



Union Budget 2025-26: India's Roadmap for Growth & Development

For Prelims: [Union Budget 2025-26](#), [Agriculture](#), [Micro, Small and Medium Enterprises \(MSME\)](#), [Investment](#), [Exports](#), [Taxation](#), [Parliament](#), [Makhana](#), [Exclusive Economic Zone](#), [Made in India](#), [Small Modular Reactors \(SMRs\)](#), [Atomic Energy Act](#), [Civil Liability for Nuclear Damage Act](#), [UDAN scheme](#), [Lithium-ion battery](#), [UPI](#), [e-Shram portal](#), [PM Jan Arogya Yojana](#), [NaBFID](#), [Prime Minister Dhan-Dhaanya Krishi Yojana](#), [Kisan Credit Card \(KCC\)](#), [Modified Interest Subvention Scheme](#), [Mission for Cotton Productivity](#), [Atal Tinkering Labs](#).

For Mains: Significance of the Union Budget in Indian economy for resource allocation, economic planning, fiscal stability, welfare schemes, and national development.

Why in News?

The [Union Budget 2025-26](#), presented by the **Finance Minister**, outlines a **strategic roadmap for economic growth**.

- It focuses on [agriculture](#), [Micro, Small and Medium Enterprises \(MSME\)](#), [investment](#), [exports](#), [taxation](#), and social development to achieve [Viksit Bharat](#).

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UNION BUDGET



A statement of the estimated receipts and expenditure of the Govt in an FY

ARTICLE 112 (PART V)

- President of India to present the Annual Financial Statement for each FY before both Houses of Parliament

The term 'Budget' is not mentioned anywhere in the Constitution of India

NODAL BODY FOR PREPARING BUDGET

- Budget Division (Dept of Economic Affairs, Ministry of Finance) in consultation with NITI Aayog and concerned Ministries

The first Budget of Independent India was presented in 1947

MAJOR COMPONENTS OF BUDGET

- Estimates of revenue and capital receipts
- Ways and means to raise the revenue
- Estimates of expenditure
- Actual receipts/expenditures of closing FY (+ deficit/surplus)
- Economic/financial policy of upcoming FY

Till 2017, the Govt of India had 2 budgets - Railway Budget and General Budget

STAGES OF BUDGET ENACTMENT

- Presentation
- General discussion
- Scrutiny by Dept Committees
- Voting on Demands for Grants
- Passing an Appropriation Bill
- Passing of Finance Bill

What else does the Constitution of India provide for the Budget?

- Without the recommendation of the President:
 - No demand for a grant can be made
 - No money bill imposing tax can be introduced
- No money can be withdrawn from the Consolidated Fund of India except under appropriation made by law
- Role of Parliament:
 - Money/Finance Bill (involving taxation) - introduced only in LS
 - Vote on the demand for grants - RS has no such power
 - Money/Finance Bill - to be returned to LS by RS in 14 days
 - LS may/may not accept the recommendations made by RS

What are the Four Engines for Development of the Budget 2025-26?

■ Agriculture: Strengthening Farmers and Rural Economy:

- The **Prime Minister Dhan-Dhaanya Krishi Yojana** aims to cover **100 districts**, enhancing **crop diversification**, irrigation, and **post-harvest storage infrastructure**.
 - This scheme will **increase productivity**, ensure **food security**, and **promote sustainable agricultural practices**.
- A six-year **Mission for Aatmanirbharta in Pulses** will focus on **Tur, Urad, and Masoor dal**, ensuring self-sufficiency in domestic production.
 - Reduced dependence on imports will stabilize domestic prices and improve farmer incomes.
- The loan limit under the **Kisan Credit Card (KCC)** has been raised from ₹3 lakh to ₹5 lakh

under the [Modified Interest Subvention Scheme](#).

