capabilities in designing and constructing nuclear submarines and aircraft carriers. India ranks third globally in seafarer supply, contributing 10-12% of the worldwide maritime workforce. This positions India advantageously, particularly as the dominant shipbuilding nations face demographic constraints with ageing populations.

In a landmark move, India's Budget 2025 has positioned shipbuilding at the forefront of industrial policy by granting infrastructure status to large vessels through their inclusion in the Harmonised Master List (HML). This strategic decision unlocks preferential financing channels, with the newly established Rs 25,000 crore Maritime Development Fund providing crucial support for shipbuilding clusters and research initiatives. The policy's financial architecture enables shipyards to access long-term, low-interest loans from institutions like IIFCL and pension funds. This is a critical advantage for an industry where capital costs significantly influence global competitiveness. Currently ranked 22nd globally with a mere 0.06% market share, India's ambitious target of breaking into the top 10 shipbuilding nations by 2030 demonstrates the government's commitment to maritime manufacturing excellence.

The policy framework extends beyond mere financial incentives, incorporating a comprehensive ecosystem approach through targeted customs duty exemptions on ship components and innovative Shipbreaking Credit Notes that reimburse 40% of scrap value to promote domestic recycling. This multifaceted strategy is designed to address both immediate industrial needs and long-term employment objectives, with the sector currently supporting 2.1 lakh direct and 14 lakh indirect jobs. The government's vision of creating 5 million jobs by 2030, particularly benefiting coastal states like Gujarat, Kerala, and Tamil Nadu, underscores the policy's dual focus on industrial advancement and socio-economic development. These measures collectively represent a calculated effort to establish India as a major player in global shipbuilding while simultaneously strengthening domestic manufacturing capabilities and employment generation.



Recognising these challenges and opportunities, the government has introduced four transformative bills in Parliament's winter session. The Coastal Shipping Bill, 2024, aims to create a comprehensive regulatory framework for coastal trade, removing restrictions on Indian-flagged vessels and establishing a national database for enhanced transparency. The Merchant Shipping Bill, 2024, expands vessel ownership eligibility to include NRIs, OCIs, and Indian-registered companies while introducing flexible financing options through the Bare Boat-cum-Demise Charter method.

The Carriage of Goods by Sea Bill, 2024, focuses on clarifying legal responsibilities and streamlining dispute resolution processes. The Bills of Lading Bill, 2024, modernises shipping documentation, replacing colonial-era legislation. These reforms collectively aim to reduce compliance burdens and promote ease of doing business in the maritime sector.

These comprehensive reforms signal a major overhaul of India's shipping ecosystem, essential for both economic growth and national security. The transformation of India's shipping sector represents not just an economic opportunity but a strategic imperative.

India's Budget 2025 is a focal moment in the nation's development trajectory, particularly in its bold focus on shipbuilding and maritime infrastructure. By granting infrastructure status to shipbuilding, establishing a Rs 25,000 crore Maritime Development Fund, and implementing comprehensive regulatory reforms, India is positioning itself to address its maritime vulnerabilities while creating millions of jobs. This strategic pivot could fundamentally transform India's role in global maritime trade and accelerate its journey toward becoming the world's third-largest economy. ❑

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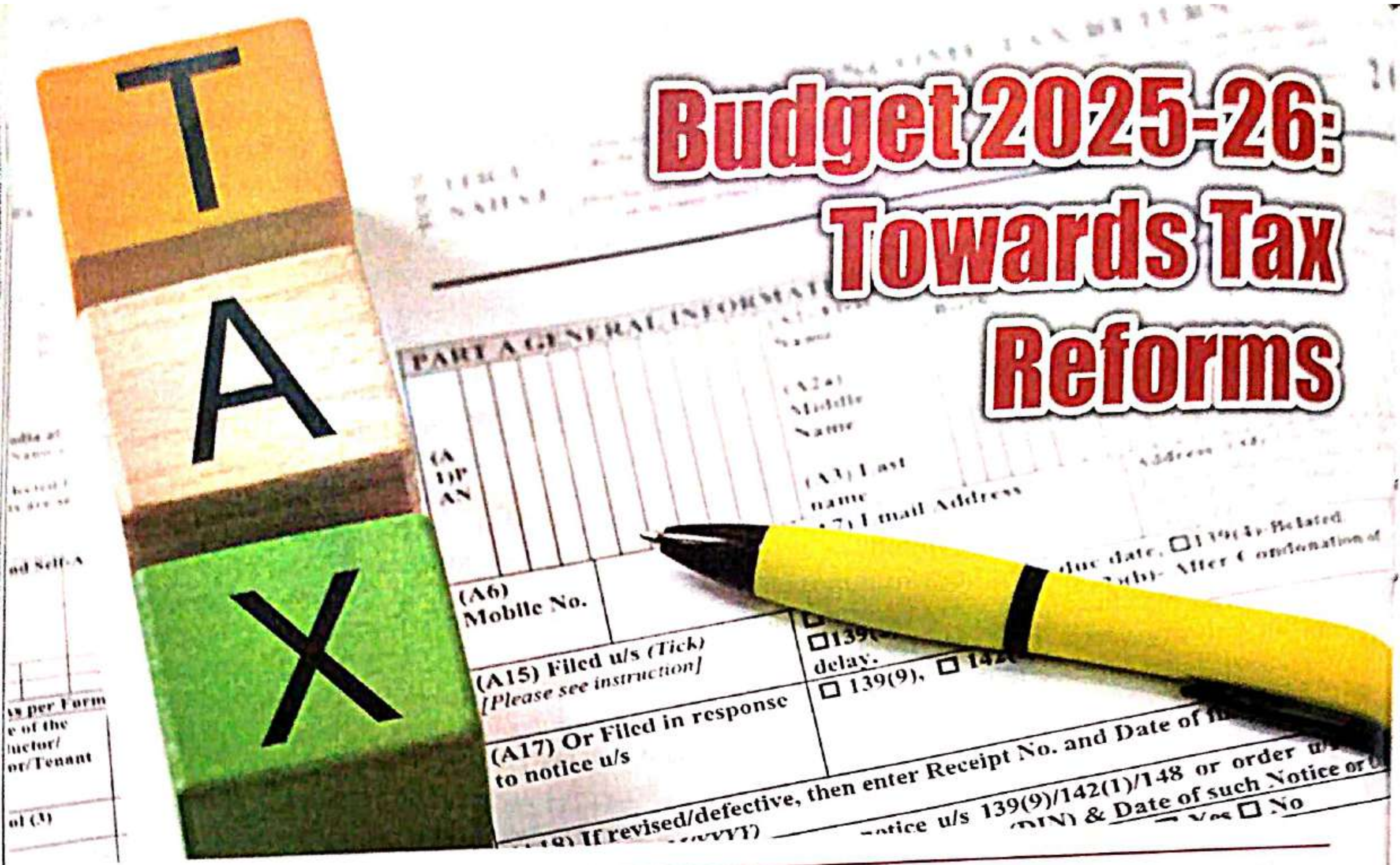

Budget 2025-26: Towards Tax Reforms

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The Union Budget 2025-26 introduces several measures to ease compliance and reduce taxpayer anxiety. The restructuring of personal income tax slabs benefits the middle class, reducing tax liability for those earning up to Rs 12 lakh per annum. The deadline for filing updated income tax returns is extended from 24 months to 48 months. For NRIs, presumptive taxation for services related to electronic manufacturing facilities provides greater tax clarity. Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) provisions are rationalised, ensuring a smoother process for businesses and individuals. The extension of tax benefits for startups until 01 April 2030 supports growth and innovation. The shipping industry gets a boost with a new tonnage tax scheme for Indian shipping companies. Simplification of compliance for small charitable trusts by extending the registration period from five years to ten years. Digitisation of tax administration through AI-driven tax assessments improves efficiency. India's Tax-to-GDP ratio stands at 11.9% in FY 2024-25, and Direct Taxes to GDP at 6.9%. The approach is described as PRUDENT—Proactive, Responsive, User-friendly, Digitally-enabled, Environment that is inclusive and Transparent.

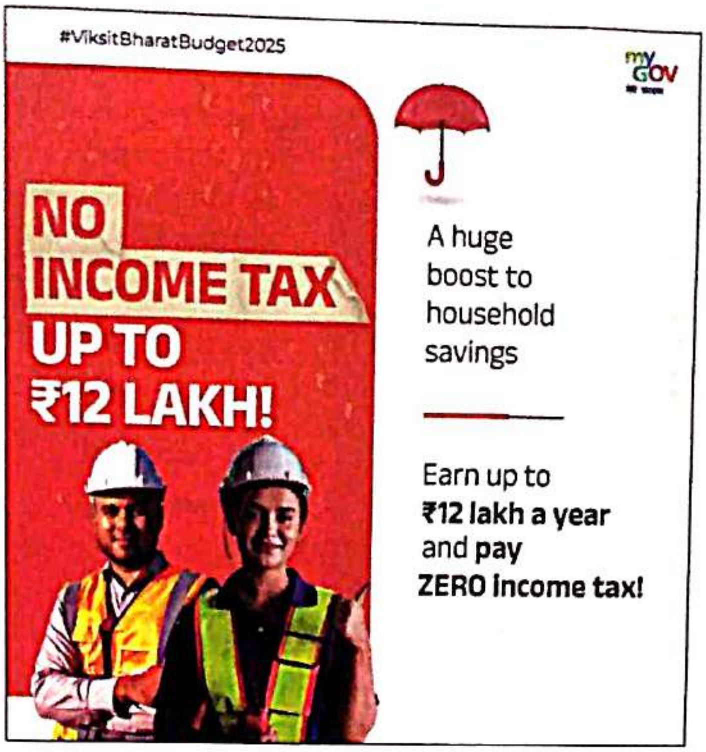
Over the past decade, India's tax system has evolved from being complex and compliance-heavy to one that prioritises transparency, predictability, and ease of use. The Union Budget 2025-26 builds on this progress, introducing reforms that aim to simplify tax compliance, rationalise rates, and encourage voluntary participation.

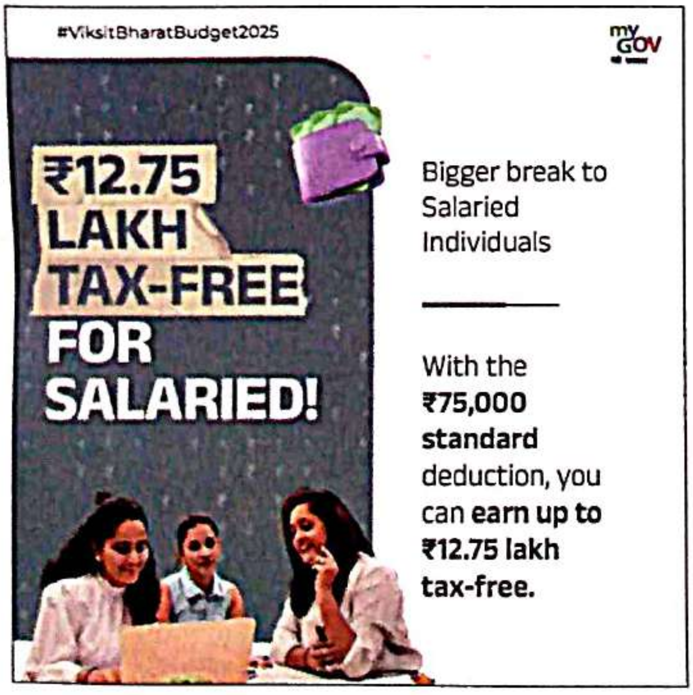
Today, tax administration is not just about revenue collection—it is about building trust between the government and taxpayers. The shift from an enforcement-heavy approach to one that encourages compliance with minimal friction marks a significant step forward. This budget reflects a modern, responsive governance style—one that recognises economic realities and taxpayer concerns.

At its core, the 2025-26 finance bill aims to ease the burden on individuals and businesses, simplify compliance, and foster a more investment-friendly environment. By addressing long-standing issues and ensuring policies align with India's long-term growth ambitions, the government is reinforcing its commitment to a fair and efficient tax system.

Relief for the Middle Class: Lower Taxes, More Disposable Income

One of the biggest highlights of this budget is the restructuring of personal income tax slabs, benefiting the middle class. Recognising the financial strain many individuals face, the government has reduced tax liability for those earning up to Rs 12 lakh per annum. This means more money in people's pockets—fuelling spending, boosting demand, and driving economic activity. This is not just about tax savings—it is about giving people financial flexibility.





To make taxation even more straightforward, the revised tax slabs eliminate unnecessary complexity. Instead of a confusing multi-tiered structure, the government has introduced a simpler, more predictable framework that aligns with modern income levels.

Another important reform is the removal of outdated restrictions on self-occupied property taxation. Previously, homeowners were subject to unnecessary conditions when claiming nil annual value on a second self-occupied house. With this change, those who own two homes and cannot use or occupy them due to employment constraints or personal reasons will no longer be unfairly penalised.

Making Tax Compliance Easier and Less Stressful

A good tax system should work for the people, not create unnecessary hurdles. Recognising this, the Budget 2025-26 introduces several measures to ease compliance and reduce taxpayer anxiety.

A major relief is the extension of the deadline for filing updated income tax returns (ITRs) from 24 months to 48 months. This allows individuals and businesses extra time to correct any filing errors

without fear of excessive penalties. Instead of being pressured into rushed compliance, taxpayers now have flexibility—reinforcing a system that encourages voluntary rectification rather than punishing genuine mistakes.

For Non-Resident Indians (NRIs), the government has introduced presumptive taxation for services related to electronic manufacturing facilities. This move provides greater tax clarity, making India a more attractive investment destination.

Additionally, the government has rationalised Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) provisions. Previously, higher TDS/TCS rates for non-filers caused excessive deductions, disrupting cash flow. This budget eliminates those inefficiencies, ensuring a smoother process for businesses and individuals alike.

In a welcome move for businesses, delays in TCS payments will no longer carry criminal liability. Recognising that most delays are due to operational challenges rather than intentional defaults, the government has ensured penalties remain fair and proportionate. This change reduces unnecessary fear while still maintaining accountability.

Encouraging Investment and Economic Growth

Tax policy is no longer just about revenue collection—it is a tool to drive economic expansion. The 2025-26 Budget continues to focus on attracting investment, promoting entrepreneurship, and strengthening key industries.

For startups, tax benefits have been extended to businesses incorporated until 01 April 2030. Given India's booming startup ecosystem, this move ensures that new ventures continue to receive the support they need to grow, innovate, and create jobs.

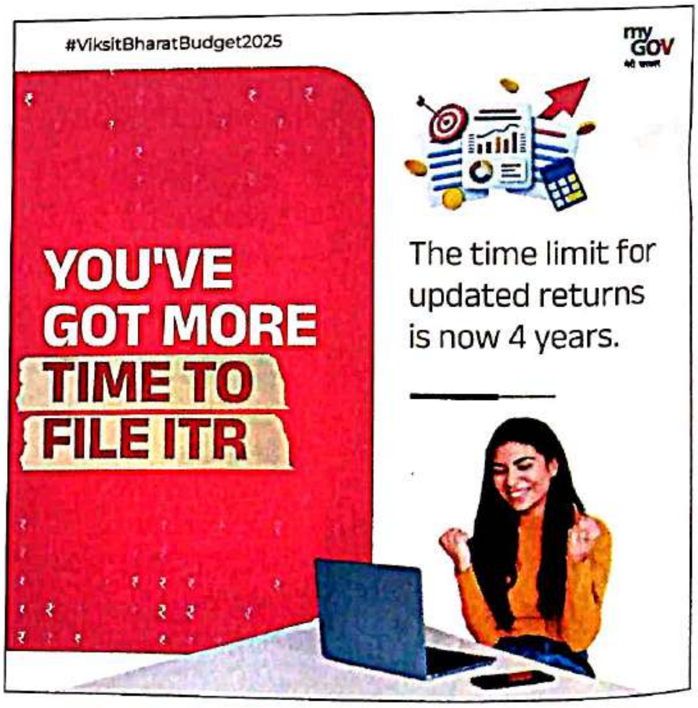
The shipping industry also gets a boost with a new tonnage tax scheme for Indian shipping companies, including inland vessels. These incentives aim to strengthen India's maritime sector, promote domestic shipping and enhance inland water transport—contributing to sustainable economic growth.

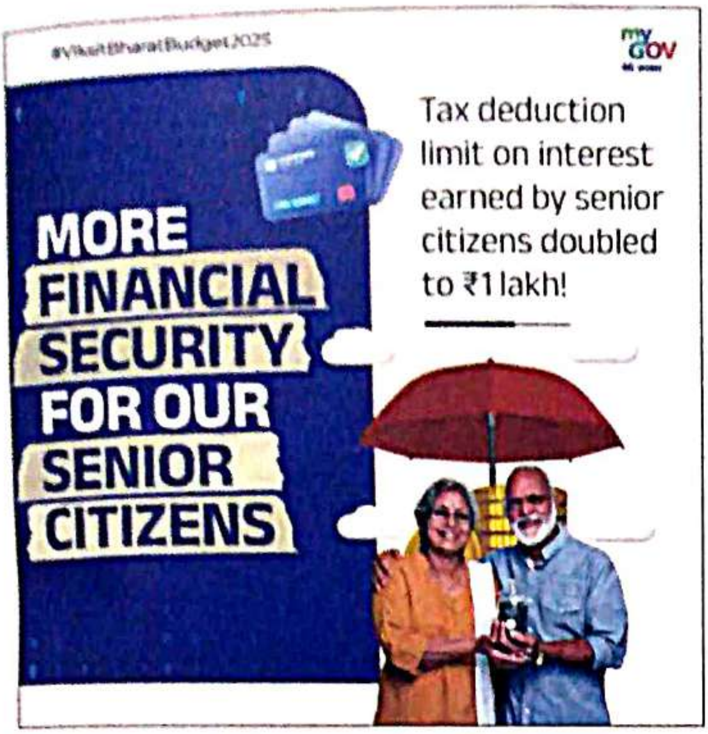
Additionally, the International Financial Services Centre (IFSC) remains a key focus, with targeted tax incentives to attract global investors. Exemptions on capital gains and dividends for ship-leasing units operating in IFSCs will make India a more attractive financial hub—bringing in more capital and creating high-value jobs.

A Smarter, Fairer Tax System

Beyond individual tax benefits, this budget makes structural changes to reduce disputes and improve efficiency in tax administration.

For small charitable trusts, compliance has been simplified by extending the registration period from five years to ten years. Minor defaults will no longer result in automatic registration cancellations, ensuring that genuine non-profits can focus on their mission without worrying about





bona fide omissions.

