



## Perspective: Boosting Indian Economy

**For Prelims:** [Union Budget 2025-26](#), [GST](#), [Indirect Tax](#), [Capital Expenditure](#), [Logistics Infrastructure](#), [Blue Economy](#), [PM Dhan-Dhaanya Krishi Yojana](#), [Six-year Pulses Mission](#), [Kisan Credit Card](#), [Makhana Board](#), [Supply Chains](#), [Make in India](#), [Fund of Funds for Startups](#), [BharatTradeNet](#), [Atal Tinkering Labs](#), [Industry 4.0](#), [Fiscal deficit](#), [PM Surya Ghar](#), [Green Hydrogen](#), [Direct Tax Reforms](#), [Disinvestment](#), [Sovereign Green Bonds](#), [Circular Economy](#).

**For Mains:** Role of the Union Budget in Boosting Indian Economy.

### Why in News?

The [Union Budget 2025-26](#) has announced several provisions aimed at boosting the **Indian economy**.

- It aims to make India a **technologically advanced and inclusive economy** by focusing on key areas such as [infrastructure development](#), [job creation](#), rural upliftment, and **industrial growth**.

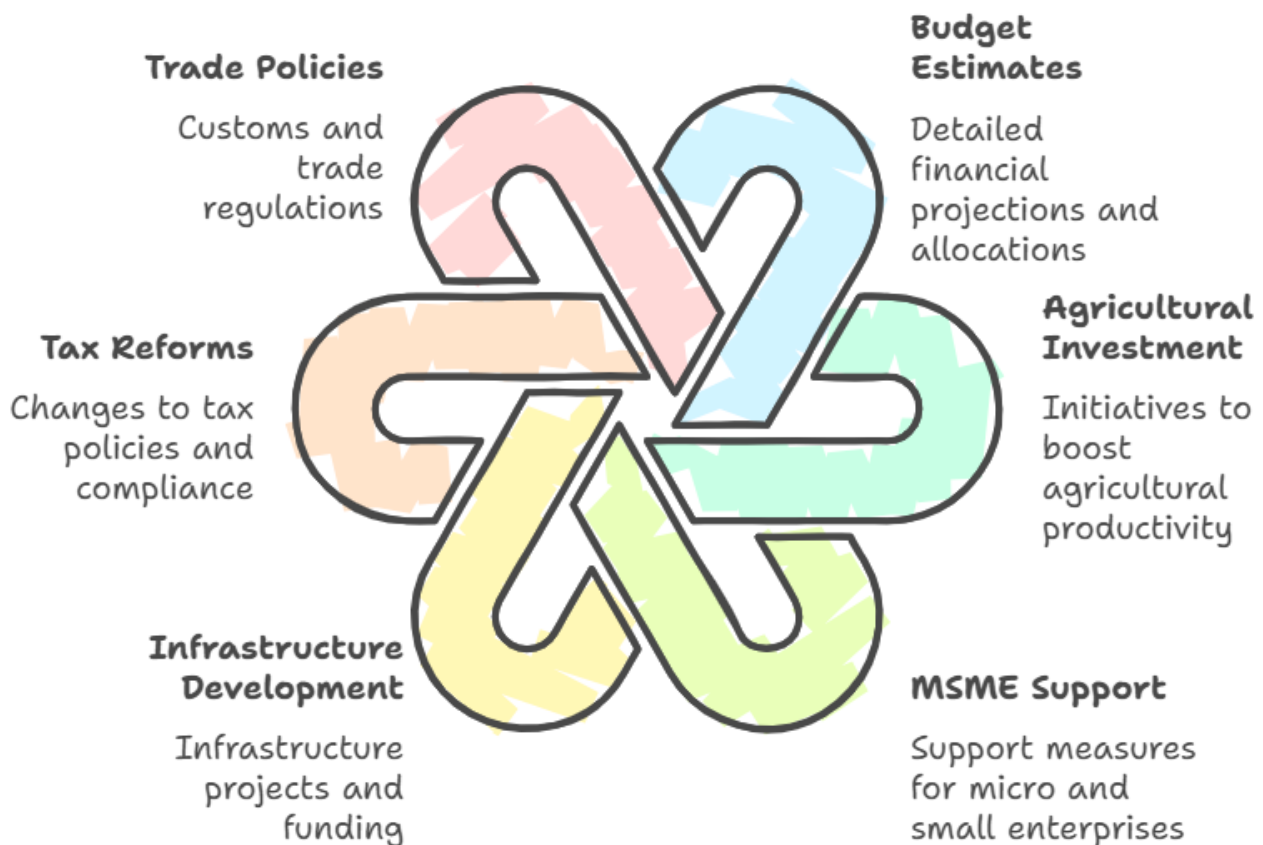
### How Union Budget 2025-26 Provisions Will Spur Indian Economy?

