



CSB IAS ACADEMY

THE ROAD MAP TO MUSSORRIE...

MAINS Impact- 2025 – 02/02/2025

THE BUDGET 2025-26

SYLLABUS:

GS 3> Economic Development > Budgeting > Union budget

REFERENCE NEWS:

- Finance Minister Nirmala Sitharaman presented a record 8th consecutive Union Budget (2025-26) on February 1, 2025, focusing on **four engines: Agriculture, MSME, Investment, and Exports**, to drive the goal of **Viksit Bharat**.

BUDGET:

- The budget is a statement of the **estimated receipts and expenditure of the Government of India in a financial year**, which begins on 1st April and ends on 31st March of the following year.
- The Indian Constitution refers to the budget as the '**Annual financial statement**' (**Article 112**). In other words, the term '**budget**' has nowhere been used in the Constitution.
- It gives item wise details of government receipts and expenditure for three consecutive years:
 - Actuals for the preceding year
 - Revised estimates for the current year and
 - Budget estimates for the ensuing (coming) year
- The Budget is **presented in Parliament on a date fixed by the President**.

MAJOR HIGHLIGHTS OF THE UNION BUDGET 2025-26:

- Quoting Telugu poet and playwright Shri Gurajada Appa Rao's famous saying, '**A country is not just its soil; a country is its people.**' – the Finance Minister presented the Union Budget 2025-26 with the theme "**Sabka Vikas**" **stimulating balanced growth of all regions**.
- In line with this theme, the Finance Minister outlined the broad **Principles of Viksit Bharat to encompass the following:**
 - a) Zero-poverty;
 - b) Hundred per cent good quality school education;
 - c) Access to high-quality, affordable, and comprehensive healthcare;
 - d) Hundred per cent skilled labour with meaningful employment;
 - e) Seventy per cent women in economic activities; and
 - f) Farmers making our country the 'food basket of the world'.

- The Union Budget 2025-2026 promises to continue Government's efforts to accelerate growth, secure inclusive development, invigorate private sector investments, uplift household sentiments, and enhance spending power of India's rising middle class.
- The Budget proposes development measures focusing **on poor (Garib), Youth, farmer (Annadata) and women (Nari)**.

FOUR ENGINES OF DEVELOPMENT:

Union Budget highlights that **Agriculture, MSME, Investment, and Exports** are engines in the journey to Viksit Bharat using **reforms as fuel, guided by the spirit of inclusivity**.

1st Engine: Agriculture

- **'Prime Minister Dhan-Dhaanya Krishi Yojana'** to cover 100 low agricultural productivity districts.
- **Mission for Aatmanirbharta in Pulses** with special focus on Tur, Urad, and Masoor.
- **Loans up to ₹5 lakh** through Kisan Credit Cards (KCC) under the modified interest subvention scheme.
- **Comprehensive Programme for Vegetables & Fruits, National Mission on High Yielding Seeds**, and a five-year **Mission for Cotton Productivity**.
- **'Rural Prosperity and Resilience'** programme for skilling, investment, and technology in rural areas.

2nd Engine: MSMEs

- **Enhanced Credit Guarantee:** MSME coverage increased from ₹5 crore to ₹10 crore.
- **New Scheme for Women, SC, and ST Entrepreneurs:** Term loans up to ₹2 crore over the next 5 years.
- **National Manufacturing Mission** covering small, medium, and large industries under **'Make in India'**.
- **India as a global hub for toys:** Promoting domestic toy manufacturing.