Another major improvement is a multi-year framework for transfer pricing, allowing businesses to determine their arm's length price (ALP) over multiple years. This provides much-needed predictability for multinational companies operating in India, reducing compliance difficulties and potential disputes.

Digitisation continues to play a crucial role in making tax administration more efficient. The government is leveraging AI-driven tax assessments and real-time monitoring to reduce processing times, improve accuracy, and ensure faster dispute resolution. This shift means taxpayers can expect quicker refunds and fewer errors—something that was long overdue.

Conclusion: A Balanced, Growth-Oriented Tax Approach

India has a progressive system of direct taxation, with those in higher slabs contributing more to direct taxes. The series of reforms undertaken during the last few years to improve the tax administration is reflected in India's steadily rising Tax-to-GDP ratio, which stands at 11.9% in FY 2024-25 (RE). The Direct Taxes to GDP for FY 2024-25 (RE) stands at 6.9%. The tax buoyancy for FY 2024-25 is predicted at 1.20 considering the nominal GDP growth is 10.1%.

The Union Budget 2025-26 takes further strides towards creating a tax system that is fair, efficient, and aligned with India's economic ambitions. At the heart of this transformation is an approach best described as PRUDENT—Proactive, Responsive, User-friendly, Digitally-enabled, Environment that is inclusive and Transparent. These guiding principles have shaped tax policies in recent years, ensuring that the system is stable, predictable, and aligned with India's economic aspirations. □

Balancing Production & Consumption for Economic Growth

SHISHIR SINHA

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While the restructuring of the new Income Tax regime aims to boost consumption, changes in the customs mechanism intend to help the manufacturers meet the domestic demands and face the global headwinds. After all, economic growth is measured not just in terms of Gross Domestic Product or GDP (which represents demands) but also in Gross Value Added or GVA (which represents supply), and tax reforms in the Union Budget 2025-26 is aimed at addressing both.

Taxation comprises direct taxes and indirect taxes. While direct taxation is termed as progressive taxation (higher the income, higher the tax), indirect taxation is regarded as regressive (tax rate on a good or service is the same for anyone consuming/availing). Indirect taxes in India saw the biggest reform in 2016, when the Centre and States collaborated to introduce the Goods and Services Tax, with effect from 01 July 2017. Now, 2025 will be a similar kind of year for direct taxes, after 1961, as the Union Finance Minister has proposed a massive change in the new Income Tax structure and also announced the introduction of a new Income Tax Bill to replace the over six-decade-old law.

As the Union Budget has a very limited role (legislative changes in the CGST Act based on recommendations by the GST Council), in terms of GST, it would be better to focus on tax reforms with two key proposals for direct taxes apart from some changes in the Custom Duty Mechanism.

"Democracy, Demography and Demand are the key support pillars in our journey towards Viksit Bharat. The middle class provides strength for India's growth. This Government under the leadership of Prime Minister Narendra Modi, has always believed in the admirable energy and ability of the middle class in nation building. In recognition of their contribution, we have periodically reduced their tax burden......I am now happy to announce that there will be no income tax payable up to an income of Rs 12 lakh (i.e., an average income of Rs 1 lakh per month other than special rate income such as capital gains) under the new regime."

—Finance Minister Nirmala Sitharaman in her budget speech, 01 February 2025

Although some were sceptical about the big headline on the issue considering the low-income tax base (for AY 2024-25, about 8.75 crore persons have filed their Income Tax Returns) in the country, one needs to understand that the number may be small, but they play a very important role in economic growth because of their contribution to tax receipts.

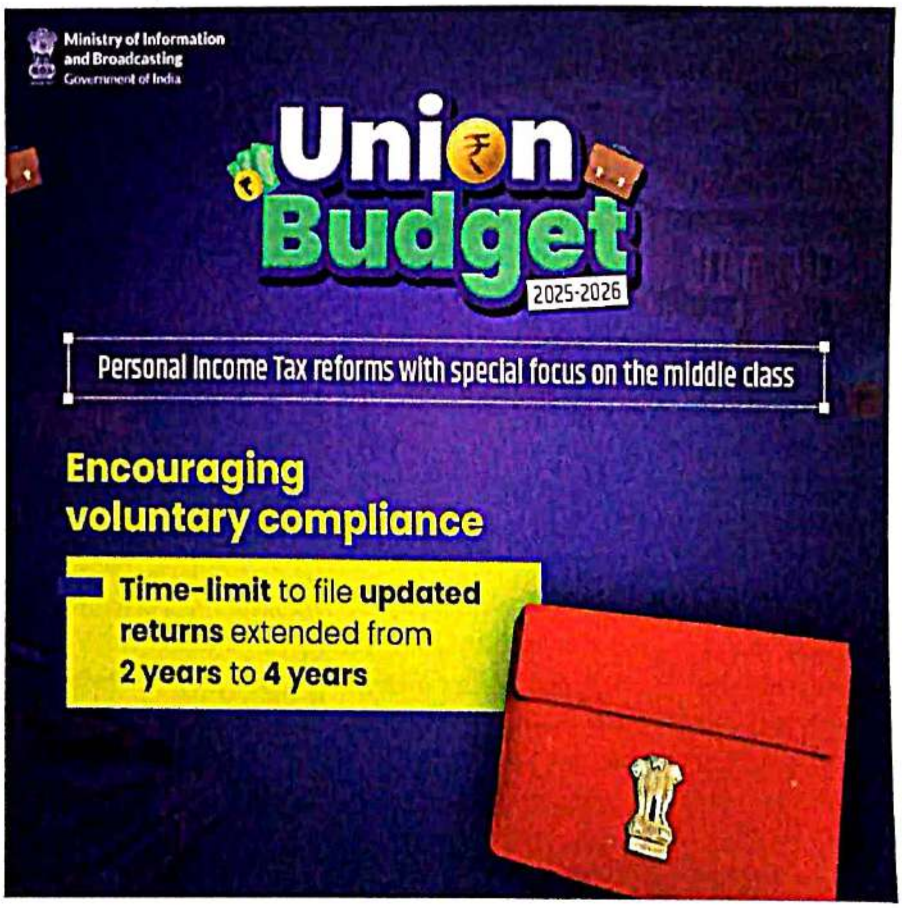
Consider this number: out of a total tax revenue of over Rs 34.5 lakh crore for fiscal year 2023-24, direct taxes (Corporate Tax and Non-Corporate Taxes) contributed over 56 per cent with over Rs 19.60 lakh crore. In Direct Taxes, Non-Corporate Taxes (mainly comprising individual taxpayers), contributed over Rs 10.45 lakh out of Rs 19.60 lakh crore, which is around 53 per cent. These numbers clearly show the role of direct taxpayers in overall economic growth.

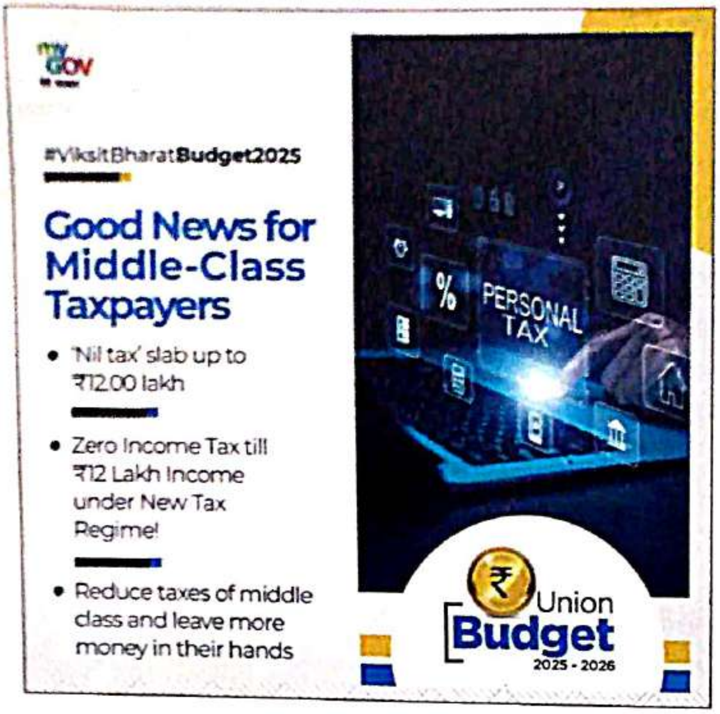
Now, post the rejig in the new Income Tax regime, nearly 1 crore taxpayers will not be required to pay income tax, and they will join 5 crores who are already not paying income tax on account of the rebate announced for an annual income up to Rs 7 lakh in 2023. So, what will happen to the remaining? In fact, they will also be benefitted because of the change in rates and slabs under the new regime for the Fiscal Year 2025-26 (Assessment Year 2026-27) by paying a lesser amount of tax.

The government has already said that due to the rebate and change in rates/slabs, the revenue foregone would be Rs 1 lakh crore. In other words, this is the amount that will be available in the hands of taxpayers, comprising mainly the middle class, the class that is always considered a big factor in pushing consumption. So, the big question is, what would be the use of additional income available in the hands of taxpayers? The answer is there could be four end uses—spending, saving through various forms of deposits, investment, or phased-wise retiring old debts.

Among these four, the focus is on consumption, and that leads to another question: what proportion would come to the market, and that is critical for economic growth? A research report by the State Bank of India estimated a consumption boost of Rs 3.3 lakh crore, using a Marginal Propensity to Consume (MPC) of 0.7. Here, MPC means the proportion of increase a consumer wants to spend. Assuming MPC to be in the range of 0.6-0.7 means out of Rs 1 lakh crore, consumers to spend Rs 65,000-Rs 70,000 crore over the next 12 months.

A consumption boost will have a multiplier





impact on inducing production and investment, i.e., creating a virtuous cycle. As per Keynes formula, the fiscal multiplier (assuming MPC at 0.65) would work out to be close to 3. This would mean the consumption stimulus of Rs 1 lakh crore, could multiply into a threefold impact on the economy, i.e., to the tune of around Rs 3 lakh crore to Rs 3.3 lakh crore over the medium term.

Add the impact of lowering the policy interest rate, technically known as the Repo Rate, by the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) after a gap of 5 years, which is expected to give a big push to the virtuous cycle. The basic assumption of this cycle is one positive change leads to another. Understand this with this illustration: when people have more money to spend, they will demand. Once demand is there, companies will have to produce more. Higher production will require more people. With employment, people will have money in their hands and that will push the demand, and the whole cycle will move forward.

The next question is where people will spend the additional money in the hand? It is expected that it could be spent on buying cars, two-wheelers, television sets, washing machines, air conditioners, mobile phones or even on food of higher nutritional value. Apart from manufacturing, services are also expected to get a benefit as part of additional disposable income likely to be spent on eating out, local tourism, etc.

A research report by a leading financial insights company said that from the perspective of Private Final Consumption Expenditure (PFCE) within the GDP, subcategories that account for a sizeable share of consumer spending and possess high income elasticity are likely to see the positive impact of fiscal stimulus. These would include transport (purchase of vehicles), miscellaneous goods & services (personal care, jewellery) and clothing & footwear, the report said.

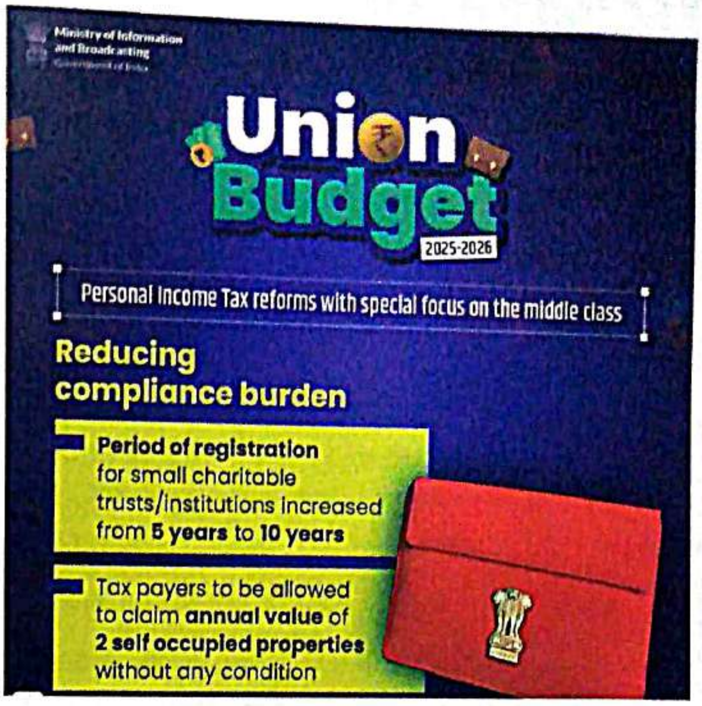
Higher spending will have another benefit, and that is to the government. When people are spending, the government(s) is set to gain through indirect taxes. Taking the assumption of a GST rate of 12 per cent, the SBI Research report expects an increase in consumption spending by Rs 3.3 lakh crores could result in an inflow of Rs 40,000 crore in indirect taxes (Rs 20,000 crore to the Centre and Rs 20,000 crore to the States).

Then based on the devolution formula, 41 per cent of the Centre's Rs 20,000 crore, or more than Rs 8,000 crore, will also flow to the states. Thus, the states stand to gain at least Rs 28,000

crores more under this new tax dispensation. This growth in indirect tax revenue can further support government finances, providing a cyclical boost to economic activity and public expenditure, the report said.

The Government is all set to bring in a new Income Tax law. In her speech, the Finance Minister said:

"Taxation Reforms are one of the key reforms to realise our vision of Viksit Bharat. In respect of criminal law, our Government had earlier ushered in the Bharatiya Nyaya Sanhita replacing the Bharatiya Danda Sanhita. I am happy to inform this august house and the country that the new income tax bill will carry forward the same spirit of 'Nyaya'. The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation."



Earlier in 2010 and 2013, an attempt was made to bring in a Direct Tax code. The key word in the said bill was 'simplification.' Though many of the proposals of the draft bill, such as GAAR (General Anti-Avoidance Rules), taxation of indirect transfers, reduction in corporate tax rates with dwindling tax deductions and exemptions, etc., were brought in through changes in the Income Tax Act 1961, the wholesome bill could not be introduced by the then government.

When the PM Narendra Modi's government

SUCCESS STORY OF TAX REFORMS:

GST HELPED IN LOWERING LOGISTICS COSTS

Traditionally, India has been known as a country of high logistics costs, which in turn affects the competitiveness of Indian industry at a global level. However, post the introduction of Goods & Services Tax (GST) from 01 July 2017, the logistics cost has come down, and it was highlighted in the Economic Survey (2023-24). It highlighted that the 'One Nation, One Tax' regime has ensured that trucks do not have to wait for hours on state borders, which has reduced travel time by up to 30 per cent. This has reduced the logistics costs and increased the average distance trucks travel per day from 225 km before GST to 300-325 km, as per a Ministry of Road Transport and Highways report.

This has been a great value, adding to the ease of doing business and the growth of manufacturing in the country. An NCAER (National Council of Applied Economic Research) study of December 2023 has shown that the logistics costs in the economy has declined by 0.8 to 0.9 percentage points of GDP between FY14 and FY22.

India's position in the World Bank's Logistics Performance Index (LPI) improved to 38 in 2023 from 44 in 2018 out of 139 countries. This improvement is attributed to reduced logistics costs and better trade facilitation. With the introduction of cargo tracking, dwell time in the eastern port of Visakhapatnam came down from 32.4 days in 2015 to 5.3 days in 2019. Additionally, the country's position in international shipments climbed to 22 in 2023 from 44 in 2018 due to its modernisation and digitalisation efforts. India moved up five places in infrastructure score and four places up to 48 in logistics competence and equality.

India aims to be in the top 25 countries on the LPI by 2030 and here GST could play an important role.

***Source**: Economic Survey 2023-24*

Key Direct Tax Reforms

2014

- SIT to investigate Black Money in Swiss Bank Accounts formed.
- Tax Administrative Reforms Commission (TARC) headed by Dr Parthasarathi Shome submitted its report of reviewing the applicability of tax policies and tax laws in the context of global best practices and recommending measures for reforms required in tax administration to enhance its effectiveness and efficiency.

2015

- Abolition of levy of wealth tax under Wealth-tax Act, 1957.
- The concept of Place of Effective Management (POEM) was introduced.

2016

- Introduction of Equalisation levy.
- Furnishing of Country-by-Country Report introduced to implement Base Erosion and Profit Shifting ('BEPS') measures.
- Presumptive taxation scheme for professionals introduced.
- Income Declaration Scheme was launched for declaring unaccounted income.

2017

- Introduction of levy of fees on taxpayers who filed income-tax returns after the expiry of the original due date.
- Tax rate for the lowest slab of Rs. 2,50,000 to Rs 5,00,000 was reduced from 10% to 5%.

2018

- Reintroduction of the standard deduction from salaried individuals.
- Launch of 'E-Proceeding' to conduct assessment proceedings electronically.

2019

- Introduction of Alternate Tax Regime for domestic companies.
- To move towards less cash economy, Section 194N was introduced for deduction of tax at source (TDS) on withdrawal of cash exceeding the prescribed limit.
- PAN and Aadhaar can be used interchangeably.
- Introduction of Document Identification Number (DIN) to bring transparency in the functioning of the department.
- Introduction of e-Assessment Scheme, 2019

2020

- Introduction of Faceless Assessment Scheme 2020 & Faceless Appeal Scheme 2020.
- Concessional Tax Rates under new Income Tax regime were introduced for Individuals.
- Dividend Distribution Tax (DDT) was abolished.
- *'Vivad se Vishwas* scheme' was introduced to reduce litigations and generate government revenues.

2021

- Launch of New e-filing Portal.
- New scheme launched for reassessment and search assessments.
- Introduction of faceless proceedings before the ITAT.
- Constitution of the Board for Advance Ruling.
- Discontinuance of Settlement Commission.

2022

- Introduction of Taxation of Virtual Digital Assets.
- Introduction of tax relief for Covid-19-related compensation.

came into power in 2014, an effort was initiated through the formation of a task force in 2017 to suggest changes in the direct taxes. In its report in 2019, it recommended rationalisation of personal income tax rates with the aim to maintain standard rates without changes on a year-on-year basis to showcase stability in the tax system. While these recommendations formed the foundation for the new income tax bill, further consultations took place between July and December 2024. Indications are that the new bill will unveil a progressive tax regime with an expectation to reinvent a simple, fair, conducive and enforceable tax law. Also, the effort would be to further ease tax payment to supplement ease of doing business.

- Introduction of 'Updated Return' which can be filed even if the due date for filing of belated/revised return has expired.