- Tax Reforms for Higher Consumption:** [Income tax exemption](#) raised to **₹12 lakh**, reducing the **direct tax burden** on middle-class households.
  - Revised highest tax slab to **₹24 lakh**, ensuring more disposable income for higher-income groups.
  - Increased consumption will boost demand, supporting sectors like **Fast-Moving Consumer Goods (FMCG)**, [real estate](#), and **retail**.
  - Higher private consumption will accelerate **economic activity**, contributing to **higher GST and indirect tax revenue**.
- Capital Expenditure for Growth:** **₹11.21 lakh crore** allocated for [infrastructure](#), with **3.1% of GDP** committed to capital formation.
  - Public investment** in transport, energy, and urban projects will create strong multiplier effects.
  - [Capital expenditure](#) generates employment, increasing labor demand in construction and allied industries.
  - Improved [logistics infrastructure](#) will enhance **efficiency, lowering production costs for industries**.
- Attracting Investment:** The [Deep Tech Fund of Funds](#) will support next-generation startups, fostering innovation, technology development, and job creation.
  - The **FDI increase to 100% in the [insurance sector](#)** will attract more foreign investments, strengthening financial stability and boosting domestic capital markets.
  - The **modified UDAN scheme** will improve regional connectivity, promote tourism, enhance trade, and support economic development in remote and hilly areas, driving overall economic growth.
  - Also, the budget proposes to rope in the **private sector** through [Public-Private](#)

**Partnership (PPP)** models for investments.

- **Boost to the Blue Economy:** Government prioritizes **marine fisheries and shipbuilding**, enhancing **coastal economic development**.
  - **Maritime Development Fund** with ₹25,000 crore corpus will strengthen **port infrastructure and shipbuilding**.
  - Potential expansion of **coastal tourism and aquaculture** could create millions of jobs in related sectors.
  - India can leverage the potential of the global **Blue Economy** which is estimated to be at **\$24 trillion**.
- **Agriculture Modernization: PM Dhan-Dhaanya Krishi Yojana** aims to cover **100 low agricultural productivity districts**, benefiting 1.7 crore farmers by enhancing irrigation, and post-harvest storage facilities.
  - **₹5 lakh** loan limit under the **Kisan Credit Card** ensures better financial support for farmers.
  - **Eventually, higher rural income** will increase rural consumption, positively impacting small businesses and retail sectors.
  - Also, **Six-year Pulses Mission** will reduce import dependency, increasing domestic agricultural self-sufficiency.
- **Boosting Rural Economy: ₹5 lakh** loan limit under the **Kisan Credit Card** ensures better financial support for farmers.
  - **Eventually, higher rural income** will increase **rural consumption** (which comprises **60%** of private consumption), positively impacting small businesses and retail sectors.
  - **Makhana Board** in **Bihar** to be established to enhance production, processing, and value addition of Makhana, boosting rural employment and income.
  - **Comprehensive Program for Fruits and Vegetables** to promote efficient **supply chains** and ensure better market prices for farmers, strengthening the rural economy.
- **Support for MSMEs and Manufacturing: National Manufacturing Mission** to boost **Make in India**, increasing the share of manufacturing in GDP.
  - **₹10,000 crore Fund of Funds for Startups** will improve innovation, job creation, and industrial diversification.
  - **Rs 5 lakh** credit facility for **10 lakh** micro enterprises will enhance access to finance.
  - **Investment in industrial corridors** will integrate MSMEs into **global supply chains**, improving export potential.
- **Urban Development Push: ₹1 lakh crore Urban Challenge Fund** has been set up for '**Cities as Growth Hubs**', '**Creative Redevelopment**', and '**Water and Sanitation**' to upgrade city infrastructure, ensuring sustainable urban expansion.
  - **Affordable housing and governance** reforms will increase **private sector participation** in real estate.
  - Transport and sanitation investments will improve urban productivity, supporting higher per capita output.
- **Export Promotion and Global Trade Integration: Export Promotion Mission** to coordinate policies, improving India's global trade competitiveness.
  - The **budget** eliminates seven more tariff rates, following the removal of seven rates in the 2023-24 budget.
  - **BharatTradeNet** to streamline trade documentation, reducing procedural bottlenecks in export processing.
- **Investment in Human Capital: 50,000 Atal Tinkering Labs** to enhance **digital and innovation skills** in school students.
  - Expansion of **medical education** by 10,000 additional seats to improve India's healthcare workforce.
  - **AI-driven skilling initiatives** align workforce capabilities with **Industry 4.0** requirements.