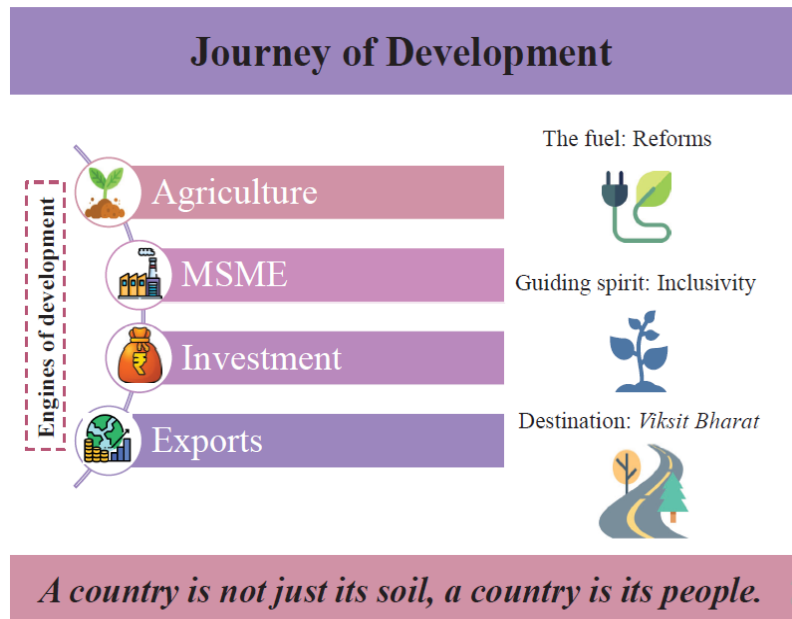
3rd Engine: Investment

- **50,000 Atal Tinkering Labs** to be set up in government schools in the next five years.
- **Centre of Excellence in Artificial Intelligence for Education** with an outlay of ₹500 crore.
- **Gig Workers:** Identity cards, registration on e-Shram portal, and healthcare under PM Jan Arogya Yojana.
- **₹1 Lakh Crore Urban Challenge Fund** for 'Cities as Growth Hubs'.
- **₹20,000 Crore for Private Sector-driven Research, Development, and Innovation Initiatives**.
- **Broadband connectivity** for all Government secondary schools and primary health centres under the Bharatnet project.
- **Bharatiya Bhasha Pustak Scheme** for digital-form Indian language books.

4th Engine: Exports

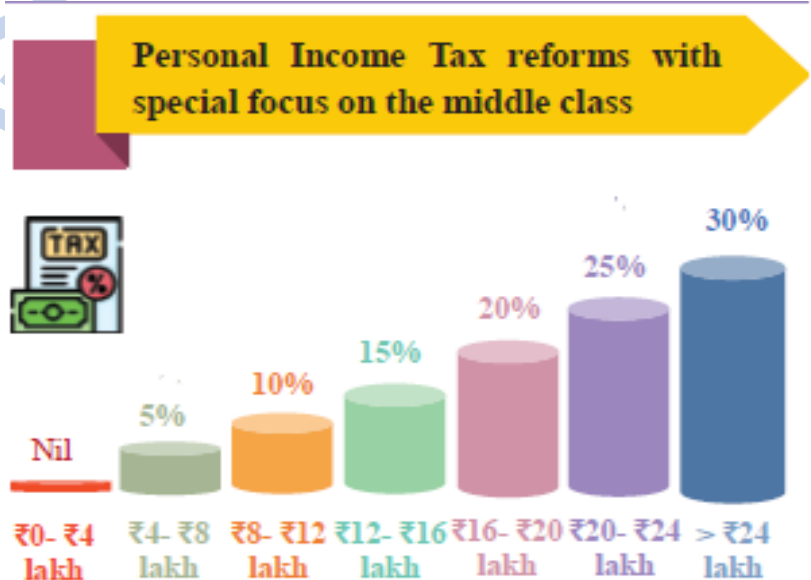
- **Export Promotion Mission** to help MSMEs enter international markets.

- **BharatTradeNet (BTN):** A digital public infrastructure for trade documentation and financing.
- **Modified UDAN Scheme:** Enhancing regional connectivity to 120 new destinations.
- **Support for domestic manufacturing capacities** for integration into global supply chains.
- **Development of high-value perishable air cargo infrastructure and warehousing.**



MAJOR TAX REFORMS AND RELIEFS

- **No Income Tax** on an average monthly income of up to ₹1 lakh, boosting middle-class household savings and consumption.
- **Salaried Class:** Nil tax up to ₹12.75 lakh per annum in the new tax regime.
- **Updated Income Tax Returns:** Time limit increased from two to four years.
- **Delay in TCS Payment Decriminalized.**
- **TDS on Rent:** Threshold increased from ₹2.4 lakh to ₹6 lakh.
- **Basic Customs Duty (BCD) Exemptions:** On 36 life-saving drugs and medicines for treating cancer, rare and chronic diseases.
- **Encouraging voluntary compliance:** Small charitable trusts/institutions' registration period increased from 5 to 10 years.