2023

- Income limit for rebate of income tax raised to Rs 7 lakh from Rs 5 lakh under new income tax regime.
- Extending 15% corporate tax benefits to new cooperatives, commencing manufacturing till 31 March 2024.
- Extension of the date of incorporation by one year for income tax benefits to start-ups.

2024

- Angel tax for all classes of investors abolished.
- Safe harbour rates for foreign mining companies (Selling raw diamonds).
- Corporate tax rate on foreign companies reduced from 40% to 35%.
- Standard Deduction for salaried employees increased from ₹50,000 to ₹75,000.

2025

- No income tax for people having annual income of Rs 12 lakh (Rs 12.75 lakh for salaried person).
- Introduction of a scheme for determining arm's length price of international transaction for a block period of three years.
- Expansion of scope of safe harbour rules to reduce litigation and provide certainty in international taxation.
- Tax certainty for electronics manufacturing Schemes.
- Tonnage Tax Scheme for Inland Vessels.
- Extension for incorporation by 5 years of Start-Ups.

***Source:** Income Tax Department, Budget Documents*

The Income Tax Act 1961 has witnessed several amendments since its inception, making it deep and wide. A transition is necessitated to align the tax system with practicalities and to plug the shortcomings of the existing tax law. With tax laws evolving globally, making variations to a law that has its genesis dated 6 decades back may not yield desired outcomes, requisitioning a new face.

Reforms in Indirect Taxes: Custom Duty

Reforms in taxation would be incomplete without discussing the initiative under the comprehensive review of the Customs rate structure as announced in the July 2024 budget. Accordingly, it has been proposed to remove seven tariff rates, which is over and above the seven tariff rates removed in the 2023-24 budget. After this, there will be only eight remaining tariff rates, including the 'zero' rate.

There is a proposal to apply appropriate cesses to broadly maintain effective duty incidence except on a few items, where such incidence will reduce marginally levy not more than one cess or surcharge. Keeping this in mind, the Social Welfare Surcharge on 82 tariff lines that are subject to a cess has been exempted. All these aim to bring more clarity and add competitiveness.

Another key proposal is to fix a time limit of two years, extendable by a year, for finalising the provisional assessment under foreign trade. As of now under the Customs Act, 1962 there is no time limit to finalise Provisional Assessments leading to uncertainty and cost to trade. Now the new provision expects to end uncertainty and reduce cost to trade.

There are two more proposals critical for ease of trade. One is voluntary compliance, which will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance. However, this will not apply in cases where the department has already initiated audit or investigation proceedings. Second is the extension of the time limit for the end use of imported inputs from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

Conclusion

If the restructuring of the new Income Tax regime aims to boost consumption, then changes in the customs mechanism intend to help the manufacturer to meet the domestic demand as well as to face the global headwinds effectively. After all, economic growth is measured not just in terms of Gross Domestic Product or GDP (which represents demands) but also in Gross Value Added or GVA (which represents supply), and tax reforms in the Union Budget 2025-26 is aimed at addressing both. ❑

Green Budgeting in India: A Step Towards Sustainable Development

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India's FY2026 budget reinforces its commitment to climate goals, with increased funding for clean energy, environmental conservation, and electric vehicles. The budget emphasises solar energy, the PM KUSUM scheme, the Nuclear Mission, and the Urban Challenge Fund. It also promotes domestic clean tech manufacturing, a circular economy, and climate-resilient agriculture, all supporting a green and sustainable economy.

India, poised to be the third-largest economy and the largest democracy in the world, has demonstrated its commitment to climate goals. It has cut down 36 per cent of carbon intensity embedded in its Gross Domestic Product (from the 2005 level) a decade ahead of its commitment timelines and subsequently increased its Nationally Determined Contribution (NDC) emission intensity reduction target further to 45 per cent by 2030. By the end of last year, India exceeded a renewable energy installed capacity of approximately 210 GW and has an ambitious target of adding 500 GW by 2030. India's consistent green policy choices, generous budget allocation in climate-related sectors, and climate action enabled the country's growing stature as a leader in climate action globally.

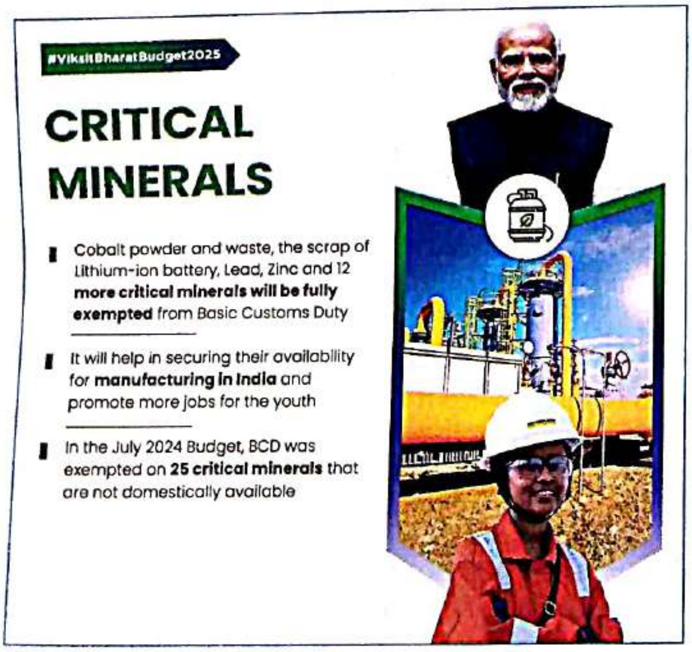
In that context, the Union Budget for 2025-26 further reinforced momentum into the country's commitment to climate goals while making it an integral part of India's economic growth plans. The budget supported climate action sectors across all aspects of climate action, including clean energy, transportation, and critical minerals. Besides, the FY26 budget has also given much-needed attention to climate adaptation. Since India is one of the most vulnerable countries to climate-induced extreme weather events, particularly in the agriculture sector, the budget announced strong measures to support farmers while ensuring food security.

Enhancement in Policy Implementation and Governance of Green Sectors

The Finance Ministry has allocated a approximately 10 per cent increase in the budget of the Ministry of Environment, Forest and Climate Change (MoEFCC) to Rs 3,412.82 crore from Rs 3,125.96 crore in the earlier budget, which indicates the country's commitment to improving policies and governance in green sectors. India's energy sector is rapidly transforming—renewable energy's composition in the country's energy mix has increased yearly, thanks to generous financial and fiscal incentives. To advance further progress, the 2025-26 budget increased the Ministry of New and Renewable Energy (MNRE) allocation to Rs 25,649 crore from Rs 19,100 crore—a whopping 39 per cent increase. This jump in the budget for renewable energy offers a clear message on India's policy commitment to transition to a clean energy system.

Thrust on Distributed Solar

Solar energy, being the cheapest among the clean energy segment, received a higher allocation in the budget. Within the solar segment, the widespread adoption of distributed solar energy represents a significant stride towards making the energy sector less carbon-intensive and inclusive. The FY26 budget allocation to the distributed energy segment increased to Rs 22,600 crore—a massive 66 per cent leap from the FY2025 revised estimates. In less than a year of its launch, the *PM Surya Ghar Muft Bijli Yojana*—a programme launched in February 2024 to provide free solar-generated electricity to up to 300 units, completed more than 630,000 installations (as of December 2024 and at a monthly average of 70,000). This program has successfully integrated households into national climate mitigation plans and improved the quality of electricity significantly.

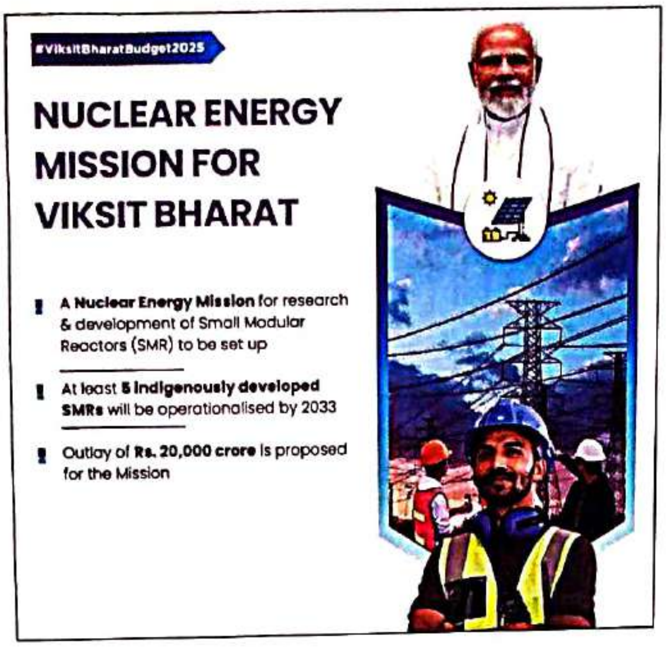


Similarly, the budget also increased allocation for the PM KUSUM scheme, targeted to solarisation of water pumps in the agriculture sector, to Rs 2,600 crore, an increase of 3 per cent from the FY2025 estimate. The PM KUSUM scheme has dual objectives: Reduce reliance on diesel and grid for electricity and simultaneously increase farmers' income. These policies encapsulate a win-win scenario, where climate mitigation objectives harmonise seamlessly with governmental policies and households' and farmers' finances.

Clean Energy Manufacturing and Generation: Balance and Alignment in Priorities

The 2025-26 budget sets out to align industrial policy towards building a strong domestic clean tech manufacturing to reduce its reliance on imported materials for climate technologies. The measures on the entire solar value chain, including solar cells and grid-scale batteries, can give the country a stronghold on the solar value chain. India has made indisputable progress in clean energy infrastructure, including developing world-class power plants and efficiently managing power. The country is deploying the same strategy to other solar and battery manufacturing companies, which can enhance its energy security.

Building transmission lines to evacuate (i.e. constructing the necessary infrastructure to transport renewable energy from the generation sites to where it will be used) and integrate renewable energy into the grid can support the further development of renewable energy projects. The increase in budget allocation to Rs 600 crore for Green Energy Corridors (GECs) can ensure the smooth evacuation and transmission of solar and wind power. The electricity distribution companies' reform allowing states to borrow additional debt is also an encouraging sign for the renewable energy sector. A better financial health of distribution companies can mitigate off-takers risk associated with renewable energy projects (i.e., reducing the financial risk associated with the off-taker, who



is the purchaser of the energy generated by the project). Lower off-taker risk can improve the credit rating of renewable energy companies, enabling them to raise debt capital at a lower rate—raising debt capital at a competitive rate is still a challenge for the renewable energy sector. The budget also supported the green hydrogen sector by doubling the funding allocation from Rs 300 crore to Rs 600 crore. Green hydrogen is a key technology used to decarbonise the hard-to-decarbonise sectors (e.g., steel, cement) and long-distance transportation sectors such as shipping, airlines, and long-haul trucks.

Nuclear Energy—A New Dawn for India's Energy Security and Green Transition

Although India's clean energy sector expansion has predominantly focused on the solar sector, alternative clean energy technologies are being considered to diversify its clean energy mix. Nuclear technology, an alternative clean energy technology that offers round-the-clock clean energy without investment in energy storage, reinforces a strong case for scaling up atomic energy. The COP28 recognised the critical role of nuclear energy in achieving net zero targets.

The nuclear power capacity was 8.2 GW only by the middle of 2024 and contributed only 2.8 per cent to the total electricity generation in 2022-23. The announcement of a Nuclear Mission, similar to the successful National Solar Mission, has set a target to create 100 GW by 2047—a visionary aspiration to achieve energy security. It will also leapfrog India's clean energy transition by progressing beyond solar and wind in the clean energy mix. Nuclear technology has found immense success in several countries, such as Japan and France, and the technology is mature enough to contain risks and generate energy at affordable prices.

The proposal for developing indigenous small modular reactors (SMRs) can cater to various needs, including replacing carbon-intensive energy facilities in difficult-to-access locations, ensuring grid stability emerging from adding renewable energy, powering marine propulsion, etc. The proposal for developing five small modular reactors indigenously in the medium term can open opportunities for non-fossil energy supply in hard-to-abate sectors.

Besides, India will add many energy-consuming data centres in the next decade, thanks to the country's phenomenal success in the digitalisation of society, business, and government services. These centres can potentially increase their electricity consumption from 1 per cent to 3 per cent of India's total electricity consumption by 2030. SMR can be a potential clean energy technology for data centres; technology companies in other countries are testing SMR technology to reduce carbon emissions from their data centres.

An announcement on the engagement of the private sector in the nuclear sector is critical to scaling up the industry. Moreover, a funding allocation of Rs 20,000 crore for R&D will be crucial to developing and advancing the technology to that stage when the private sector would be attracted to invest. The proposal to amend the Atomic Energy Act and the Civil Liability for Nuclear Damage Act can mitigate liability risks associated with the technology, which can attract private investors to the sector.

Mobility

Electric Mobility is a crucial component of greening India's transportation sector, which heavily relies on imported fuels. The transition to electric vehicles can support the country's energy security and shield it from foreign exchange market fluctuations due to oil price volatility. Shifting away from oil will also help the government control inflation effectively, which is often linked to global oil price movements.

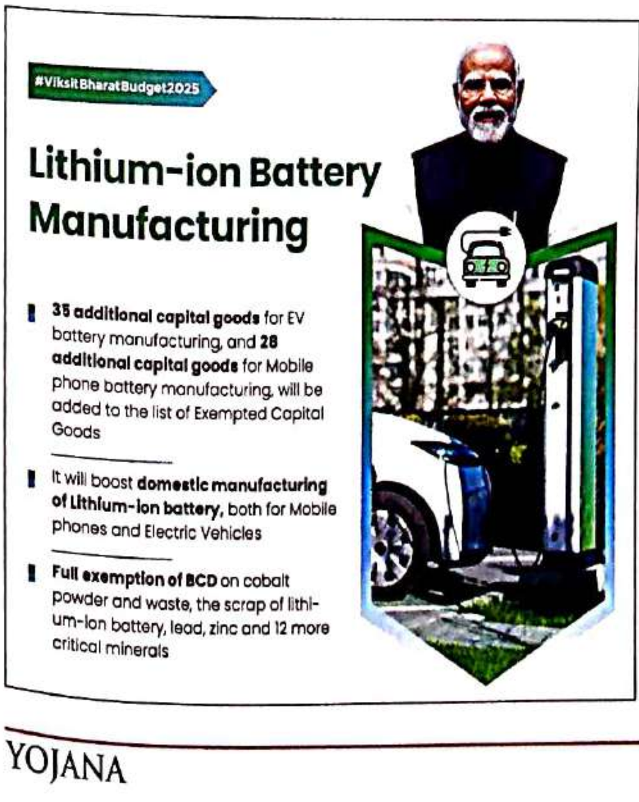
The 2025-26 budget focused on the supply side of electric vehicles (EV) to augment the domestic EV manufacturing capacity and mitigate supply chain risks of the EV ecosystem. The removal of Basic Customs Duty (BCD) on critical materials such as cobalt, lithium-ion battery scrap, lead, and zinc can reduce the costs of manufacturing EVs and further develop the EV manufacturing base in the country. In addition, the increased budget allocation for the Production-Linked Incentive (PLI) Scheme on Advanced Chemistry Cell Battery Storage can further enhance the EV sector. The duty exemption on 35 imported additional capital goods for EV batteries is another policy to strengthen the EV supply chain.

Recycling

India's progress to a developed but green economy needs an enormous volume of raw materials, and reliance only on virgin materials is not ideal for the country's ambition to transition to a green economy. The circular economy can save energy consumption up to 11 per cent. The announcement of fiscal benefits for recycling in the shipbuilding sector and recovery of critical minerals from tailings will pave the way for a circular economy in the country.

Focus on Agriculture

The government consistently strives to support farmers and enhance their quality of life. It becomes more important for the government in the era of climate change, which is straining the agriculture sector, decreasing farmers' income and risking their livelihood. Climate-induced extreme weather events such as heat and water stress could decrease agriculture yield and food production, which was earlier highlighted by the economic survey. The 'National Mission on High Yielding Seed' announcement aims to develop climate-resilient seeds to support farmers withstanding extreme weather events and bolster India's food security.



All-Round Action

Given India's vulnerability to biodiversity risk, it is critical to conserve natural resources and ecosystems to maintain biodiversity and regulate climate. Conserving these resources will also support sustainable livelihoods for vulnerable communities. Protecting aquatic ecosystems ensures clean water, sustains fisheries, and enhances resilience to climate change. These efforts collectively promote ecological balance and long-term environmental sustainability. The FY2026 budget allocated a higher amount of funding for natural resources and ecosystem conservation, conserving aquatic ecosystems, Project Tiger and Project Elephant, which demonstrates India's commitment to comprehensive measures to protect the environment and maintain the diversity of the ecosystem.

Establishment of an Urban Development Fund for Sustainable City Development

The FY2026 budget also announced the setting up of an 'Urban Challenge Fund' to mobilise Rs 1 lakh crore for the development of cities that have a growth engine for India. Water and Sanitation are major challenges for cities, and the budget rightly highlights these as key focus areas for the Fund. The budget incentivises cities to develop bankable projects by offering financing support for up to 25 per cent of the project. By blending financial support from the central government with their own funding, cities can attract private capital for water and sanitation projects, which is necessary to bridge financing in these two public services.

The Union Budget 2025-26 marshals India's ambition for a green and sustainable economy and makes the country resilient to extreme climate events. In addition, the focus on making India a competitive manufacturing hub for climate technologies will make the country self-reliant and give a supporting hand to other countries to achieve a common goal of curbing global temperature rise. □

India's Rapid Stride in the Field of Solar Energy

SYED SALMAN HAIDER

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The Union Budget 2025-2026 has provisioned the highest-ever allocation of over Rs 24,224 crores for solar energy-related projects and schemes. In her budget speech, the Finance Minister, Nirmala Sitharaman, announced the setting up of a National Manufacturing Mission to further the 'Make in India' concept. This will aim to improve domestic value addition and build our ecosystem for solar PV cells, EV batteries, motors and controllers, electrolysers, wind turbines, very high voltage transmission equipment and grid scale batteries. It is true that we largely depend on imports for raw materials, finished products and equipment with regard to solar/non-conventional energy production. With Production Linked Incentives and other measures in place, it is hoped that India will not only achieve the target of 300 GW of installed capacity of Solar Power, but also substantially reduce the import bill.

A solar energy revolution is taking place in the country. India has also been included in the list of leading countries in the field of solar energy production. It is in the fourth position in terms of solar energy production in the world as of 31 October 2024. The country has set a target of achieving 300 GW of installed solar capacity by 2030. For this, it is necessary to create public awareness on a large scale and explain the benefits of solar energy. It is also important for people to understand that we will have to resort to alternative energy sources like hydropower, wind energy and solar energy and also green hydrogen in order to stop the ever-increasing pollution.