# Economic Growth Strategy Overview



## What are the Challenges for the Indian Economy?

- **Global Supply Chain & Regulatory Uncertainties:** Disruptions in raw material supply, rising costs, and logistical bottlenecks impact manufacturing and exports, slowing economic growth.
  - Also, **regulatory complexities, bureaucratic delays, and infrastructure gaps** create hurdles for investments, entrepreneurship, and industrial expansion.
- **Fiscal Deficit Management:** With a **Fiscal deficit** projected at **4.4% of GDP**, strict expenditure rationalization is needed. The government's **₹14.82 lakh crore market borrowings** could push up interest rates, potentially **crowding out private investment**.
  - Despite **high public capital spending**, private sector investment remains sluggish due to higher **borrowing costs and external uncertainties**.
- **Employment and Skilling Issues:** 170 million jobs created (2016-23), but **Industry 4.0** demands **AI, automation, and robotics** expertise.
  - **Urban employment** faces structural challenges, as urban share of GDP has remained stagnant between **52-55%** from 2000-2020.
  - Mismatch between **labor supply and market demand** requires urgent skilling and training reforms.
- **Climate Change and Sustainability Gaps:** Despite the growing risks of climate change, **budgetary allocations for climate-resilient infrastructure remain insufficient**
  - Additionally, **Carbon capture and sustainable agriculture** projects lack policy incentives, slowing green transition efforts.
- **MSME Competitiveness:** MSMEs contribute **45% of exports** but lack technology integration in global value chains.
  - Government schemes focus on **credit**, but **digital transformation and market**

**linkages** remain underdeveloped.

- Limited adoption of **e-commerce and digital platforms** restricts global expansion opportunities for MSMEs.

## Way Forward

- **High-Level Committee for Regulatory Reforms:** This will streamline **non-financial sector** regulations, reducing **bureaucratic hurdles** and compliance costs.
  - Simplifying **certifications, licenses, and permissions** will enhance **ease of doing business**, attract investments, and foster a more business-friendly environment, boosting economic growth.
- **Fiscal Prudence with Growth: Revenue mobilization** must improve through higher GST compliance and **direct tax reforms**.
  - **Disinvestment and asset monetization** targets of **₹10 lakh crore in new investments (2025-30)** should be met aggressively.
  - **Public-private partnerships** in infrastructure will ease fiscal pressure and improve efficiency.
- **Encouraging Private Investment:** Government should provide targeted **credit guarantees** to revive private capital formation.
  - Investment incentives should focus on high-growth sectors like **electronics, renewables, and pharmaceuticals**.
  - By providing a **conducive investment ecosystem** India can attract foreign investors from countries like South Korea, Japan etc. in aforesaid sectors.
- **Employment and Skilling Reforms:** Linking education programs with industry requirements will improve **employability** across technology sectors.
  - **Urban employment programs** must include rental housing reforms and transport subsidies for labor mobility.
  - **Incentivizing AI, automation, and sustainable energy jobs** will future-proof India's workforce.
- **Sustainable Growth and Climate Finance:** Scaling up green finance through **sovereign green bonds** can fund climate adaptation projects.
  - **Carbon trading incentives** and **circular economy** models should be integrated into national policy.
  - Stronger state-level collaboration is necessary for **effective climate resilience measures**.
- **Strengthening MSMEs for Global Trade:** Digital transformation programs should focus on integrating MSMEs into **e-commerce and export platforms**.
  - **Investment in technology and logistics infrastructure** will improve MSME participation in **global supply chains**.
  - Better trade facilitation measures, including single-window clearance, will enhance export efficiency.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims:

**Q. A decrease in tax to GDP ratio of a country indicates which of the following? (2015)**

1. Slowing economic growth rate
2. Less equitable distribution of national income

**Select the correct answer using the code given below:**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2

(d) Neither 1 nor 2

**Ans: (a)**

**Q. Consider the following statements: (2017)**

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade.
2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

**Which of the statements given above is/are correct?**

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

**Ans: (d)**

**Q.** One of the intended objectives of the Union Budget 2017-18 is to 'transform, energise and clean India'. Analyse the measures proposed in the Budget 2017-18 to achieve the objective. (2017)

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