(The "No Income Tax up to ₹12 lakh" claim is due to **standard deductions and exemptions** under the new tax regime. While the revised tax slabs apply to **gross income**, deductions like the ₹75,000 **standard deduction** lower the **taxable income**, effectively reducing tax liability to **zero** for salaried individuals earning up to ₹12.75 lakh. This means that although income between ₹8-12 lakh is taxed at 10%, deductions and rebates **offset the tax burden**, ensuring **no tax is payable** within this income range.)

FINANCIAL AND REGULATORY REFORMS

- **FDI in Insurance:** Limit raised from 74% to 100% for companies investing the entire premium in India.
- **Jan Vishwas Bill 2.0:** To decriminalize more than 100 provisions in various laws.
- **Investment Friendliness Index of States** to be launched in 2025.
- **Light-touch regulatory framework** based on principles and trust to enhance productivity and employment.

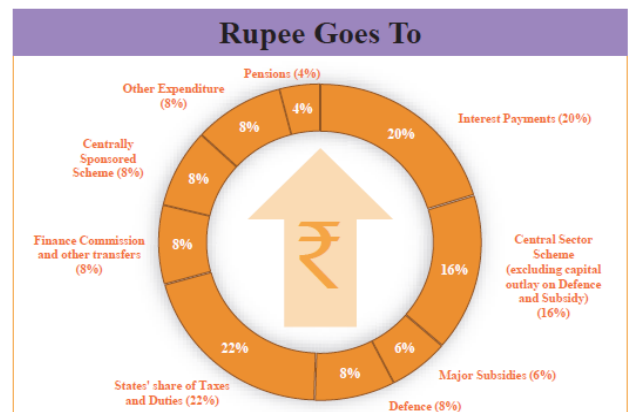
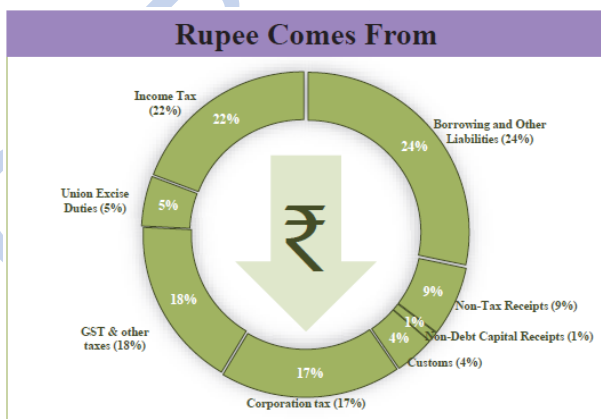
FISCAL CONSOLIDATION AND ECONOMIC MEASURES