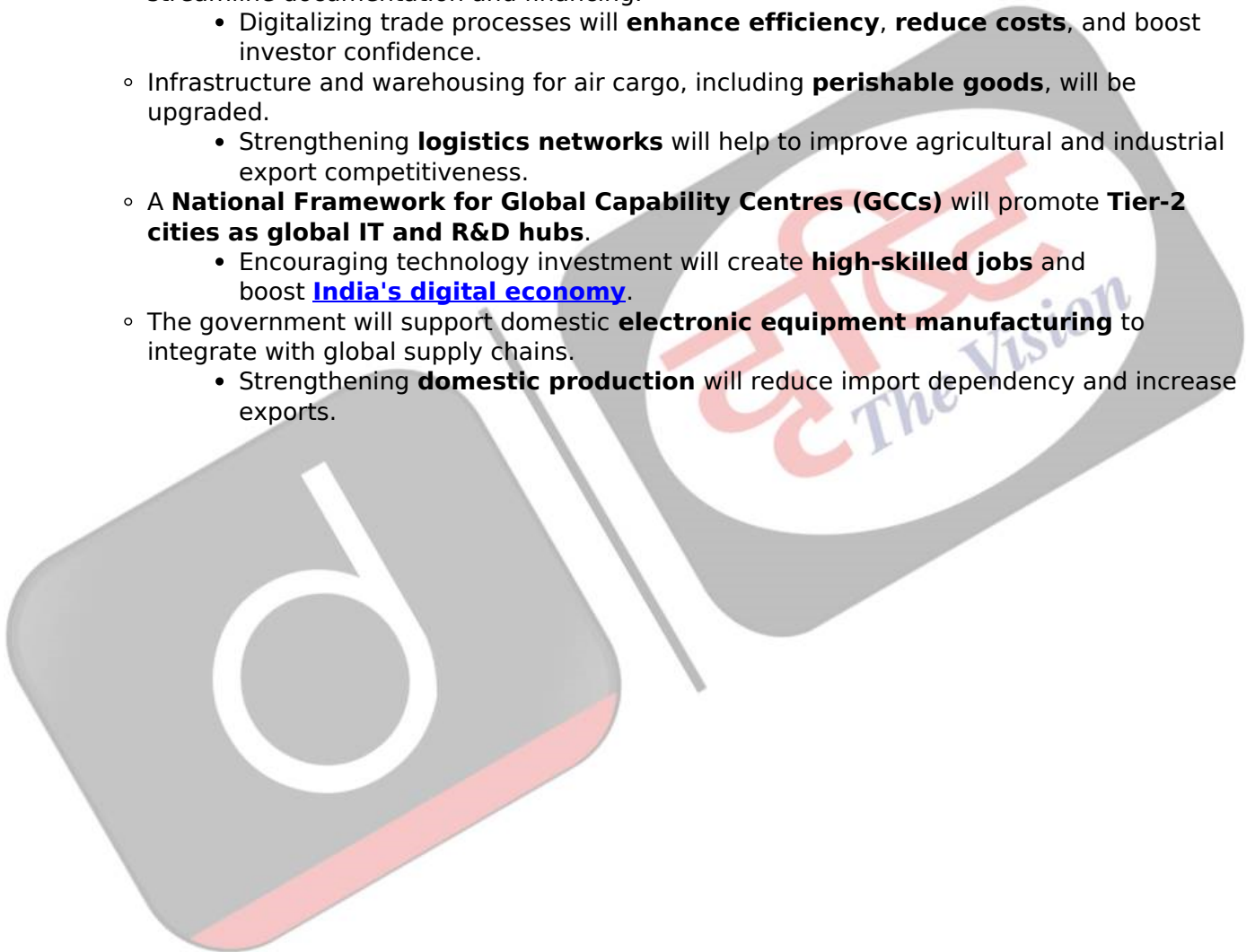
- **Analysis:** This will **increase financial inclusion for farmers, fishermen, and dairy producers**, ensuring **better investment in agricultural inputs**.
- A **five-year [Mission for Cotton Productivity](#)** will enhance scientific farming techniques and technological interventions for improved yields.
 - Strengthening [cotton farming](#) will **boost [India's textile sector](#) and enhance global trade competitiveness**.
- India Post will be transformed into a public logistics organization, facilitating rural economic growth and improving **agriculture-based trade and [supply chains](#)**.
 - This will **connect rural producers with national markets**, reducing **wastage and increasing farmer profitability**.
- **MSMEs: Boosting Manufacturing and Employment:**
 - The classification limit for **MSMEs** has been **increased to 2.5 times investment and 2 times turnover to help businesses expand and scale operations**.
 - Enhanced **classification criteria** will enable **more enterprises to avail benefits**, fostering **growth and job creation**.