Solar energy is the most important among these sources of alternative energy because sunlight is available in abundance in India on most days of the year. According to the latest report of the Ministry of New and Renewable Energy, the total installed capacity of solar energy in India in December 2024 was 97,864.72 MW, i.e., 97.86 GW. While the installed solar capacity in the country was only 2.8 GW in the year 2014, it increased to 97.86 GW on 31 December 2024. It's a great leap of 3,450 per cent in the past decade!

Government's Initiatives To Boost Solar Energy Production

PM Surya Ghar: Muft Bijli Yojana: This scheme, launched in 2024, aims to provide solar power to one crore households by March 2027. It offers subsidies of up to 40 per cent to make rooftop solar panels more affordable and accessible. An amount of Rs 20,000 crores has been allocated for the purpose.

KUSUM Scheme (Kisan Urja Suraksha evam Utthaan Mahabhiyan): This initiative focuses on solarising agricultural pumps and providing standalone solar pumps to farmers, aiming to reduce the burden on the grid and promote sustainable agriculture. An amount of Rs 2,600 crores has been allocated for the purpose.

Production Linked Incentive (PLI) Scheme: *The PLI scheme has been expanded to boost domestic manufacturing of solar cells, modules, and other critical components, reducing dependence on imports and promoting local production.*

Government is encouraging people to install solar rooftops. State governments are working rapidly in this direction. The table below list the top ten states that have made significant progress in the field of solar energy:

Sr	State	*Installed capacity (MW) As on 31 December 2024
1	Rajasthan	26,489.65
2	Gujarat	16,795.77
3	Tamil Nadu	9,518.37
4	Maharashtra	8,989.36
5	Karnataka	8,986.94
6	Madhya Pradesh	4,973.58
7	Telangana	4,842.10
8	Andhra Pradesh	4,730.27
9	Uttar Pradesh	3,346.99
10	Haryana	1,986.96

***Source:** *MNRE, GoI*

Promotion of Solar Energy Usage at Institutional Level

Solar energy production and its use are being promoted by ever-increasing institutional and domestic consumption. 'Green Energy' is being promoted in almost all offices of the Central and State governments. Due to low recurring costs, private institutions are also adopting it on a large scale. Now, the need for energy in these offices is being partially fulfilled by the energy produced by rooftop solar panels. At some places, as much as 70-90 per cent of the electricity requirement is being met from alternative sources. Research Park associated with the Indian Institute of Technology-Madras (IITM) is one such facility, where 90 per cent of the total electricity requirement is being met from solar and wind energy. Apart from 'rooftop' solar panels, Research Park also has its own solar and windmill farm.

Battery Storage of Renewable Energy

The storage of solar energy is the key to success for ensuring a 24X7 power supply. The Finance Minister in her budget speech, also mentioned the development of Grid-Scale Batteries that can store energy on a large scale. The research and development process for developing such batteries is already going on in government-owned institutions. Chennai-based IIT-M Research Park has made significant progress in this direction.

Solar Roof Top Panels at IIT-M Research Park

The Centre for Battery Engineering and Electric Vehicles, situated in the Research Park, is constantly working on reducing its cost. The institute has developed a battery that can reduce the cost of battery-powered vehicles by up to 40 per cent. Usually lead-acid batteries are used in inverters in homes, while lithium-ion batteries are used in electric vehicles. Apart from this, sodium sulphur, nickel-chloride and redox flow batteries are also being developed.

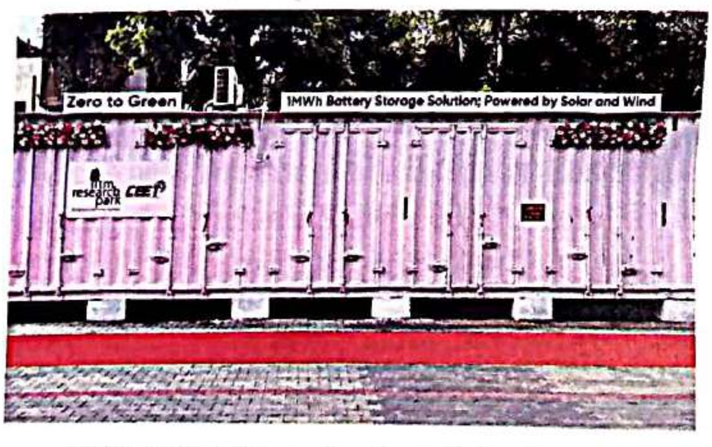
The scientists of IIT-M Research Park have worked on a cheaper alternative and have developed a storage capacity of 1 MWh in a container on its campus. This currently provides a backup of up to 4 hours, the capacity of which can be increased up to three times in the future. The total power consumption of the campus is about 50 megawatt hours per day, out of which 45 MWh is met by renewable energy (solar and wind).

The Central Electricity Authority (CEA) estimates that India will achieve 34 GW or 136 GWh of battery energy storage capacity by 2030. The initiative aims to increase renewable energy integration into the power grid. The International Energy Agency's 'India Energy Outlook 2021' estimates that India could achieve 140-200 GW of battery energy storage capacity by 2040, the highest in the world. Battery energy storage systems (BESS) have emerged as a pillar to enable widespread integration of renewable energy sources.

**Source: CEA*

Solar Electrification of Rural Areas

Our agriculture has largely become mechanised. Most of the machines use diesel to operate. In Bihar, the solar pumping sets have been provided to some farmers on an experimental basis. These farmers are now irrigating other farmers' fields after irrigating their own. While the cost of irrigation with a diesel



Battery container to store Solar Energy developed by IITM-Research Park

PV Solar Panel Manufacturing

pumping set is Rs 200 to Rs 300 per hour, irrigation with a solar pumping set is absolutely free for the owner farmer. Whereas, by renting out pumping sets to other farmers, the owner farmer is also earning an additional income of Rs 50 to Rs 65 per hour, which recovers the cost of its installation in a few years.

The electrification of the rural areas, particularly those remote and mountainous villages where it was not possible to lay electricity lines, is being done by installing solar plants. Even before this, the work of installing solar panel-based (battery-backed-up) street lights at the *panchayat* level in villages has been done on a large scale.

Solar Energy Storage at Household Level

At an individual level, conventional lead-acid batteries are being used in solar inverters available in the market. However, advanced batteries with high storage capacity have also hit the market. According to the Indian Solar Electric System and Inverter Market Survey, India's solar electric system and inverter market was 84.4 GW in 2023. It is expected to grow to 609.5 GW by 2032.

Solar PV Cell Production in the Country

Solar PV cell production in India is also growing rapidly. Till now, Solar PV cells were being imported on a large scale. The Government of India is providing incentives under the Production Linked Incentive Scheme for Manufacturing of High Efficiency Solar PV Modules. This scheme is part of the *Atmanirbhar Bharat* initiative, which aims to promote domestic manufacturing and make India a global manufacturing hub. The budget introduces several policy reforms to promote renewable energy, such as reducing tariffs on imported solar cells and modules while mandating the use of domestically produced modules for government projects.

The PLI scheme for renewable energy components is likely to receive further enhancements to promote local production of solar cells, modules, and other critical components.

According to the Ministry of New and Renewable Energy, the total budget of the PLI scheme for the solar PV module sector is Rs 24,000 crore. The budget for its first phase is Rs 4,500 crore. This will boost domestic solar cell production capacity. The budget allocation for the second phase of this scheme is Rs 19,500 crore. It aims to install 65 GW of solar PV production capacity. The scheme is expected to reduce India's dependence on imported solar equipment and make domestic production more competitive.

The government is the main stakeholder in establishing solar energy as an alternative energy source, and the private sector's participation in this arena is also increasing continuously, due to which this sector is moving forward rapidly. It is quite possible that India achieves the target of 300 GW installed capacity of solar energy much before 2030. ❑

Gender Budgeting: A Roadmap Towards Inclusivity

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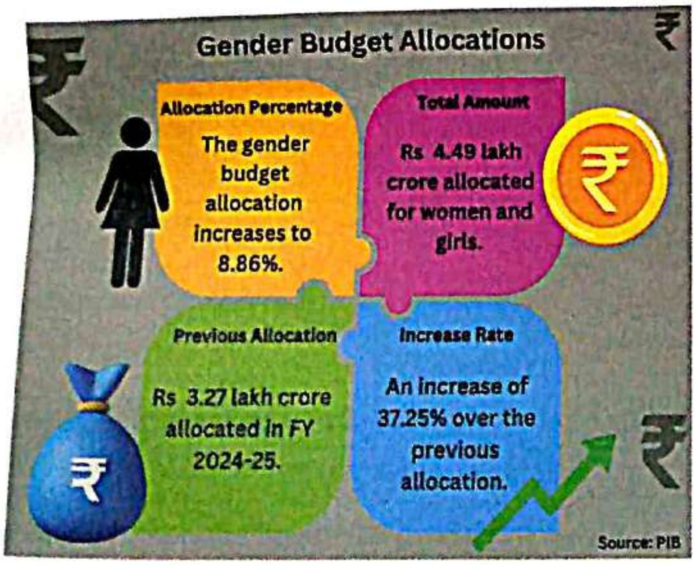
The primary goal of implementing gender budgeting has been to reduce the gender gap and to empower women to recognise their own potential in breaking the barriers. Gender budgeting is a structured method for analysing how budget allocations and expenditures affect both men and women. The goal of gender budgeting initiatives is to include gender-specific concerns and issues into fiscal policy and the financial management procedures of the government. In addition to evaluating the efficiency of gender budgeting as a strategy for closing gender disparities and empowering women in the country, this article aims to analyse the allocations made under various department/ministry heads in the current Gender Budget (GB) 2025–26. The article also evaluates the effectiveness of gender budgeting as a means of reducing the gender gap in the nation.

Gender equality is a key factor in the economic development of a country and is referred to as a nation's 'backbone.' According to the World Bank Report 2023, in India, women make up 48.4 per cent of the population, compared to 49.7 per cent globally. Together with males, they play a significant role in the growth of any nation's economy, and their efforts are vital for the advancement and recuperation of the economy. Throughout their lives, women and girls are exposed to different types of vulnerability before or after birth, which include sex-selective abortions, assault or neglect, which makes them susceptible to exploitation and discrimination in social and economic spectrums. Thus, to reduce the risk, the government is actively making strides through the implementation of laws, rules and regulations towards the safety of women and their rights. In this background, Gender Budgeting (GB) plays an important role in reducing the gender inequality in the country.

Concept of Gender Budgeting

Gender Budgeting is a powerful tool in the hands of the government that narrows the gender differentials and further leads to empowering the women through its allocation in different schemes. According to the Council of Europe, GB is the implementation of gender mainstreaming in the budgetary process. In order to advance gender equality, it entails reorganising income and expenditures, evaluating budgets based on gender and integrating a gender perspective at all stages of the budgetary process. The goal of gender budgeting initiatives is to include gender-specific concerns and issues into fiscal policy and the financial management procedures of the government. GB was firstly adopted by Australia in the year 1984 and then consequently by Canada in 1993, accompanied by the Philippines and South Africa in 1995. It became much more popular when it was included in the Fourth World Conference on Women in Beijing in 1995. In India, GB was officially introduced in 2005-06 under statement 19 of the Union Budget in order to provide financial assistance to the women-centric or pro-women schemes through budgetary allocations. Later in 2006-07, it was shifted to statement 20 till 2017-18 and since



2017-18, GB has been presented in statement 13 of the Union Budget. Ministry of Women and Child Development (MoWCD) is the implementing agency for the Gender Budgeting in India. In order to prepare the GB, MoWCD issues a budget circular to all the ministries and departments, and each ministry/department is required to submit their plans and demands to address gender concerns in the specified format in order to prepare the gender budget. The allocation in GB till 2023-24, is divided into two main categories i.e., Part A and Part B, but a new category, Part C has been added to the GB since 2024-25. The three categories of its allocation are:

Part A includes women-centric schemes that have 100 per cent provision towards women and girls.

Part B includes pro-women schemes that have at least 30 per cent provision for women and girls.

Part C includes pro-women schemes that have below 30 per cent provision for women and girls.

According to the Ministry of Finance (2023), GB provides a critical opportunity to identify, prioritise and address gender concerns in all ministries and departments through the process of budget planning and its preparation. Additionally, this process offers a space for making existing systems and programs more gender-responsive and also helps to addresses the disparities through the prism of gendered lens.

Trends in Gender Budgeting (2005-06 to 2025-26)

When GB was implemented in India in 2005-06, only nine ministries had incorporated the allocation on the basis of gender, and for the first time, Rs 14,378.68 crore was allocated for the gender budget by the union ministry which was 2.8 per cent of the total Union budget. However, on account of greater allocation in the Ministry of Rural Development and Ministry of Women And Child Development, GB reached its highest allocation of 6.37 per cent of the total Union Budget in 2011-12 with 29 ministries/department on board for allocation at GB (Refer Table 1 and figure 1). Then after 2011-12, the allocation in GB decreased due to poor monitoring and evaluation of the centrally sponsored schemes, which raised the concern about the effectiveness of spending and competing priorities in the overall budget which led to gender budgeting falling out of focus. However, the government refocused its attention on gendered budgeting in the Union Budget 2014–2015, but the amount was 5.6 per cent of the total Union Budget (Refer Figure 1) yet, 36 ministries/departments received funding for GB. Over the period, the focus has increased on GB, and the GB 2024-25 has recorded the historical percentage increase in its allocation since 2014-15 GB, which is 233.73 per cent. The total allocation in the previous year, i.e., 2024-25 was Rs 3.27 lakh crore accommodating 43 ministries/departments in the GB, which has been the highest to date (Refer Table 1 and Figure 1).

Finance Minister Nirmala Sitharaman's eighth budget has been a milestone in terms of GB. A record-breaking Rs 4,49,028.68 crore (8.86 per cent of the total Union budget) has been allocated towards the GB 2025-26. This is an increase of 37.25 per cent allocation over the previous year. 56 ministries/departments have got their respective allocation in GB 2025-26. Such allocation in the budget shows the commitment of the Government of India towards reducing gender disparities. In order to promote women's participation and employment, GB 2025-26 has included 13 new ministries/departments namely the Department of Animal Husbandry and Dairying, Department of Biotechnology, Department of Food & Public Distribution, Department of Financial Services, Department of Fisheries, Department of Land Resources, Department of Pharmaceuticals, Department of Water Resources, River Development & Ganga Rejuvenation, Ministry of Food Processing

Table 1: Number of Departments/Ministries allocation under Gender Budgeting

Year	Department / Ministries	Budget Estimates (in Rs. Crore)					GB as percent Union Budget
		Gender Budget					
		Part A	Part B	Part C	Total	Union Budget	
2005-06	9	NA	NA	NA	14,378.68	514343.8	2.8
2006-07	18	9575.82	19160.71	NA	28736.53	563991.13	5.1
2007-08	27	8795.47	22382.49	NA	31177.96	680520.51	4.58
2008-09	27	11459.61	16202.06	NA	27661.67	750883.53	3.68
2009-10	28	15715.68	41141.93	NA	56857.61	1020837.68	5.57
2010-11	28	19266.05	48483.75	NA	67749.8	1108749.24	6.11
2011-12	29	20548.35	57702.67	NA	78251.02	1257728.83	6.37
2012-13	29	22968.93	65173.87	NA	88142.80	1490925.29	5.91
2013-14	30	27248.19	69885.51	NA	97133.70	1665297.32	5.83
2014-15	36	21887.61	76142.23	NA	98029.84	1794891.96	5.46
2015-16	35	16657.11	62600.76	NA	79257.87	1777477.04	4.46
2016-17	31	17412.01	73212.75	NA	90624.76	1978060.45	4.58
2017-18	25	31390.80	81935.85	NA	113326.65	2146734.78	5.28
2018-19	28	29377.73	95051.10	NA	124428.83	2442213.30	5.09
2019-20	31	27420.03	109514.07	NA	136934.10	2786349.45	4.91
2020-21	34	28568.32	114893.40	NA	143461.72	3042230.09	4.71
2021-22	34	25260.95	128065.33	NA	153326.58	3483235.63	4.41
2022-23	35	26772.89	144233.58	NA	171006.47	3944908.67	4.33
2023-24	36	88044.21	135175.54	NA	223219.75	4503097.45	4.95
2024-25	43	112396.15	199762.29	15000.00	327158.44	4820512.00	6.79
2025-26	56	105535.40	326672.00	16821.28	449028.68	5065345.00	8.86

***Source:** Author's calculation from Budgets of different years*

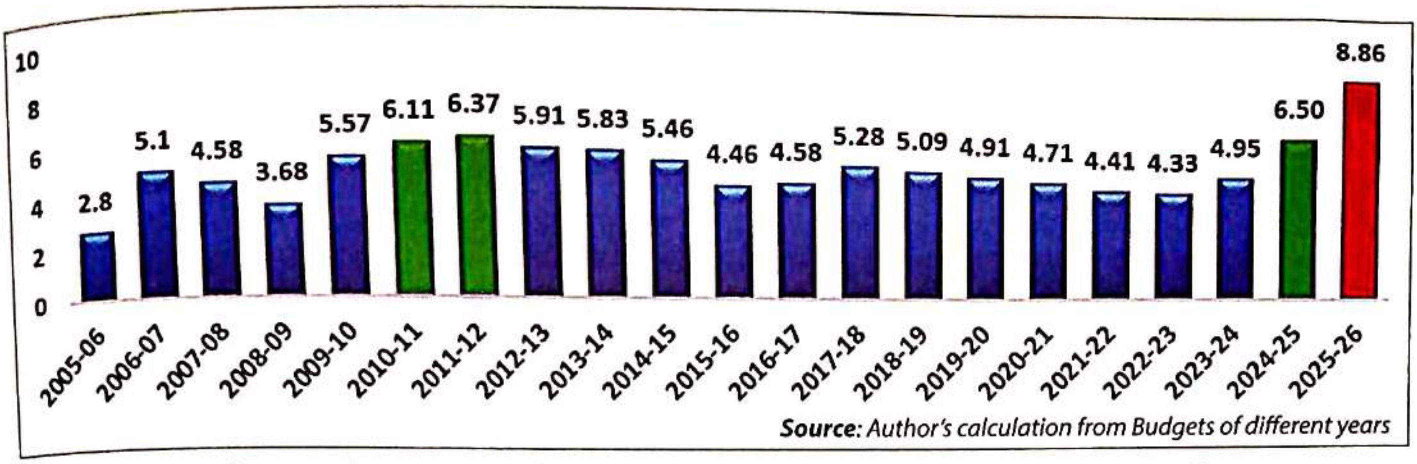


Figure 1: Percentage of Gender Budget to Union Budget since 2005-06

Industries, Ministry of Panchayati Raj, the Ministry of Ports, Shipping & Waterways and the Ministry of Railways.