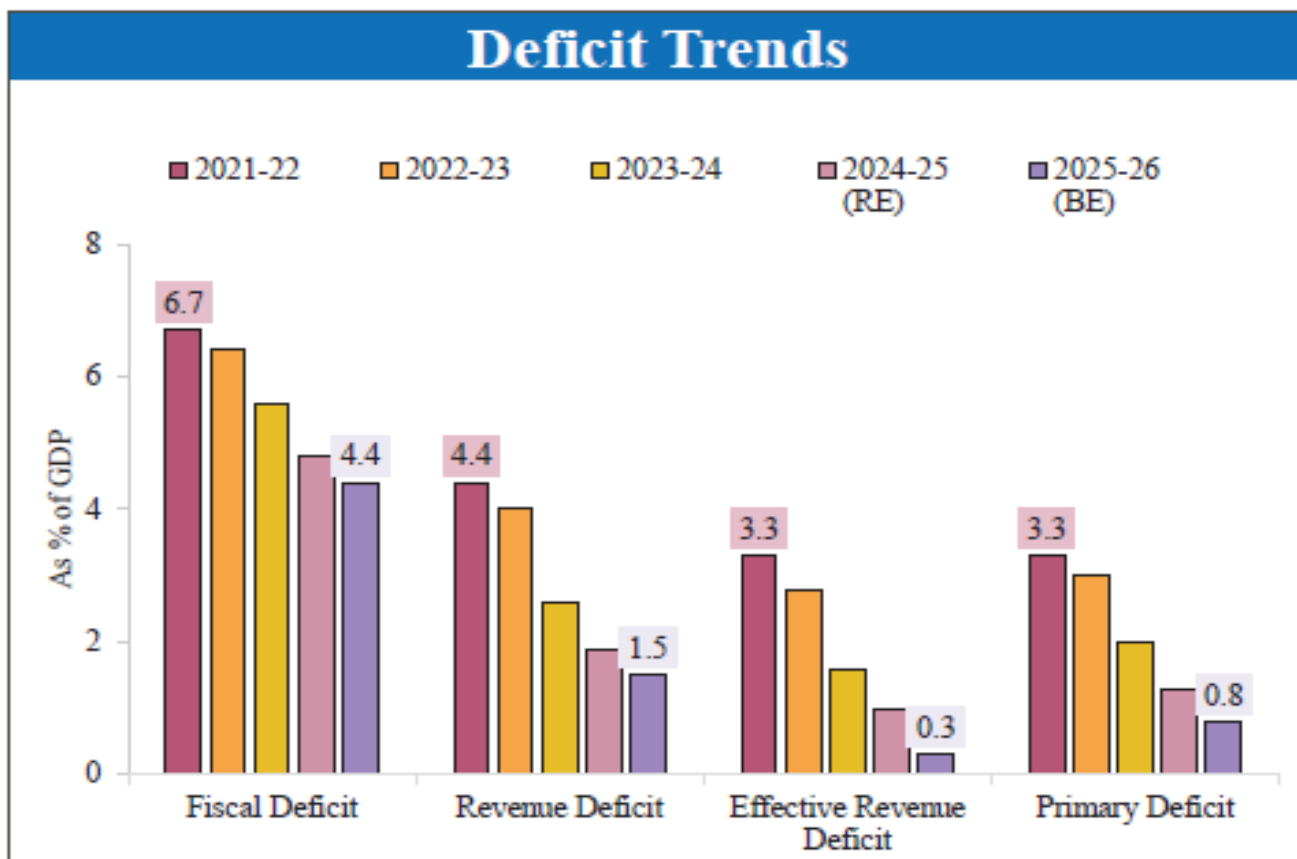
- **Fiscal Deficit FY-25:** Estimated at **4.8%**.
- **Target for FY-26:** To be reduced to **4.4%**.
- **₹1.5 Lakh Crore Outlay** for 50-year interest-free loans to states for capital expenditure.
- **Second Asset Monetization Plan 2025-30** to mobilize **₹10 Lakh Crore** for new projects.
- **Jal Jeevan Mission extended till 2028**, focusing on infrastructure quality and maintenance.

MANUFACTURING AND INFRASTRUCTURE BOOST

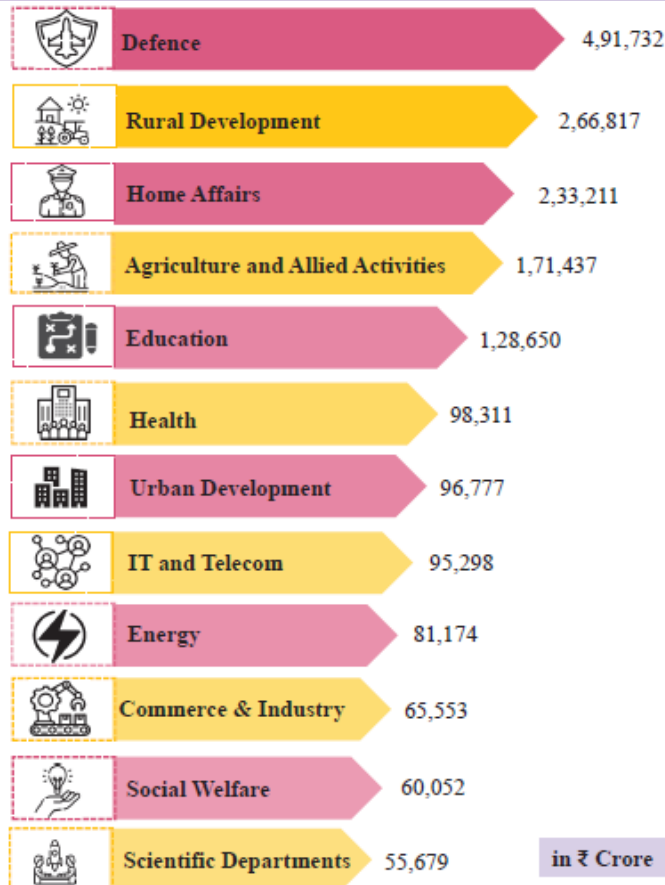
- **Basic Customs Duty (BCD) on Interactive Flat Panel Displays (IFPD):** Increased to **20%** to promote domestic manufacturing.
- **BCD on Open Cells:** Reduced to **5%** to support local electronics production.
- **10-Year BCD Exemption** on raw materials for shipbuilding to enhance the maritime industry.
- **BCD Reduction on Frozen Fish Paste:** Lowered from **30% to 5%**, and on **Fish Hydrolysate** from **15% to 5%** to benefit the seafood processing industry.
- **Support for Domestic Electronic Equipment Industry** by leveraging **Industry 4.0** technologies.
- **Boost to Battery Production:** Capital goods for **EV and mobile battery manufacturing** fully exempted from BCD to enhance domestic production.