₹ in Crore	Investment	Turnover
	Current	Revised
Micro Enterprises	1	2.5
Small Enterprises	10	25
Medium Enterprises	50	125

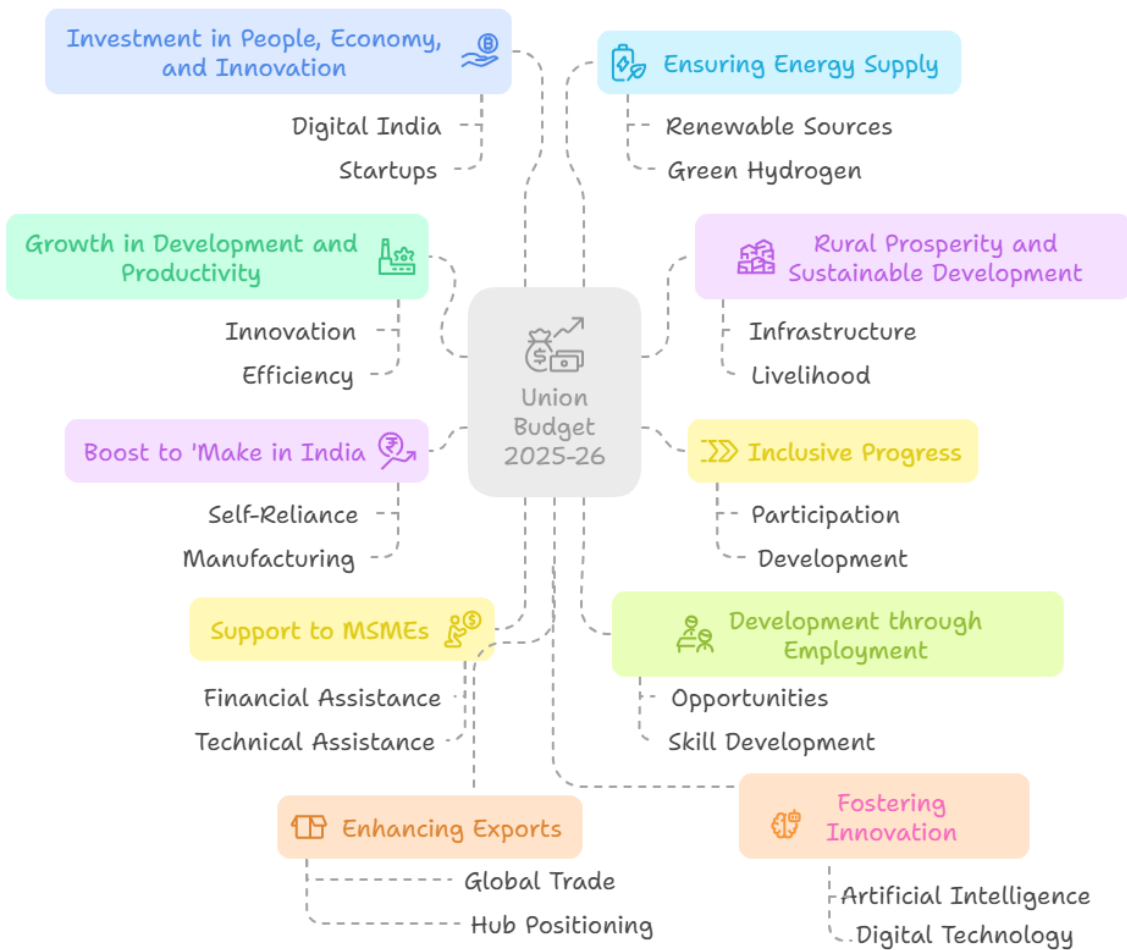
- The [MSME Credit Guarantee Scheme](#) has been **expanded**, offering **additional credit support** of ₹1.5 lakh crore over five years.
 - Increased credit availability will improve liquidity, enabling MSMEs to invest in **innovation and infrastructure**.
- A new scheme for first-time [SC/ST and women entrepreneurs](#) will provide loans up to ₹2 crore for 5 lakh beneficiaries over the next five years.
 - This initiative will enhance [financial inclusion](#), empowering marginalized communities and fostering entrepreneurship.
- A **National Manufacturing Mission** will be launched to support MSMEs, including clusters for toy manufacturing and non-leather footwear production.
 - Strengthening **manufacturing** will **increase exports and make India a global production hub**.
- The government will support electronic equipment manufacturing, boosting [Industry 4.0](#) capabilities and domestic industrial development.
 - This initiative will reduce reliance on imports and position India as a leader in advanced manufacturing.
- **Investment: Strengthening Infrastructure and Innovation:**
 - A 50-year interest-free loan of ₹1.5 lakh crore will be provided to states for [capital expenditure and reforms](#).
 - This investment will **spur economic growth**, creating **jobs and improving public infrastructure**.
 - The second [Asset Monetization Plan \(2025-30\)](#) will raise **₹10 lakh crore**, reinvesting in **new infrastructure projects**.
 - Recycling public assets will generate funds for future development, ensuring **sustainable economic growth**.
 - **50,000 [Atal Tinkering Labs \(ATLs\)](#)** will be set up in **government schools** over **five years**, fostering [STEM learning and innovation](#).
 - Investment in education will equip students with future-ready skills, promoting