Highlighting Gender Budget 2025-26

The goal of gender budgeting is to use financial tools to identify and eliminate the gender-specific obstacles across all sectors. The government's stated goal of enhancing female participation in economic development is reflected in GB 2025-26, which is structured entirely around women-led-development, which intends to meet the needs of accelerating economic growth. To promote women's participation in economic development, women-specific allotments have been made under Part A of GB which is Rs 1,05,535.40 crore, accommodating 23.50 per cent of the GB in 26 different ministries/departments. With an aim of promoting employment and utilising the female workforce in the agricultural sector, the newly launched *'Namo Drone Didi'* scheme has been allocated Rs 950.85 crore in GB 2025-26 as compared to Rs 500 crore in the previous budget. Next, with an improved budget of Rs 19,005 crore in GB 2025-26, the National Rural Livelihood Mission (NRLM) would be able to help impoverished rural women develop their full potential by providing them with education and training. Also, to empower women through asset ownership, a substantial amount of funds have been allocated under Part A of GB. Accumulating the funds for *Pradhan Mantri Awas Yojana*—both Urban and Rural, Rs 78,126 crore has been allocated which accounts for 74.02 per cent of the total Part A allocation of GB. Further in GB 2025-26, the Ministry of Women and Child Development's women-centric schemes have received nearly the same amount as in the previous budget, while the Ministry of Petroleum and Natural Gas has received a allocation of Rs. 0.01 crore for LPG connections to poor households against Rs 9,094 crore allocated in GB 2024-25.

When compared to the previous year, GB, the allocation in Part B of GB 2025–26 has been increased by 63.53 per cent. Therefore, with an increase in allocation of Rs 1,26,909.71 crore, the total allocation of Part B is accounted at Rs 3,26,672 crores, which has been made for the pro-women schemes that include the schemes with at least 30 per cent allocation of funds for women, which accounts for 72.75 per cent of total current GB. An allocation of Rs 1,07,638.78 crore has been made to the newly added Department of Food and Public Distribution under *Pradhan Mantri Garib Kalyan Anna Yojana* to ensure food security in the country. In addition, Rs 26,458.18 crore has been allocated to the Department of School Education and Literacy out of which Rs 12,375 crore (46.72 per cent of the departmental allocation) has been allocated to *Samagra Shiksha* Scheme, which aims to provide better education to the rural females and girls and enhance their quality of life. Also, to promote the rural females in allied activities through livestock and dairy development, an allocation of Rs 540 crore has been provided for the first time under the Department of Animal Husbandry and Dairying. Whereas to promote the health facilities for both genders, the Government of India (GoI) has allocated funds of Rs 39,436.43 crore (12.07 per cent of the total Part B of GB) under the Department of Health and Family Welfare. The allocations have mainly provided for the infrastructural development along with funds to AIIMS and the National Health Programme. In addition to upholding the quality of life, the GoI has allocated Rs 23,380.36 crore in GB 2025-26. Under this, Rs 2904.36 crore has been allotted to the *Swachh Bharat Mission* (Gramin) and for *Jal Jeevan Mission,* Rs 20,476 crore has been allotted. The promotion of the adoption of renewable energy via the Rooftop Solar Scheme has received a double allocation of Rs 9,600 crore as compared to allotment of Rs 4555.83 crore under the Ministry of New and Renewable Energy.

Making it the second-highest recipient of funds in Part B of GB 2025-26, the Department of Rural Development has received Rs 47,604.85 crore allocations, which is 14.57 per cent of the total of Part B allocation. Out of the total allocation under this ministry, Rs 40,000 crore (84.02 per cent) has been allocated for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), whereas the remaining Rs 7,604.85 crore has been allocated to the National Social Assistance Programme. Such a high allocation under MGNREGA will provide better access to job opportunities, which will in turn reduce migration. However, despite being the nodal agency for GB in India, the Ministry of Women and Child Development has received only Rs 18,459.91 crore over six different schemes, and *Saksham Anganwadi* and *Poshan 2.0* have gained the maximum allocation of Rs 17,207.22 crore as compared to Rs 15,900 crore in GB 2024-25 in order to address the challenges of malnutrition in children and females. In addition, Rs 1050 crore has been allotted to *Mission Vatsalya* in order to achieve development and child protection priorities aligned with the Sustainable Development Goals (SDGs). Further in the realm of progress and education for the tribal people, the Ministry of Tribal Affairs has been allotted Rs 4175.26 crore.

In order to provide more emphasis and expansion to the newly defined section, i.e., Part C of GB since 2024-25, the government has invited different ministries to request funding under this section. In Part C, 22 separate ministries and departments received funds in the GB 2025–26, although in GB 2024-25, only the Department of Agriculture and Farmers Welfare was allocated funds for utilisation. In GB 2025-26, Part C has been allocated a total of Rs 16,821.28 crore, an increase of 12.14 per cent over the previous budget, out of which the Department of Agriculture and Farmers Welfare has allocated the maximum amount of Rs 15,000 crore (89.17 per cent), specifically for the *PM Kisan Samman Nidhi* scheme. In addition to this, the Department of Water Resources, River Development, and Ganga Rejuvenation has been given a budget of Rs 455 crore in order to expedite the irrigation benefit programs and water management that are being carried out as part of the *Pradhan Mantri Krishi Sinchai Yojana.* Along with this, the Ministry of External Affairs has been allocated Rs 171.30 crore, while the Ministry of Micro, Small and Medium Enterprises has been granted Rs 169.16 crore in Part C of GB 2025-26.

Way Forward

Gender Budgeting is garnering a lot of attention nowadays after the inclusion of more women-centric and pro-women schemes by different departments/ministries but it is much more important to emphasise that GB is essentially an exercise of reporting and accounting for the government's gendered schemes and is not a distinct or separate budget for women. Introduction of a Gender Budget in the country represents a crucial step towards attaining gender equality and empowering women in all spheres of society. It is evident from the GB statement, that the allocations made under the GB 2025-26 are mainly focussed on women-led development by prioritising investments that address the challenges faced by women and marginalised groups. The GB 2025-26 not only aims to close the existing gaps but also fosters an inclusive environment where everyone can thrive. The distribution of resources through budgetary allocation towards social welfare, healthcare, education and economic empowerment programs demonstrates the dedication of the government in removing structural barriers and advancing equal opportunity to all genders. By doing so, the Government of India has established a permanent framework that benefits women and advances the overall development and prosperity of the country. The Gender Budget 2025–2026 is more than just a budget; it is a blueprint for a more equal future in which gender parity is a reality rather than just an idea. ❑

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Income-tax Bill, 2025, tabled in Parliament towards achieving comprehensive simplification of the Income-tax Act, 1961

The **Income-tax Bill, 2025** was tabled in Parliament recently, marking a significant step toward simplifying the language and structure of the **Income-tax Act, 1961.**

The simplification exercise was guided by three core principles:

1. **Textual and structural simplification** for improved clarity and coherence.
2. **No major tax policy changes** to ensure continuity and certainty.
3. **No modifications of tax rates**, preserving predictability for taxpayers.

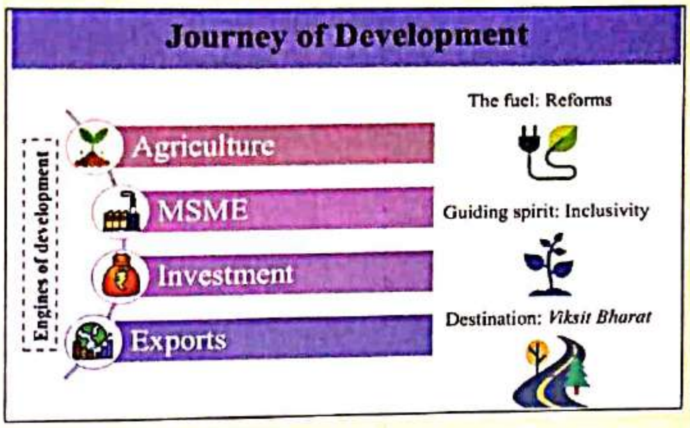
A three-pronged approach was adopted:

- **Eliminating intricate language** to enhance readability.
- **Removing redundant and repetitive provisions** for better navigation.
- **Reorganising sections logically** to facilitate ease of reference.

The Government ensured **widespread stakeholder engagement, consulting taxpayers, businesses, industry associations, and professional bodies.** Out of **20,976 online suggestions received, relevant suggestions were examined and** incorporated, where feasible. Consultations were held **with industry experts and tax professionals and simplification models from Australia and the UK** were studied for best practices.

Outcomes of the Simplification Exercise Quantitative

Impact : The review has led to a **substantial reduction in the Act's volume**, making it more streamlined and navigable. Key reductions are summarized below:



Qualitative Improvements

- **Simplified language**, making the law more accessible.
- **Consolidation of amendments**, reducing fragmentation.
- **Removal of obsolete and redundant provisions** for greater clarity.
- **Structural rationalisation through tables and formulae** for improved readability.
- **Preservation of existing taxation principles**, ensuring continuity while enhancing usability.

The Income-tax Bill, 2025 reflects the Government's commitment to enhancing ease of doing business by providing a tax framework that is simple and clear. The Bill has been referred to the Select Committee of the Parliament.

Source: *PIB*

Consultative and Research-Based Approach

Item	Existing Income-tax Act, 1961	Proposed in the Income-tax Bill, 2025	Change (Reduction/Addition)
Words	512,535	259,676	Reduction: 252,859 words
Chapters	47	23	Reduction: 24 chapters
Sections	819	536	Reduction: 283 sections
Tables	18	57	Addition: 39 tables
Formulae	6	46	Addition: 40 formulae

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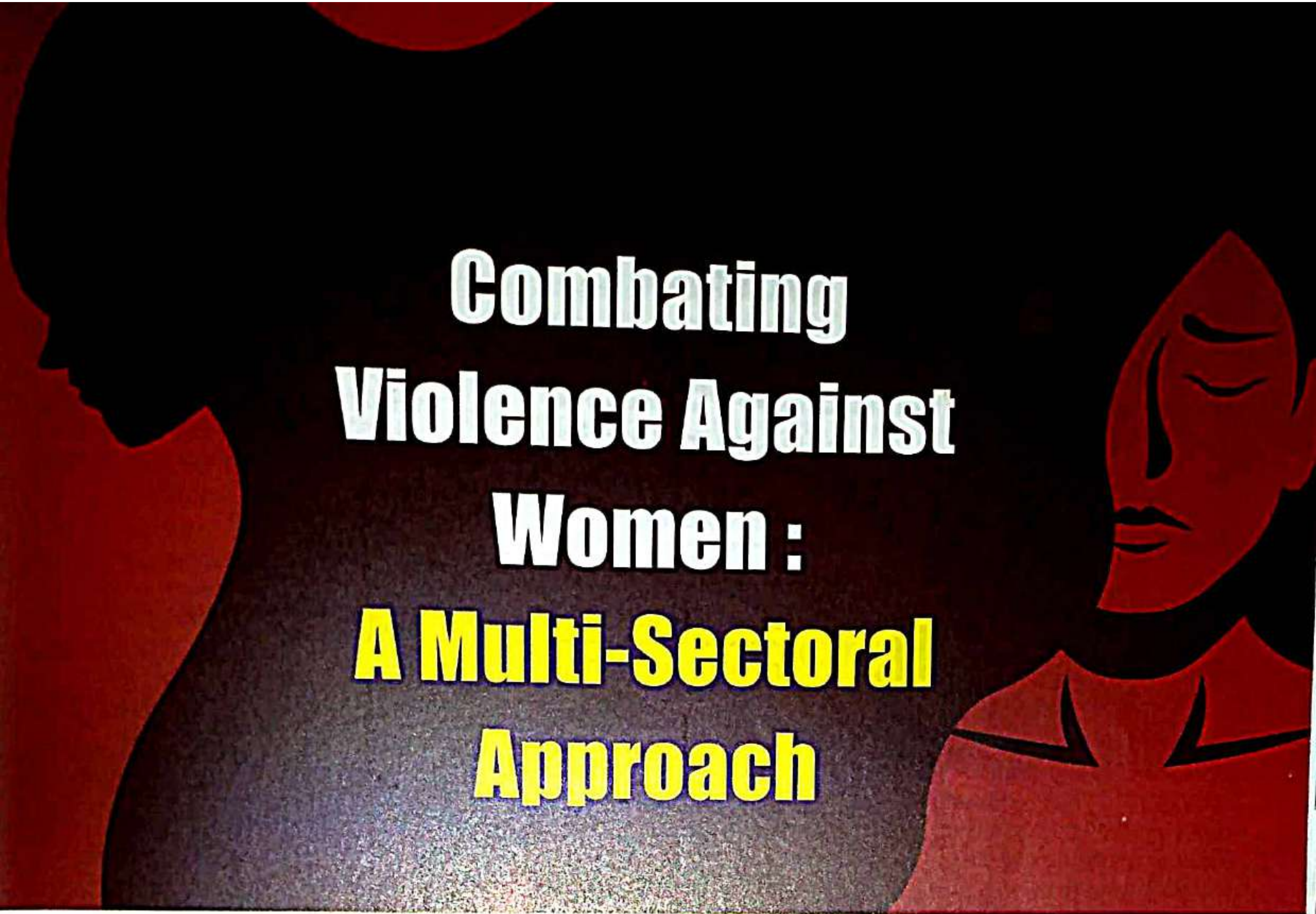

Combating Violence Against Women : A Multi-Sectoral Approach

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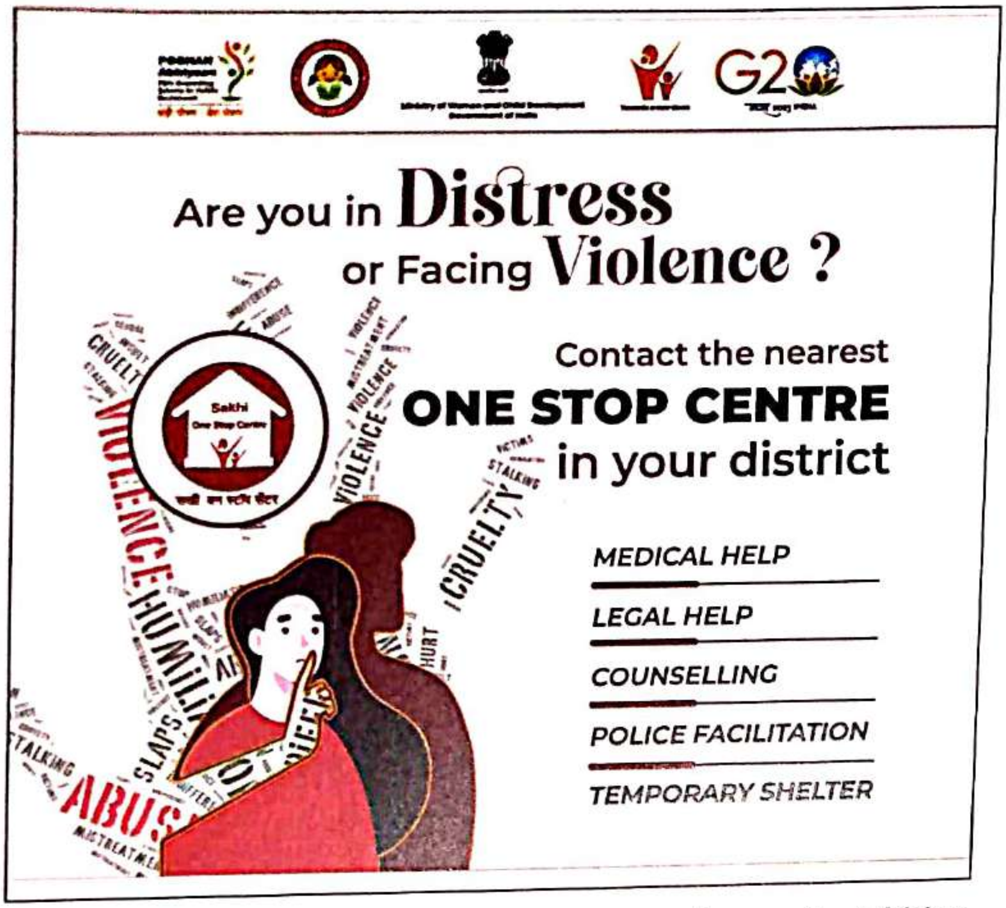
Violence against women remains a critical issue in India, requiring a comprehensive, multi-sectoral approach. The NCW advocates for policy reforms and implements awareness programs. Despite a robust legal framework, challenges in implementation persist. Empowering communities, education, and technology are key to addressing this issue. Financial independence and increasing female participation in STEM and the digital economy are strong deterrents. Public-private partnerships and safe transportation initiatives are crucial. Gender-responsive disaster policies are essential in conflict-affected regions. An integrated effort from all sectors can build a safer, more equitable future for women in India.

Despite progressive legal frameworks and policy initiatives, women continue to face various forms of abuse, including domestic violence, sexual harassment, trafficking, honour killings, cyber violence, and workplace harassment. Addressing this issue requires a comprehensive, multi-sectoral approach that combines legal, social, educational, technological, and economic interventions.

The National Commission for Women (NCW) has been at the forefront of this battle, advocating for policy reforms, implementing awareness programs, and working closely with stakeholders to create a safer environment for women. A coordinated



effort from policymakers, law enforcement agencies, civil society organisations, and the private sector is essential to combat gender-based violence effectively.

Strengthening the Legal and Institutional Framework

- India has a robust legal framework to address violence against women, with laws such as the Protection of Women from Domestic Violence Act, the Sexual Harassment of Women at Workplace Act, and the Criminal Law (Amendment) Act of 2013.
- **The Protection of Women from Domestic Violence Act, 2005**—Provides immediate protection and relief to survivors of domestic violence.
- **The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**—Mandates Internal Complaints Committees (ICCs) in workplaces for addressing sexual harassment.
- **The Criminal Law (Amendment) Act, 2013 (Nirbhaya Act)**—Strengthens laws on sexual offences, including stringent punishment for rape and acid attacks.
- **The Dowry Prohibition Act, 1961** – Criminalises the practice of dowry and related violence.
- **The Protection of Children from Sexual Offences (POCSO) Act, 2012**—Provides comprehensive protection to minors from sexual abuse and exploitation.