MACRO-ECONOMIC HIGHLIGHTS OF THE BUDGET 2025-26



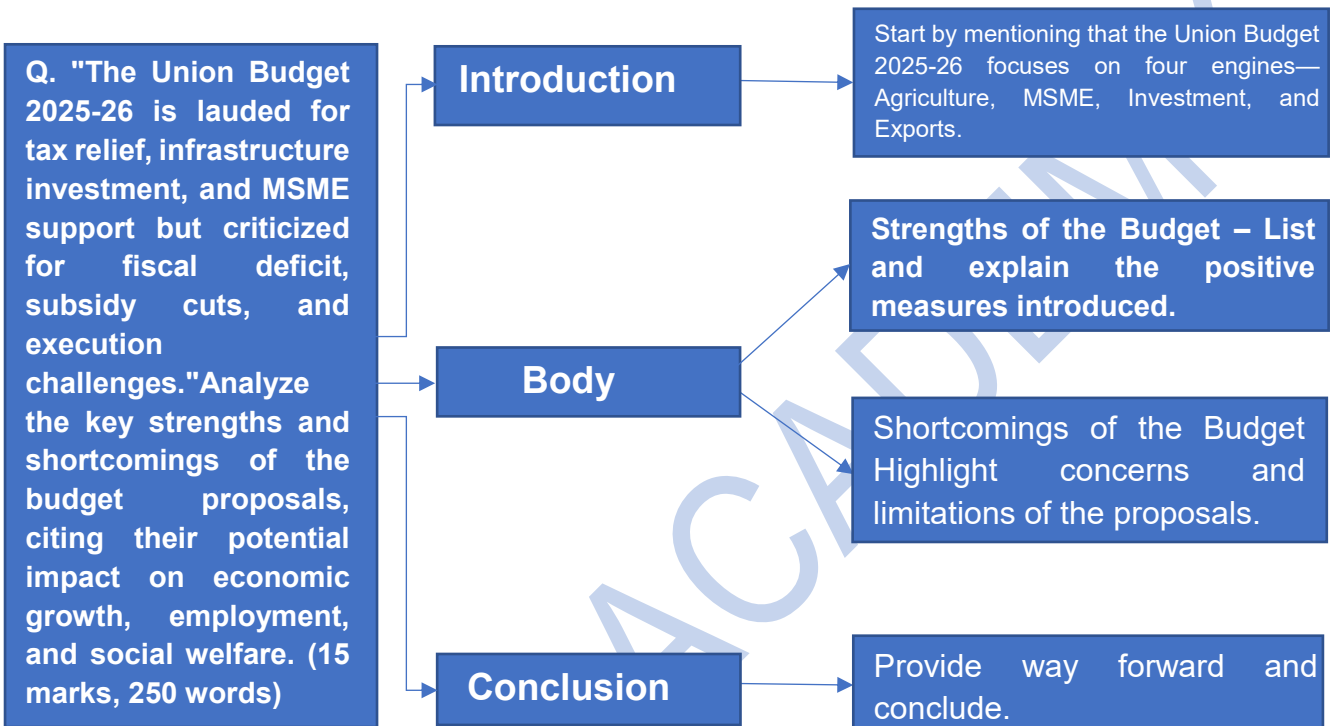


Expenditure of Major Items



PRACTICE QUESTION:

Q. "The Union Budget 2025-26 is lauded for tax relief, infrastructure investment, and MSME support but criticized for fiscal deficit, subsidy cuts, and execution challenges." Analyze the key strengths and shortcomings of the budget proposals, citing their potential impact on economic growth, employment, and social welfare. (15 marks, 250 words)

APPROACH:**MODEL ANSWER:**

The **Union Budget 2025-26** focuses on four key engines—**Agriculture, MSME, Investment, and Exports**—to propel India's economic growth towards **Viksit Bharat**. While it has been praised for **tax reliefs, infrastructure investments, and MSME support**, concerns remain over **fiscal deficit management, subsidy rationalization, and policy execution**. Below is an analysis of the **strengths and shortcomings** of the budget proposals.