technological advancement.

- A ₹20,000 crore fund for **Research, Development, and Innovation** will encourage private-sector-driven technological progress.
 - This initiative will **strengthen India's global competitiveness** in emerging technologies.
- The **BharatNet Project will provide broadband connectivity** to all **government schools and rural healthcare centers**.
 - Digital expansion will help in **bridging the rural-urban digital divide**, improving **e-governance**, education and telemedicine services.
- **Exports: Expanding Global Trade Prospects:**
 - The **Export Promotion Mission** will support **MSMEs in accessing global markets**, ensuring seamless trade facilitation.
 - Strengthening exports will diversify India's trade portfolio and enhance **foreign exchange reserves**.
 - **BharatTradeNet (BTN)**, a digital public infrastructure for **international trade**, will streamline documentation and financing.
 - Digitalizing trade processes will **enhance efficiency, reduce costs**, and boost investor confidence.
 - Infrastructure and warehousing for air cargo, including **perishable goods**, will be upgraded.
 - Strengthening **logistics networks** will help to improve agricultural and industrial export competitiveness.
 - A **National Framework for Global Capability Centres (GCCs)** will promote **Tier-2 cities as global IT and R&D hubs**.
 - Encouraging technology investment will create **high-skilled jobs** and boost **India's digital economy**.
 - The government will support domestic **electronic equipment manufacturing** to integrate with global supply chains.
 - Strengthening **domestic production** will reduce import dependency and increase exports.



Union Budget 2025-26 Focus Development Areas



What are Other Major Highlights of the Budget 2025-26?

- Gender Budget:** The [gender budget](#) allocation has **risen to 8.86%** of the total budget, up from 6.8% in 2024-25.
 - A total of Rs. 4.49 lakh crore is allocated for the [welfare of women and girls](#), marking a 37.25% increase from the previous year.
- Education:** [The Ministry of Education](#) has received **₹1,28,650 crore**, a 6.22% increase from 2024-25.
 - Key initiatives include expanding broadband in rural schools, establishing ATLS in government schools, and enhancing **IIT infrastructure**.
 - Additionally, **₹500 crore** is allocated for [AI in education](#) and ₹20,000 crore for private sector research and innovation.
- Taxation and Relief for Middle Class:**
 - No Income Tax** for individuals earning up to ₹12 lakh per annum, with ₹12.75 lakh exemption for salaried employees due to standard deductions.
 - This puts more money in the hands of **taxpayers, boosting consumption, savings, and investments**.
 - New Tax Slabs introduced**, ranging from 5% for incomes between ₹4-8 lakh to 30% for incomes above ₹24 lakh.
 - The **simplified tax structure** will enhance voluntary compliance and reduce litigation.
 - TDS** exemption limits increased, with **interest income exemption** for senior citizens

raised from **₹50,000 to ₹1 lakh**.

- This will benefit retirees by increasing disposable income, supporting financial stability for the elderly.

- **Vivad Se Vishwas scheme extended**, allowing **taxpayers four years (instead of two) to rectify returns**.
 - Extending the dispute resolution window will reduce litigation and increase **tax collection** efficiency.
- **Presumptive taxation introduced for non-residents providing services to Indian electronics manufacturers**.
 - This will attract more foreign expertise, fostering **domestic industrial growth and innovation**.