However, challenges remain in their implementation. Strengthening institutional mechanisms, such as fast-track courts for speedy disposal of cases and the increased recruitment of women police officers, can improve the enforcement of these laws. Training law enforcement personnel and judiciary members in gender-sensitive case handling is also crucial. Furthermore, expanding victim support services, including shelters, legal aid, and trauma counselling, will provide much-needed relief to survivors.

The NCW continues to play a pivotal role in monitoring cases, providing legal aid, and conducting gender sensitisation programs for judicial and police officials. Ensuring stricter enforcement and better coordination among agencies can create a more responsive legal system.

Enhancing Community-Based Support Systems

Empowering communities to address violence against women is essential for long-term change. Grassroots initiatives, including women's collectives and self-help groups, have been instrumental in providing support and resources to survivors. The One Stop Centre Scheme and the Women Helpline (181) have significantly improved access to assistance for victims.

Yet community-based interventions such as neighbourhood watch programs and gender-sensitive urban planning initiatives can enhance safety in public spaces. Additionally, engaging religious and community leaders to advocate against harmful practices like child marriage can bring about a shift in societal attitudes. Crisis intervention centres at the district level should be equipped to provide psychological, legal, and social support, ensuring that victims receive comprehensive care.

Role of Education in Changing Mindsets

Education is the most powerful catalyst for dismantling deep-rooted patriarchal norms that sustain gender-based violence. True change begins in classrooms, where gender sensitivity must be ingrained from an early age. Integrating discussions on equality into school curriculums and actively engaging boys and young men in these conversations can reshape societal attitudes over time. Teachers, as key influencers, should be trained to foster inclusive learning environments that challenge stereotypes and promote respect.

Beyond the classroom, equipping young women with self-defence training instills confidence and a sense of security. The media, too, has a crucial role in shifting narratives—collaborations with filmmakers, digital influencers, and advertisers can counter misogynistic portrayals and promote progressive gender roles. Equally important is educating parents on fostering gender-equal households, ensuring that respect, dignity, and non-violence become the foundations of a child's upbringing. Only through a sustained, multi-generational effort can education become the driving force in eradicating gender-based violence.

Leveraging Technology for Women's Safety

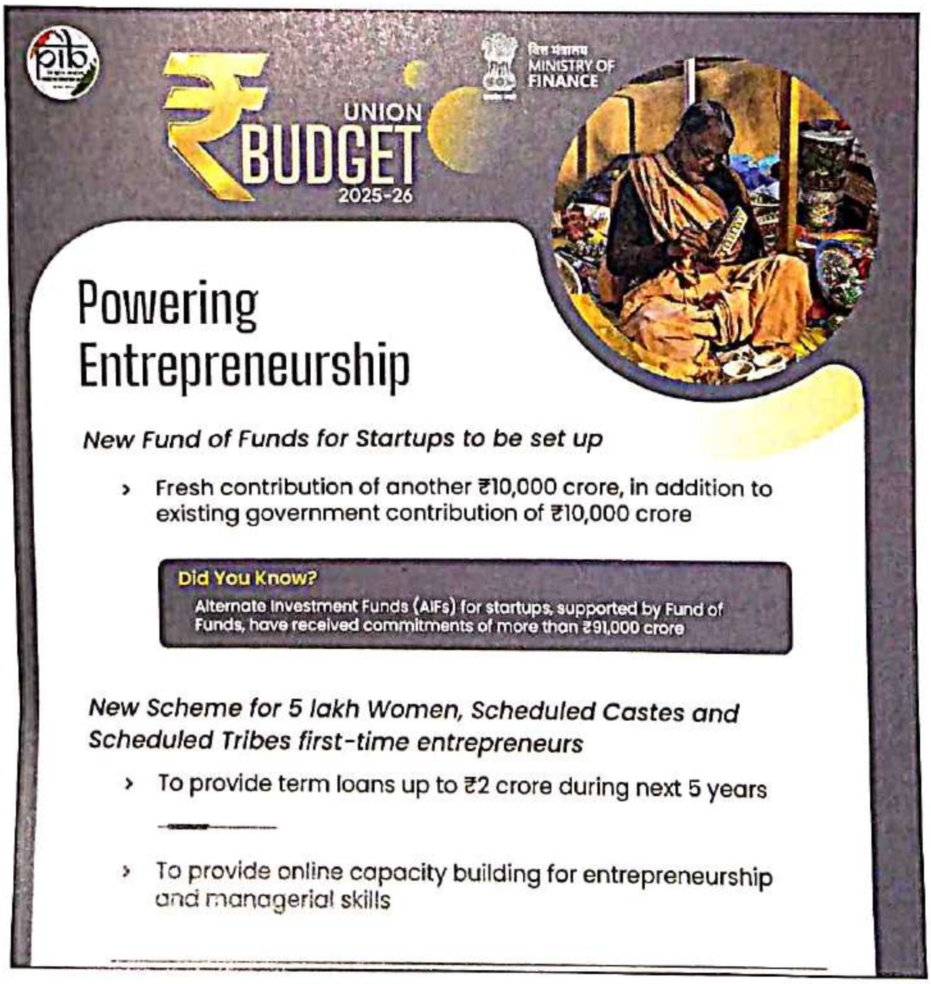
Technology has the potential to be a game-changer in combating violence against women. Mobile applications such as **Nirbhaya App, SHEROES,** and **Himmat Plus** have empowered women to seek help instantly. The NCW, in collaboration with tech companies, is working on AI-driven safety tools, cyber awareness campaigns, and digital literacy initiatives.

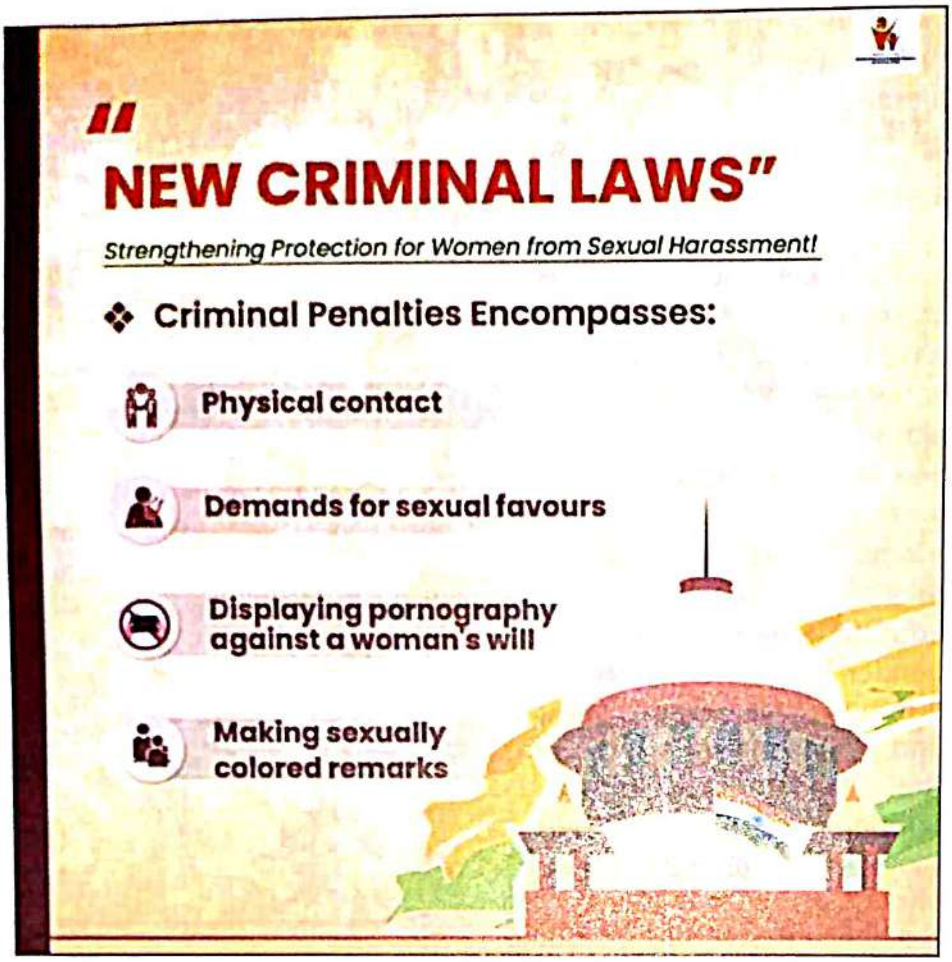
Expanding online grievance redressal mechanisms for cybercrimes and increasing awareness of digital safety are crucial steps in preventing cyber harassment and online stalking. AI-based predictive policing can help identify high-risk areas for crime prevention, while wearable safety devices can provide instant alerts to law enforcement in case of emergencies. Strengthening these digital solutions can enhance the overall safety of women in public and private spaces.

Economic Empowerment as a Shield Against Violence

Financial independence is one of the strongest deterrents to gender-based violence. Economic vulnerability often forces women to remain in abusive relationships or endure exploitative environments. By equipping women with the skills and opportunities to achieve financial self-sufficiency, we can empower them to break free from cycles of abuse and assert control over their lives.

Government initiatives such as **Skill India** play a crucial role in





enhancing employability, while schemes like **Mudra Yojana** and **Stand-Up India** provide financial support for women entrepreneurs, enabling them to establish and expand businesses. Recognising the transformative impact of financial security, **'Lakhpati Didi'** Scheme, was launched aiming to uplift two crore women from Self-Help Groups (SHGs) into *lakhpati* entrepreneurs. This initiative fosters economic resilience by providing women with skill training, financial literacy, and access to credit, ensuring sustainable income generation.

Increasing female participation in STEM and the digital economy is another critical step, opening doors to high-paying, future-ready careers. Furthermore, enforcing equal wages and ensuring safe, harassment-free workplaces can prevent economic exploitation and create a more inclusive professional landscape. When women gain financial power, they gain the freedom to make choices—choices that lead to safer, stronger, and more independent lives.

Addressing Cyber Violence Against Women

With the rise of digital penetration, cyber violence has emerged as a new-age threat, manifesting in online harassment, cyberstalking, and non-consensual image sharing. The NCW has launched initiatives like the *Digital Shakti Program* to spread awareness on cyber safety for women. Strengthening legal mechanisms to address online harassment, collaborating with social media platforms to curb abuse, and promoting digital literacy can empower women to navigate online spaces safely. Encouraging young women to develop digital skills will also help them protect themselves from cyber threats.

Strengthening Public-Private Partnerships in Combating Gender-Based Violence

Public-private partnerships (PPPs) are instrumental in creating sustainable solutions to combat violence against women. Collaboration between the government, corporate organisations, non-governmental organisations (NGOs), and international agencies can drive innovative initiatives that ensure safer environments, economic empowerment, and legal support for women.

One key area where the private sector can contribute is workplace safety. Conducting **gender audits** in corporate and government offices ensures compliance with the **Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013**. Many companies, in collaboration with organisations like the **National Commission for Women (NCW)**, are implementing **Internal Complaints Committees (ICCs)** and employee sensitisation programs to create harassment-free workplaces.

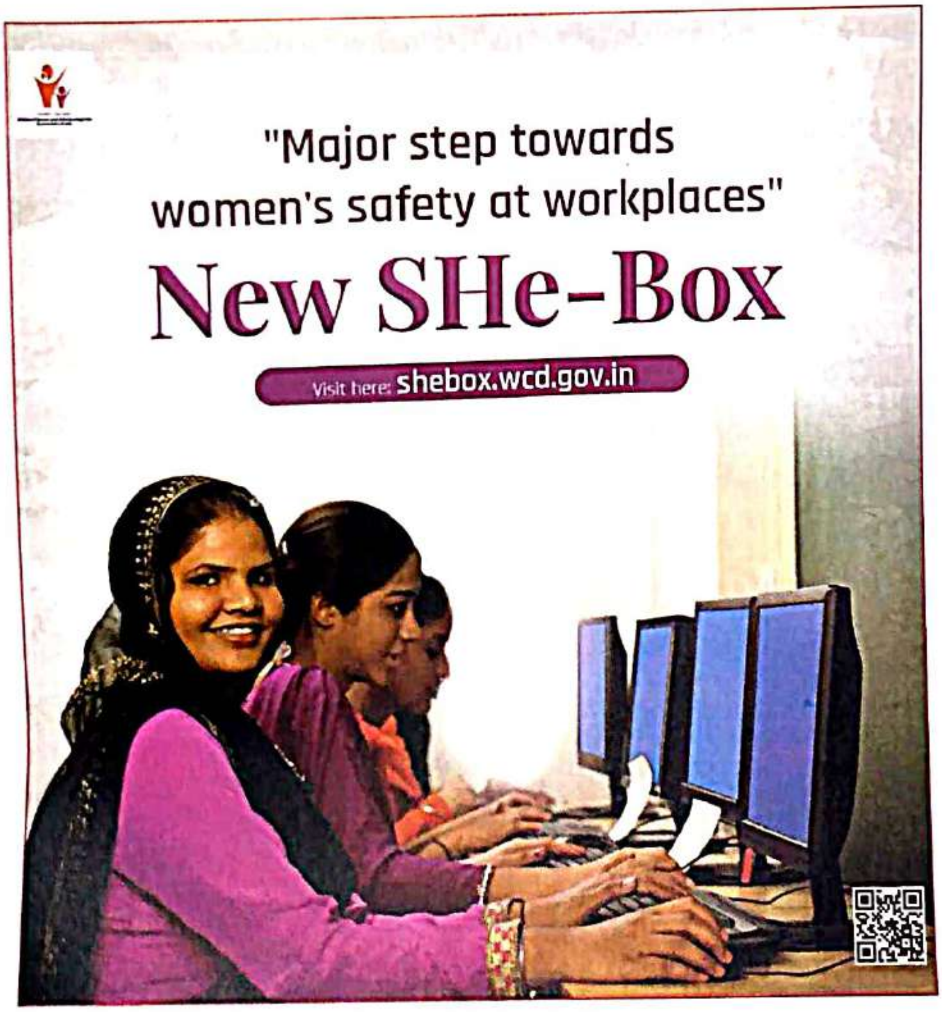
Safe transportation is another critical aspect. Companies can support initiatives like **'Safe City Projects,'** launched in several metropolitan areas, by investing in better surveillance systems, secure transport services, and women-friendly infrastructure.

App-based cab services have already introduced features like verified drivers, GPS tracking, and emergency response buttons, but further enhancements in safety mechanisms and accountability measures are needed.

Economic empowerment programs supported by the private sector can play a transformative role. Corporate mentorship and skill development initiatives, in collaboration with **Skill India, Startup India,** and **Stand-Up India**, can provide survivors of violence with training and job opportunities, helping them regain financial independence. Initiatives such as *'Internet Saathi'* have already enabled millions of rural women to acquire digital skills, fostering financial autonomy.

Investment in **research and development** is equally crucial. Tech firms and startups can collaborate with government agencies to develop **AI-driven safety tools**, wearable safety devices, and **legal-tech solutions** that facilitate easier reporting of crimes. Furthermore, corporate social responsibility (CSR) funds can be leveraged for setting up **One Stop Centres (OSCs)**, which provide psychological, legal, and medical assistance to survivors under the **Nirbhaya Fund** framework. These centres act as crucial support systems for women seeking refuge and justice.

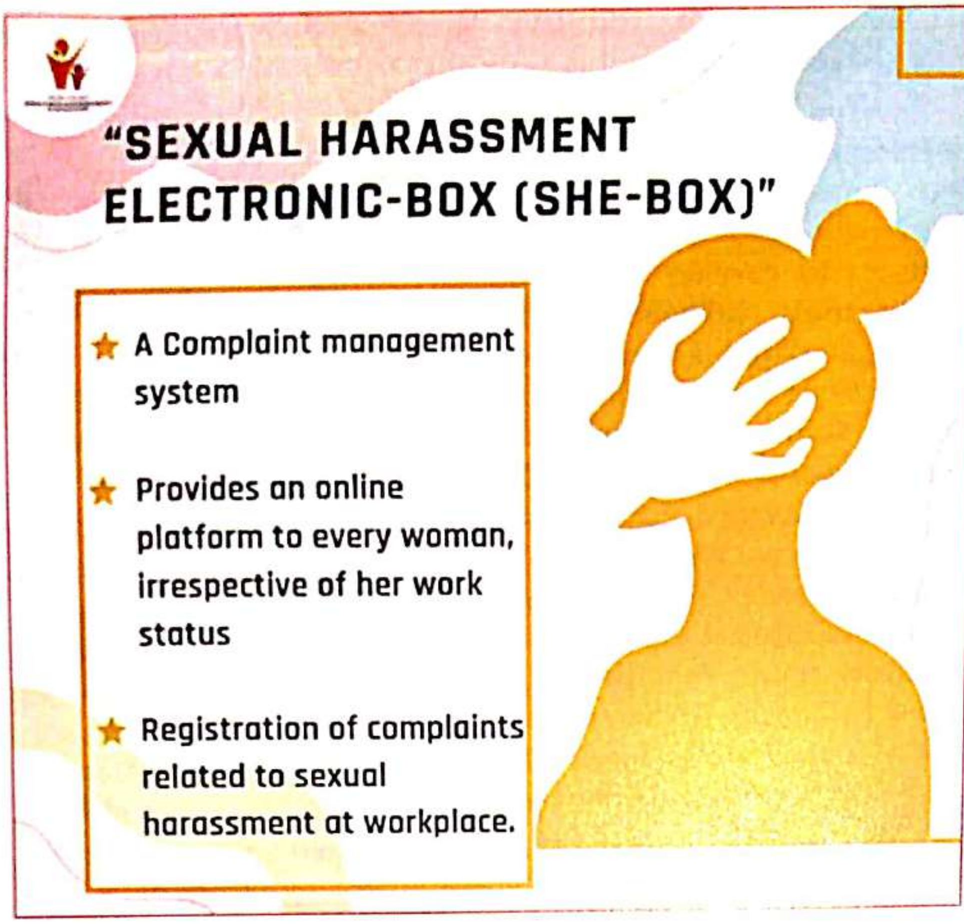
By fostering strong public-private collaborations, we can create a multi-faceted approach that not only addresses violence against women but also provides them with the necessary tools for self-reliance and security. An integrated effort from all sectors of society is essential in building a safer and more equitable future for women.



Addressing Gender-Based Violence (GBV) in Conflict-Affected Regions

Women in conflict-affected and disaster-prone regions face an increased risk of gender-based violence, making it crucial to integrate protection mechanisms into disaster response policies. **Gender-responsive disaster policies** must include clear guidelines for law enforcement and humanitarian aid workers to prevent and address violence effectively. Strengthening the enforcement of existing laws, such as the **Protection of Women from Domestic Violence Act,** the **POCSO Act,** and the **Immoral Trafficking Prevention Act**, is essential in safeguarding vulnerable women and children in crisis situations.