STRENGTHS OF THE BUDGET:**1. Tax Relief for the Middle Class**

- **No tax on income up to ₹12.75 lakh** for salaried individuals, increasing disposable income and consumption.
- Simplified **tax structure and extended return filing window** encourage compliance.

2. Boost to MSMEs and Startups

- **Enhanced credit guarantee cover** from ₹5 crore to ₹10 crore improves access to capital.
- **₹20,000 crore allocated** for private sector-driven **R&D and innovation**, supporting startups and technology firms.

3. Infrastructure and Investment Growth

- **₹1 lakh crore Urban Challenge Fund** to develop cities as growth hubs.
- **50-year interest-free loans to states** to boost infrastructure and energy sectors.
- **₹10 lakh crore Asset Monetization Plan** to reinvest in new projects.

4. Agricultural and Rural Focus

- **PM Dhan-Dhaanya Krishi Yojana** to boost productivity in **100 low-yield districts**.
- **Mission for Aatmanirbharta in Pulses** to reduce import dependency on **Tur, Urad, and Masoor**.
- **Kisan Credit Card (KCC) loan limit increased to ₹5 lakh**, benefiting small farmers.

5. Digital and AI Initiatives

- **₹500 crore Centre of Excellence in AI for Education** to enhance digital learning.
- **50,000 new Atal Tinkering Labs** to foster innovation in government schools.

SHORTCOMINGS OF THE BUDGET

1. Fiscal Deficit Concerns

- **Fiscal deficit for FY25 at 4.8%, target for FY26 at 4.4%**, raising concerns over **debt sustainability**.
- **While tax cuts boost demand**, the budget **lacks a concrete revenue generation plan** beyond **disinvestment and asset monetization**.

2. Limited Focus on Social Welfare and Rural Employment

- No major announcements for **rural employment (MGNREGA allocation stagnant)**.
- **Unclear subsidy structure** for food security and welfare programs.

3. Challenges in Infrastructure Execution

- **Land acquisition, bureaucratic delays, and state cooperation** could slow project implementation.
- **PPP projects still face regulatory hurdles**, limiting private sector participation.

4. Missed Opportunities in Healthcare and Education

- No **significant increase in healthcare spending**, despite post-pandemic demands.

- While AI in education is encouraged, **funding for higher education and scholarships remains low.**

5. Global Trade and Export Risks

- **Export promotion measures are present, but global economic uncertainties and trade restrictions** could impact effectiveness.
- **Increased BCD (Basic Customs Duty) on Interactive Flat Panel Displays (20%)** may hurt domestic firms reliant on imports.

Way Forward:

1. **Enhance Revenue Generation:** Implement **broad-based tax reforms**, improve **GST compliance**, and reduce dependence on **disinvestment**.
2. **Strengthen Social Security:** Increase **employment guarantees (MGNREGA funding)** and expand **direct benefit transfers (DBTs)** to vulnerable groups.
3. **Accelerate Infrastructure Execution:** **Streamline land acquisition**, expedite **PPP clearances**, and **strengthen monitoring mechanisms** to avoid delays.
4. **Boost Healthcare and Education:** Allocate more funds to **public healthcare and higher education scholarships**, ensuring long-term human capital growth.
5. **Expand Export Competitiveness:** Address **trade barriers**, invest in **logistics and warehousing**, and **leverage FTAs (Free Trade Agreements)** to diversify export markets.

The **Union Budget 2025-26** is **pro-growth**, aiming to **stimulate investment, support MSMEs, and provide tax relief** to the middle class. However, concerns over **fiscal prudence, infrastructure execution, and social sector spending** need to be addressed. **Balancing economic expansion with financial stability and inclusive welfare measures will be crucial** in achieving the vision of **Viksit Bharat**.