▪ **Financial Sector and Regulatory Reforms:**

- **FDI limit in insurance sector raised from 74% to 100%**, with investments required to remain in India.
 - Higher **FDI inflows** will **strengthen the insurance sector**, enhancing risk coverage and financial inclusion.
- **Regulatory reforms proposed**, including a **High-Level Committee** to review licenses, permits, and compliance rules.
 - A **business-friendly environment** will **promote entrepreneurship and ease of doing business**.
- **Investment Friendliness Index** introduced to **promote competition among states** for attracting investments.
 - **Competitive federalism** will drive states to create better business ecosystems, boosting economic growth.
- **Partial Credit Enhancement Facility** for corporate bonds to improve infrastructure financing.
 - Easier access to **corporate debt markets** will facilitate large-scale infrastructure projects.
- **Jan Vishwas Bill 2.0** to decriminalize over 100 business laws, reducing harassment of entrepreneurs.
 - This will encourage risk-taking and investment, fostering a more **innovation-driven economy**.

▪ **Energy and Infrastructure Development:**

- ₹20,000 crore allocated for **Small Modular Reactors (SMRs)** as part of the **100 GW nuclear energy goal by 2047**.
 - This would support **clean energy** expansion, ensuring sustainable power for industries and households.
- **Urban Challenge Fund of ₹1 lakh crore** launched to develop cities as economic hubs.
 - This fund would enhance urban infrastructure, making cities globally competitive for businesses.
- **Jal Jeevan Mission** extended until **2028**, ensuring **100% rural tap water connectivity**.
 - Reliable water access will improve public health, reducing waterborne diseases and rural hardships.
- **Green manufacturing incentives** introduced for **solar PV cells, EV batteries, and wind turbines**.
 - Promoting **clean-tech manufacturing** will reduce dependence on imports and improve sustainability.
- **UDAN Scheme** expansion will connect 120 new destinations, targeting 4 crore air passengers in 10 years.
 - Improved connectivity will enhance **regional tourism, foster trade, and generate employment opportunities**.

▪ **Defence, Cybersecurity, and Space Exploration:**

- Increased investments in defence manufacturing, supporting **AI-driven security solutions** and surveillance systems.
 - Enhancing **indigenous defence technology** will help to **reduce reliance on imports and strengthen national security**.
- **Cybersecurity infrastructure** upgraded, with more funds for **National Cybersecurity Mission** and AI-powered threat detection.
 - This will strengthen **India's cyber resilience**, protecting **critical financial and**

infrastructure systems.

- ₹25,000 crore **Maritime Development Fund** launched to **upgrade shipbuilding and port modernization**.
 - Improving **maritime infrastructure** will boost global trade efficiency and attract foreign investments.
- **ISRO funding increased**, with a focus on **Gaganyaan, SSLV expansion, and private-sector space collaboration**.
 - Expanding India's space sector is set to position the country as a key player in **global satellite markets**.
- **Public-private partnerships** encouraged for nuclear propulsion in space missions, ensuring sustained **deep-space exploration**.
 - Collaboration is set to drive **technological advancements** and enhance global leadership in space.
- **Major Allocations for Bihar:** Significant allocations for Bihar include the establishment of a **Makhana Board** to support farmers with training and government schemes.
 - Additionally, a **National Institute of Food Technology, Processing, and Innovation** will be set up to boost agricultural value and employment.
 - The budget also includes **greenfield airports**, an expanded **Patna airport**, and financial support for the **West Kosi canal project** to aid farmers.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. Along with the Budget, the Finance Minister also places other documents before the Parliament which include 'The Macro Economic Framework Statement'. The aforesaid document is presented because this is mandated by (2020)

- (a) Long standing parliamentary convention
- (b) Article 112 and Article 110(1) of the Constitution of India
- (c) Article 113 of the Constitution of India
- (d) Provisions of the Fiscal Responsibility and Budget Management Act, 2003

Ans: (d)

Q. Which one of the following is responsible for the preparation and presentation of Union Budget to the Parliament? (2010)

- (a) Department of Revenue
- (b) Department of Economic Affairs
- (c) Department of Financial Services
- (d) Department of Expenditure

Ans: (b)

Mains:

Q. Distinguish between Capital Budget and Revenue Budget. Explain the components of both these Budgets.(2021)

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