A comprehensive approach involves **expanding emergency shelters and One Stop Centres (OSCs)** to provide immediate safety, medical aid, and counselling services to survivors. Deploying **women protection task forces** trained to handle GBV cases with sensitivity can further enhance security in disaster-hit areas. Additionally, **training law enforcement officers** and **humanitarian workers** under programs like ***Mission Shakti*** ensures they are



equipped to handle cases with care and urgency. Encouraging **women-led community policing initiatives** can foster trust and strengthen local safety networks.

A Call for Collective Action

A multi-sectoral approach integrating legal, social, economic, technological, and educational interventions is essential to combat violence against women in India. The NCW remains committed to working with government agencies, civil society, and the private sector to create a safer environment for women. Strengthening law enforcement, fostering community participation, leveraging technology, and empowering women economically are key pillars of this approach.

Ending violence against women is not just a legal or policy issue; it is a moral and social imperative. With collective efforts, we can build an India where every woman can live with dignity, security, and freedom from violence. ❑

NEP 2020 in Action: Driving Accessibility & Inclusivity

NEW INDIA SAMACHAR RESEARCH TEAM

The National Education Policy (NEP) 2020 focuses on creating a nurturing environment for children's cognitive, emotional, and social development, emphasising foundational learning and vital life skills. The NIPUN Bharat Mission supports this by incorporating clear targets, innovative pedagogies, rural effectiveness, and teacher training. The Annual Status of Education Report (ASER) 2024 highlights significant improvements in foundational skills, with government schools demonstrating quicker progress and enrollment rates at their highest. Enhanced infrastructure and digital literacy among rural adolescents contribute to these achievements. States with high Anganwadi enrollments show better early childhood development. The NEP and NIPUN Bharat Mission are strategic investments to eliminate learning deficits and secure India's human capital competitiveness for Viksit Bharat @2047.

A nurturing environment for children's cognitive, emotional, and social development in early education profoundly impacts their future success. While research underscores this, India has historically failed to provide such foundational support.

Recognising this gap, the National Education Policy (NEP) 2020, by the Prime Minister Narendra Modi-led government, emphasised the need for strong foundational learning. It focuses on equipping students with vital life skills beyond rote memorisation.

The goal is clear: invest early and wisely to ensure long-term educational and societal benefits, delivering on the commitment to **inclusivity and accessibility of education from a young age.**

This holistic approach aims to correct past shortcomings, fostering environments where every child can thrive. The NEP seeks to break the cycle of educational inequities, particularly for disadvantaged students.

The outcome is a win-win—empowered students and a strengthened nation with skilled human capital, navigating the demands of a rapidly evolving complex global economy.

The NEP's success can be quantified in terms of better enrollments, learning outcomes, and the base for a skilled workforce. These outcomes are also captured by the Annual Status of Education Report (ASER) survey, which conducts a nationwide household survey that captures the status of children's enrollment and learning outcomes in rural India. The ASER insights had been in the past pointing out the urgency of implementing the NEP's focus on foundational skills.

Outcomes

The ASER 2024 highlights that students in primary and secondary classrooms, beyond recovering from the pandemic's disruption, **have surpassed even their pre-pandemic peers in foundational skills.**

Government schools have demonstrated quicker progress in foundational skills than private schools.

In 20 years, enrolled children in the age group of 6-14 are at their highest at 98.1% in 2024.

Underage children in Standard I in 2024 have dipped **to their lowest ever at 16.7%, aligning with NEP ethos.**

An important contribution that has scaled the transformation has been the NIPUN Bharat Mission. It incorporates:

- **Clear Targets:** Focuses on achieving specific foundational skill milestones.
- **Innovative Pedagogies**: Encourages toy-based and experiential learning to make education engaging.
- **Rural Effectiveness**: Bridges learning gaps where traditional methods fall short.
- **Teacher Training**: Provides intensive programs to equip educators with context-specific, effective teaching strategies.

Key Trends

1. **Stronger Roots: Pre-Primary Enrollments Soar Steadily.**

- The coverage at the preschool level has improved significantly **to above 70% for the 3-5 age group**.
- This assures that some form of early childhood education is accessible to all, **a significantly encouraging trend**.
- Enrollment rates have stabilised post-pandemic, with a drop in **out-of-school children from 2018-24 in the 3-5 age group.**

2. **Anganwadis Lead: The Backbone of Early Education**

- This trend is striking as Anganwadis ensure a more direct connection for parents. It **guarantees better access to nutrition, vaccination, and healthy childhoods.**
- States with very high Anganwadi enrollments have been better placed to **strengthen early childhood development**.

3. **Smart & Safe: Teens Embrace Digital Literacy**

- A first-time attempt at gauging the above component shows more than **90% of rural adolescents have access to a smartphone.**
- They are at ease in handling tasks such as searching for **information online related to education and are aware of the safety features.**

4. **Stronger Schools: Infrastructure Upgrades On Track**

- Schools **stand out for their upgraded sanitation and hygiene facilities**, particularly in light of the pandemic.
- The enhanced infrastructure and classroom conditions **have improved attendance and promoted better engagement between teachers and students.** Learning outcomes improvement follows in consequence.

5. **Remarkable Performance in Double Engine States**

- Uttar Pradesh showed **remarkable improvements in literacy and reading skills in 20 years.**
- Madhya Pradesh showed incremental progress in literacy and numeracy, with **electricity access in schools rising to around 90% by 2024.**
- Gujarat consistently showed strong performance at the foundation levels.

Conclusion

These outcomes have enabled India to make significant strides. The support provided to disadvantaged children over the next five years will shape the nation's trajectory for the next twenty-five. Post-pandemic school reopenings saw energetic efforts across states, enhancing accessibility, inclusivity, and foundational learning outcomes.

The determination to keep children in school during challenging times underscores the impact of effective government policies. This reflects that the NEP with the NIPUN Bharat Mission as an important component is not merely an education reform. They are strategic investments to eliminate learning deficits, securing India's human capital competitiveness for *Viksit Bharat @2047*. □

Agriculture: Engine for India's Development

YOJANA TEAM

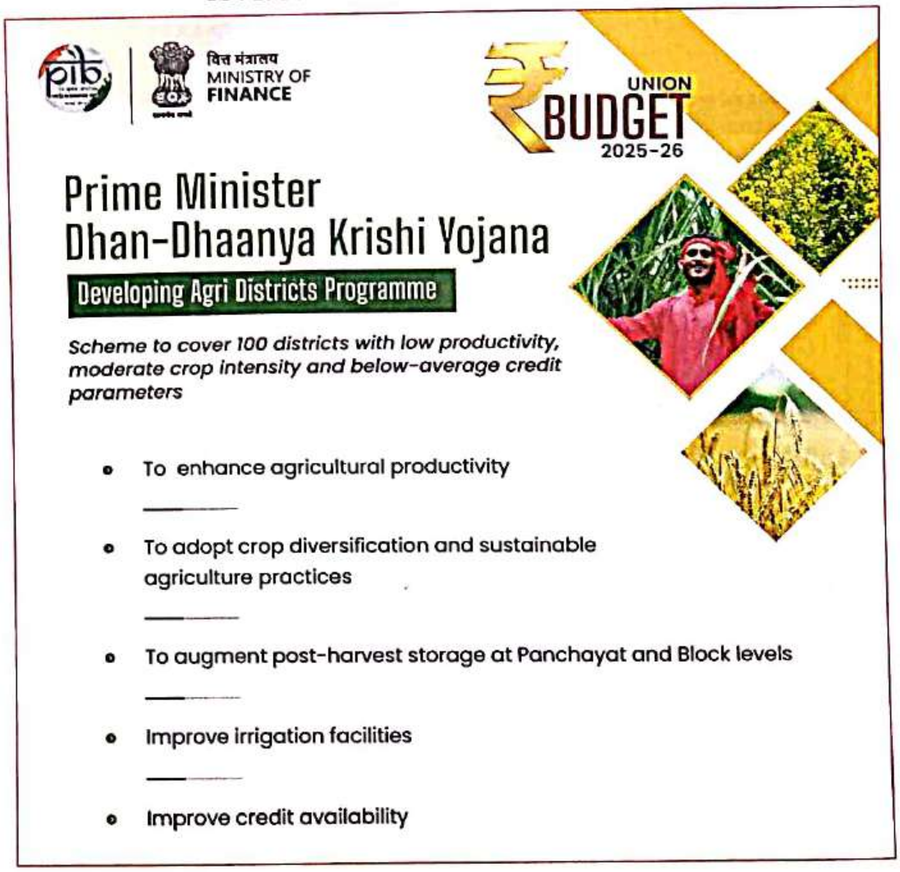
Spurring agricultural growth and productivity is one of the development measures proposed in the Union Budget 2025-26. Agriculture is one of the four powerful engines amongst MSME, Investment and Exports. Specific proposals proposed in the Union Budget to strengthen productivity and resilience in agriculture are:

Prime Minister Dhan-Dhaanya Krishi Yojana-Developing Agri Districts Programme

Motivated by the success of the Aspirational Districts Programme, the Government will undertake a 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states. Through the convergence of existing schemes and specialized measures, the programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters. The programme aims to enhance agricultural productivity; adopt 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. This programme is likely to help 1.7 crore farmers.

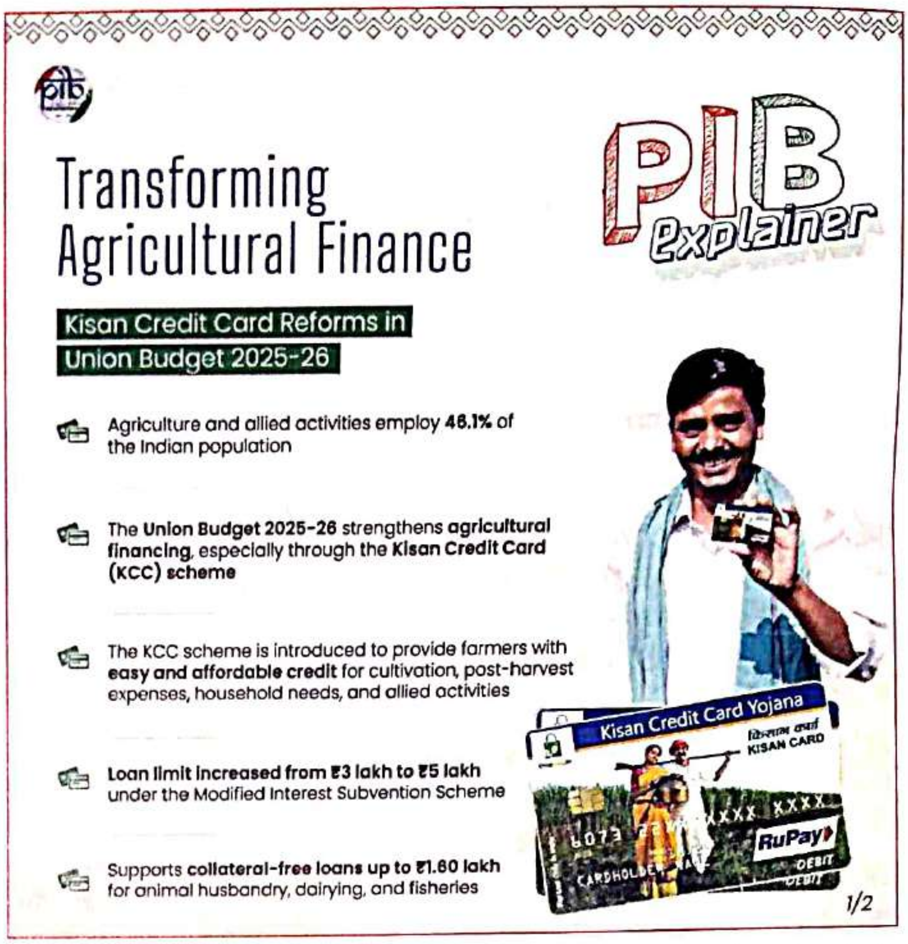
Building Rural Prosperity and Resilience

A comprehensive multi-sectoral 'Rural Prosperity and Resilience' programme will be launched in partnership with states. This will address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy. The goal is to generate ample opportunities in rural areas so that migration is an option, but not a necessity. The programme will focus on rural women, young farmers, rural youth, marginal and small farmers, and landless families. The programme aims in catalysing enterprise development, employment and financial independence for rural women; accelerating creation of new employment and businesses for young farmers and rural youth; nurturing and modernising agriculture for productivity improvement and warehousing, especially for marginal and small farmers and diversifying opportunities for landless families. The global and domestic best practices will be incorporated and appropriate technical and financial assistance will be sought from multilateral development banks. In Phase-1, 100 developing agri-districts will be covered.



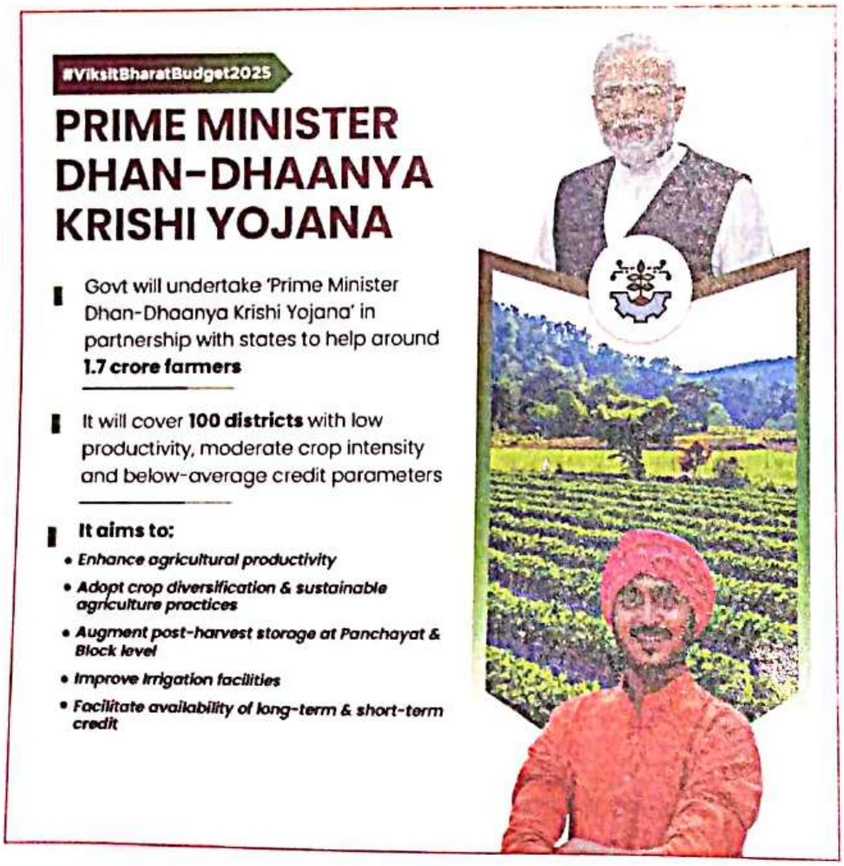
Aatmanirbharta in Pulses

The Government is implementing the National Mission for Edible Oilseed for achieving aatmanirbhrata in edible oils. The Government made concerted efforts and succeeded in achieving near self-sufficiency in pulses. Farmers responded to the need by increasing the cultivated area by 50 per cent and Government arranged for procurement and remunerative prices. Since then, with rising incomes and better affordability, consumption of pulses has increased significantly. She further emphasised that the Government will launch a 6-year "Mission for Aatmanirbharta in Pulses" with a special focus on Tur, Urad and Masoor. The Mission will place emphasis on development and commercial availability of climate resilient seeds; enhancing protein content; increasing productivity; improving post-harvest storage and management and assuring remunerative prices to the farmers. Central agencies (NAFED and NCCF) will be ready to procure these 3 pulses, as much as offered during the next 4 years from farmers who register with these agencies and enter into agreements.



Comprehensive Programme for Vegetables & Fruits

It is encouraging that people are increasingly becoming aware of their nutritional needs. It is a sign of a society becoming healthier. With rising income levels, the consumption of vegetables, fruits and Shree-Anna is increasing significantly. A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for farmers will be launched in partnership with states. Appropriate institutional mechanisms for implementation and participation of farmer producer organizations and cooperatives will be set up.



Grameen Credit Score

The Union Finance Minister stated that Public Sector Banks will develop 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas. ❑

Source: PIB

Investment as an Engine of Growth

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The Union Budget 2025-26 emphasises 'Agriculture, MSME, Investment, and Exports' as development engines. Investment in people, the economy, and innovation is highlighted. The government has allocated Rs 20,000 crore for private sector-driven R&D. The PM SVANidhi Scheme has been proposed to be revamped, and infrastructure-led development is prioritised. Employment-led growth is emphasised in tourism and hospitality. The budget focuses on the *'Viksit Bharat-2047'* vision for inclusive and sustainable development.

The Union Budget 2025-26 highlights the importance of *'Agriculture, MSME, Investment, and Exports'* as the powerful engines of the development journey, where *'our reforms'* are the fuel, *'inclusivity'* is the guiding spirit, and *'Viksit Bharat'* is the destination. The four-engine development model is designed to promote and strengthen the agriculture sector, enhance rural prosperity, strengthen MSMEs, invest in people, the economy and innovation, and promotion of exports; and integrated well-being of the Indian citizens with an inclusive approach. Each engine has its own propeller that contributes to the holistic development of the nation. The development agenda of this budget is focusing on the ***'GYAN Framework'*** (*Garib, Yuva/Youth, Annadata, and Nari*) to foster inclusive, holistic and sustainable development of India.

Investment as the Engine of Development

Investment in people, the economy and innovation is crucial not only to boost economic growth but also to bring significant transformation in the socio-economic growth story of India as a nation. In this budget, special importance has been accorded to the *'investment as the 3rd engine of development'* of the nation, which is primarily based on 3 valuable pillars—*investing in people, economy and innovation.*

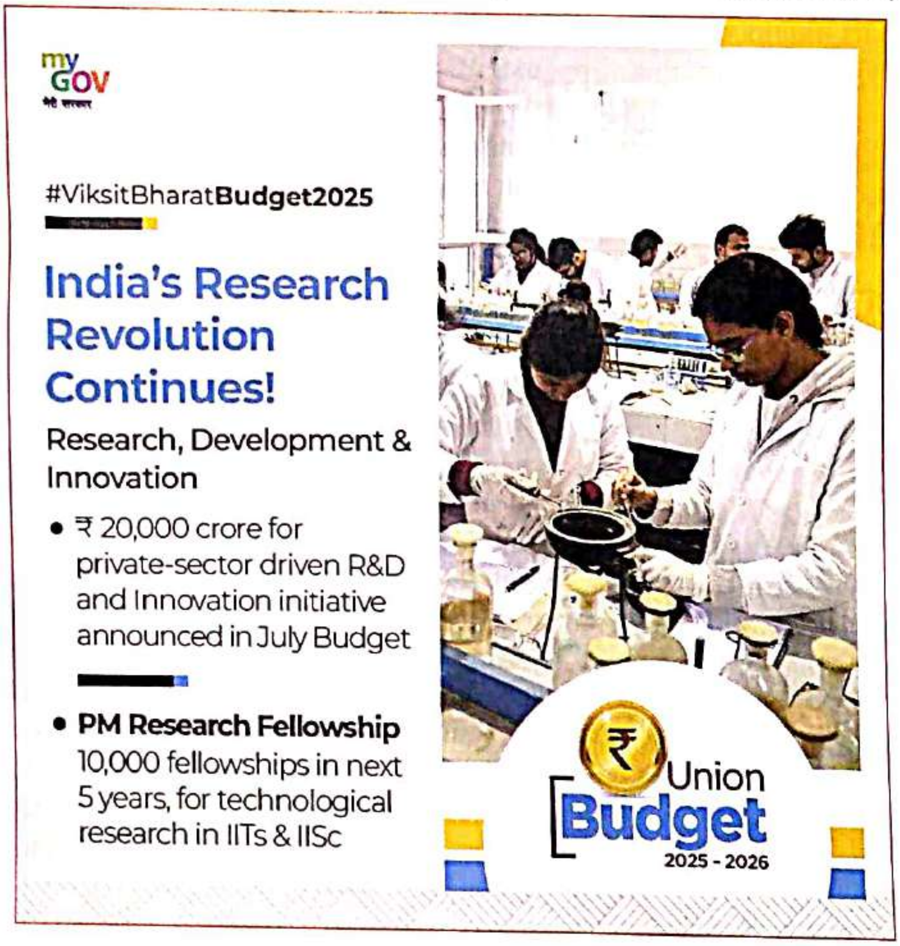
Investing in People

Enlargement of citizens' choices and capabilities is the cornerstone of people-centric governance, and keeping people at the centre of policy is essential in all kinds of development agendas. Keeping the same in mind and spirit, the Union Minister for Finance, Nirmala Sitharaman has earmarked and provisioned a special budget for investing in people's progress and for better quality of life. The government has proposed various development measures/schemes and plans for education and health, etc., to bring in positive change and sustainable transformation. Health and education, which define quality of life, have received special attention in this budget to ensure the well-being of Indians across the strata by improving accessibility, nurturing innovations, etc.

The government has announced the setup of 50,000 'Atal Tinkering Labs' in various government schools in the next 5 years to foster curiosity and scientific temper among the youth. In the past ten years, the total number of students in the 23 IITs has almost doubled from 65,000 to the existing 1.35 lakh. Further, the government has proposed to strengthen the infrastructure of 5 IITs to accommodate 6,500 more students in the years to come.

The *Bharatiya Bhasha Pustak Scheme* has also been introduced to make the learning easier with the help of digital Indian language books for schools and colleges. This will strengthen our socio-cultural ecosystem by promoting learning in Indian languages.

Considering the role of AI, this budget has earmarked Rs 500 crores for the establishment of a Centre of Excellence in AI for Education. Similarly, an announcement is made to set up 5 National Centres of Excellence for Skilling for curriculum, trainers, certification frameworks, etc., with global expertise and partnership, to equip Indian youth for contributing considerably to India and the world in the manufacturing sector.



After a 130 per cent increase in medical (UG & PG) seats in the last 10 years, 10,000 additional seats are being added to medical colleges and hospitals. The next goal is to add 75,000 seats in the next 5 years. Special efforts have been put into cancer care and treatment through establishing day-care cancer centres in each district over the next 3 years, including 200 centres, during 2025-26. Further, life-saving cancer drugs are being exempted from customs duties and other taxes to make them more affordable and accessible. As a part of investing in people, nutrition support through the '*Saksham Anganwadi and Poshan 2.0 Program,*' the government is providing nutrition support to 8 crore children, 1 crore pregnant women and lactating mothers, and 20 lakh adolescent girls in aspirational districts and northeastern region of India.

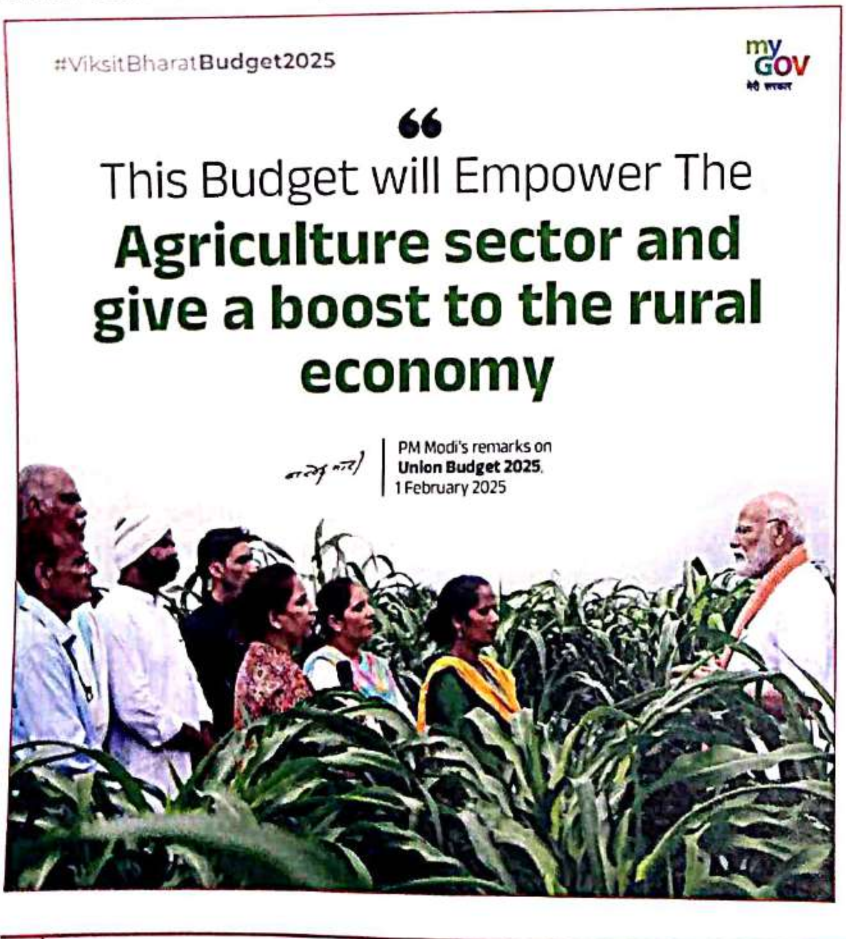
The *PM SVANidhi* Scheme is to be revamped with capacity-building support and a UPI-linked credit card with Rs 30,000 as a limit. In addition, the government has also eased the process of registration and ID card issuance, with healthcare support under the PM Jan Arogya Yojana to 1 crore gig-workers, thereby acknowledging the contributions of gig workers' to the economy. A scheme for socio-upliftment of urban workers is to be implemented to help the urban poor and vulnerable groups to improve their livelihoods and quality of life.

The core focus of the central government is to build systems for educating and skilling youth by leveraging technology/AI while committing to the integrated development of holistic healthcare education and management systems. These would significantly contribute to harnessing the demographic dividend (youth power), thereby ensuring sustainable development of India.

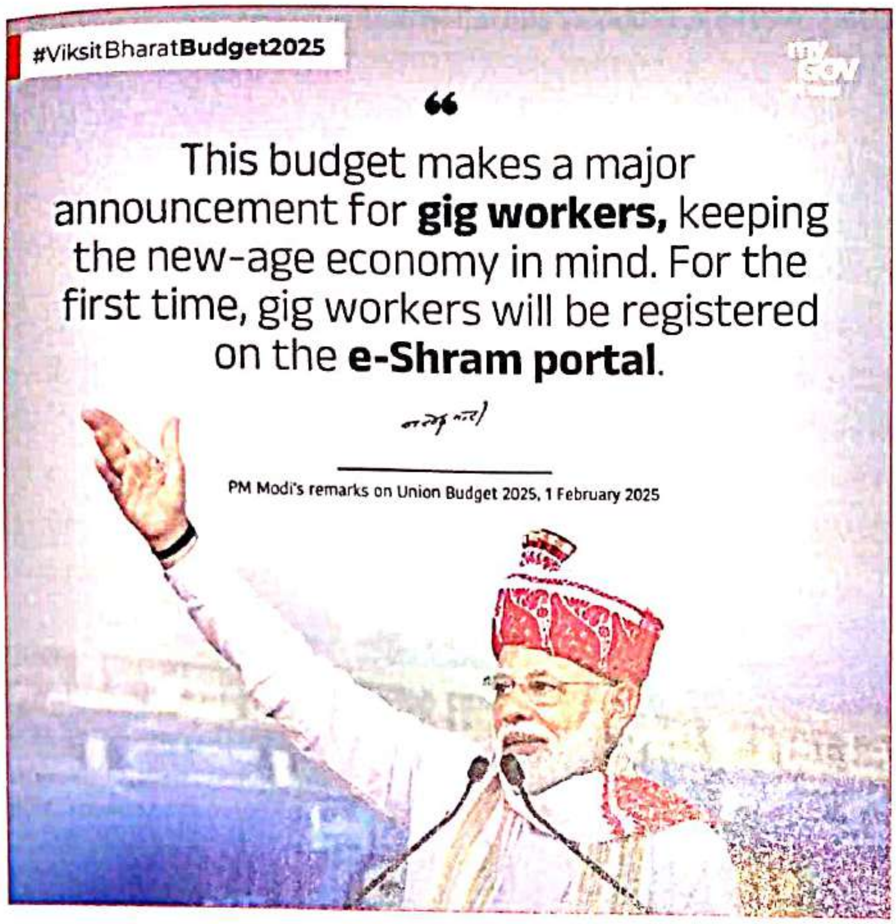
Investing in the Economy

Infrastructure-led development is critical for faster economic development due to its multiplier effects. Hence, it is proposed in the budget that each infrastructure-related ministry will come up with a 3-year pipeline of projects that can be implemented in a PPP (Public-Private Partnership) model. For the infrastructure development, an outlay of Rs 1.5 lakh crore is proposed for 50-year interest-free loans to support capital expenditure and reform incentives to various states. Overall, the government has proposed multi-sectoral reforms, including PPP, support for asset monetisation plans, mining sector reforms, etc., to support the state infrastructure. Similarly, the Asset Monetisation Plan 2025-2030 has been proposed to plough back capital of Rs 10 lakh crore in new projects with the required fiscal and regulatory supports.

Considering the growth and importance of urbanisation, the government has planned to set up an 'Urban Challenge Fund' of Rs 1 lakh crore to implement the proposals for 'Cities as Growth Hubs,' with a provision of Rs 10,000 crore proposed in the budget 2025-26 for the same. Building on the success of 'Special Window for Affordable and Mid-Income Housing (SWAMIH), the government has decided to establish SWAMIH Fund 2 of Rs 15,000 crore for the completion of 1 lakh dwelling units. *Jal Jeevan Mission*—the flagship initiative that has received a special budget outlay of Rs 67,000 crore—got an extension till 2028 to achieve 100 per cent coverage. Under this initiative, 15 crore households representing 80 per cent of the rural population have been benefited in getting potable tap water connections since 2019.



The Finance Ministry laid great emphasis on employment-led growth by providing intensive skill and training to youth in the tourism and hospitality sectors. Tourism-led growth measures include training and development, ease of MUDRA loans, improving the ease of travel and connectivity to tourist destinations, tourist amenities, cleanliness, etc. Under this initiative, the top 50 tourist destination sites will be developed in partnership with the states, including the places of spiritual and religious significance. Moreover, the *'Medical Tourism and Heal in India'* initiative will be promoted by partnering with private sectors.



'Maritime Development Fund' with a corpus of Rs 25,000 crore is proposed in this budget for the long-term financing of the maritime industry. Similarly, 'Shipbuilding Clusters' are proposed, including additional infrastructure facilities, skilling, and technology to develop the entire ecosystem. The shipbuilding financial assistance policy will be revamped to address the cost disadvantages and also to promote the circular economy.

With the success of the UDAN scheme enabling 1.5 crore middle-class Indians to travel across 88 airports and 169 routes, a modified UDAN scheme is proposed to be launched to enhance regional connectivity to 120 new destinations, aiming to carry 4 crore passengers in the next 10 years. Greenfield airports are proposed to meet the future needs of Bihar, and also financial support will be provided for the Western Koshi Canal ERM project, which will benefit a large number of farmers and landowners.

Power sector reforms have been augmented among the states as a part of energy-sharing strategies. This will improve the capacity and financial health of the electricity companies. For the 'Nuclear Energy Mission,' an outlay of Rs 20,000 crore is provisioned for research and development of small modular reactors (SMR), and it is expected that at least 5 indigenously developed SMRs will be operationalised by 2033. Mining sector reforms will be encouraged through sharing of best practices and the institution of a state mining index. *PM Gati Shakti* data and map can be accessed by the private sector for their project planning and implementation.

Investing in Innovation

Innovation plays a vital role in the socio-economic development process and knowledge creation. Research and development are the prerequisites for sustainable innovation. Union Minister for Finance, Nirmala Sitharaman, has allocated Rs 20,000 crore to promote the private sector-driven research, development, and innovation. As a novel initiative, the government has provisioned for a deep-tech focussed Fund of Funds to support next-generation startups. In addition to that, in the next 5 years, 10,000 PM research fellowships will be provided for technological research in IITs & IISc with enhanced financial support. These initiatives clearly show the intent and clarity of the government vision to foster an innovative culture in the country's ecosystem.

As part of the *'Gyan Bharatam Mission,'* the documentation and conservation of our manuscript heritage will be undertaken to cover more than 1 crore manuscripts with various academic institutions, libraries, museums and private collectors. The government will set up a 'National Digital Repository of Indian Knowledge Systems (IKS)' for knowledge-sharing and records. To facilitate better data and urban planning, the finance minister proposed to launch a 'National Geospatial Mission' to develop a foundational geospatial infrastructure in various cities and towns. This will help the policymakers and regulators to keep land records, do better urban planning, and be able to design correct infrastructure projects.

Considering the food & nutritional security for the growing population, the government has

Table 1: Investing in People, Economy and Innovation

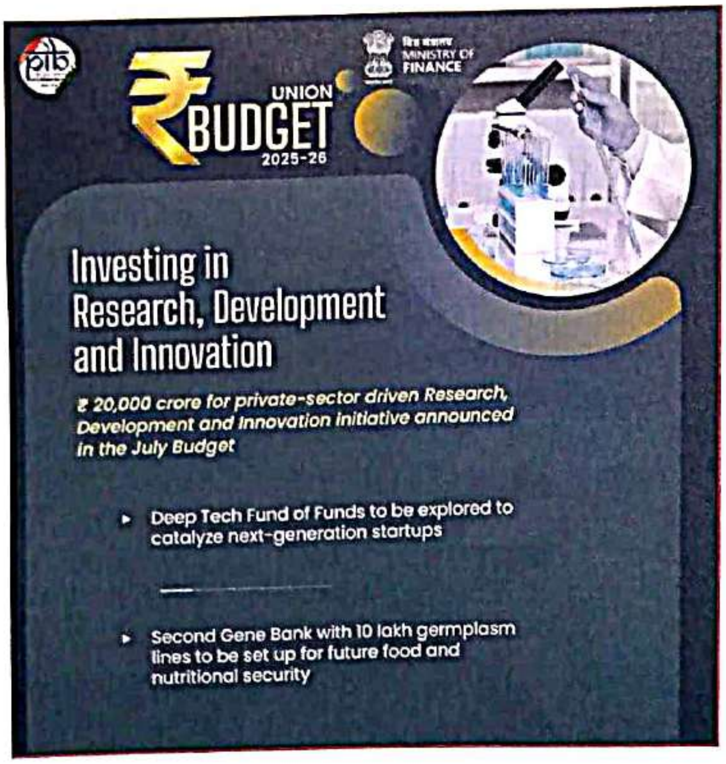
S.N.	Schemes/Particulars	Budgeted Amount (Rs in Crore)
1	Centre of Excellence in AI for Education	500
2	States for Infrastructure (50 Year Interest-free Loans for Capital Expenditure)	1,50,000
3	Asset Monetisation Plan 2025-30 (Plough-back Capital)	10,00,000
4	Urban Challenge Fund (Cities as Growth Hubs)	1,00,000
5	Nuclear Energy Mission for Viksit Bharat (R&D of Small Modular Reactors)	20,000
6	Maritime Development Fund (Corpus for Long-term Financing)	25,000
7	SWAMIH Fund 2 (Completion of 1 lakh Dwelling Units)	15,000
8	Private Sector-Driven Research, Development & Innovation Initiative	20,000

Source: *Compiled by the author from various budget documents 2025-26*

planned to set up a 2nd Gene Bank with 10 lakh germplasm lines in India. This will significantly support the conservation of genetic resources by public and private sector entities.

Way Forward and Roadmap for the 'Futuristic India-2047'

The Union Budget 2025-26 has placed a significant emphasis on various strategic priorities with a specific focus on agriculture, MSME, investment, and export promotion. Investment as the 3rd engine of development includes investing in people, the economy and innovation to boost social welfare and foster faster economic development and the well-being of the nation. Among many aspects of investment, this budget prioritises education, health and healthcare, skill enhancement, infrastructure development, and innovation to drive India's long-term growth and ensure resilience against uncertainty.



Overall, the budget has laid a predominant focus on the *'Viksit Bharat-2047'* vision for India. The overall budget encompasses an inclusive, holistic and sustainable development of Indian economy. This is possible when there is no poverty, good quality of life in terms of quality education, affordable and comprehensive healthcare; and meaningful and productive participation of women and skilled workers/farming communities, etc., in various economic activities/in the production process for self-sustaining and overall development of the nation. The Indian economy is one of the fastest-growing economies among the major global economies because of its planned development process and structural reforms based on the philosophy of *'Sabka Saath,'* and *'Sabka Vikas'* which is the foundation of *'Viksit Bharat'.* The underlying principle and philosophy consist of a theme, i.e., *'true development' can only be realised with 'integrated and sustainable development of all core sectors of the large economy like India and the ensuing benefits get percolated to the bottom of pyramid'.* This magnanimous task is achievable by deep/engaging involvement and inclusive development of all key stakeholders. In short, when citizens win and grow, India can prosper as a *'Vishwamanav Model'* to the global ecosystem. ❑