

Budget 2026-27: Forging Viksit Bharat's Path through Global Headwinds

India's Union Budget 2026-27, presented by Finance Minister Smt. Nirmala Sitharaman, charts a strategic course for Viksit Bharat amid global challenges, favoring fiscal discipline, high-tech manufacturing, and infrastructure over populist measures. It revolves around three *Kartavyas*: accelerating growth in strategic sectors like semiconductors and biopharma; empowering youth via skilling, education, and healthcare; and fostering inclusion through agriculture enhancements like AI tools and MSME support via Corporate Mitras through Professional Institutes. Reforms span high-speed rails, financial incentives, tax simplifications, and trade streamlining, promoting resilience, self-reliance, and broad-based prosperity.



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INTRODUCTION

The Union Budget 2026, presented by Honourable Finance Minister Smt. Nirmala Sitharaman, her ninth consecutive budget, represents a significant milestone in India's fiscal trajectory. Instead of providing populist relief, the government has chosen a path of industrial muscle by focusing on high-tech manufacturing and infrastructure while maintaining a steady hand on fiscal discipline. With its emphasis on infrastructure, innovation, and investment, it lays a strong foundation for sustained progress while empowering youth through education, healthcare, and skill development.

The Budget 2026 embodies a mature, confidence-driven policy stance that prioritises certainty, structural reform and long-term competitiveness. As India navigates an increasingly complex global environment, the Budget reaffirms the nation's robust growth trajectory, advances the inclusive and aspirational vision of Viksit Bharat and strengthens the foundations for a more transparent, predictable and globally aligned regulatory and tax ecosystem. By focusing on the poor, underprivileged, and disadvantaged, the Budget balances ambition with inclusion and sets the stage for people-centric development that is both sustainable and equitable.

From a sectoral perspective, the Budget is expected to generate varied yet broadly favorable outcomes across the economy. Manufacturing and labor-intensive industries appear well-positioned to benefit from the

ongoing implementation of labour reforms, sustained public investment and expanded market access through recently concluded free trade agreements. The financial services sector, particularly institutions operating within International Financial Services Centres such as GIFT City, stand to gain from extended tax incentives, enhanced regulatory certainty and deeper integration with global financial markets.

The Government's recognition to the **Institute of Company Secretaries of India (ICSI)** as a partner in developing a cadre of "**Corporate Mitras**" stands out as a forward-looking and inclusive initiative. Through short-term, modular courses designed by professional bodies, these Corporate Mitras will support MSMEs in meeting compliance requirements at affordable cost. This initiative not only strengthens the compliance ecosystem but also promotes entrepreneurship at the grassroot level, thereby ensuring employment generation and innovation.

Three Kartavyas: Budget's Call to Action

The Budget outlines threefold *kartavyas* for India's future: first, to accelerate and sustain economic growth by enhancing productivity, competitiveness, and resilience against global volatility; second, to fulfil the aspirations of our people by building their capacity and making them strong partners in the nation's prosperity; and third, aligned with the vision of *Sabka Saath, Sabka Vikas*, to ensure that every family, community, region, and sector has access to resources, amenities, and opportunities for meaningful participation.



Under the first *Kartavya*, interventions have been proposed in the following six areas to accelerate and sustain economic growth, *viz.*, (i) scaling up of manufacturing in seven strategic and frontier sectors, (ii) rejuvenating legacy industries, (iii) creating "Champion MSMEs" to drive competitiveness and innovation, (iv) Developing a powerful push to infrastructure, (v) ensuring long-term energy security and stability, and (vi) development of City Economic Regions. These initiatives aim to strengthen resilience, foster inclusivity, and ensure sustainable progress in reaffirming India's confidence in its growth trajectory.

The second Kartavya focuses on fulfilling people's aspirations by enhancing their capabilities and enabling them to become active contributors to India's prosperity. It advances human capital development through strengthened initiatives in education, healthcare, skill enhancement, and livelihood creation, placing people firmly at the centre of India's growth and development journey. The third Kartavya focuses on inclusive development aligned with *Sabka Saath, Sabka Vikas*. It requires targeted efforts to raise farmer incomes by improving productivity and promoting entrepreneurship, especially among small and marginal farmers. It also prioritises the empowerment of Divyangjan through better access to livelihoods, training, and high-quality assistive devices. Strengthening support for vulnerable groups by expanding access to mental health and trauma care forms another key element. In addition, the Government aims to accelerate development and employment generation in the Purvodaya States and the North-East Region to ensure balanced and equitable growth across the country.

Macro-Economic Framework: Prudence Meets Ambition

Through this budget India is looking up to a GDP growth outlook of 10%, reflecting a resilient economy that is transitioning from "scale to efficiency." A massive infusion of **₹12.2 lakh crore** in the capital expenditure will act as a catalyst for private investment, particularly in the manufacturing sector. With a 7.7% increase over the revised estimates of the previous year, the total expenditure for FY 2026-27 stands projected at **₹53.5 lakh crores**. This budget is targeting a fiscal deficit of **4.3% of GDP**, down from 4.4% in the previous fiscal signaling a strong commitment to fiscal consolidation.

A brief analysis of sector specific proposals as introduced in the Union Budget 2026-27 to promote the growth in vital sectors of the economy is as under:

MANUFACTURING SECTOR

As part of the first *kartavya* to accelerate and sustain economic growth, the Union Budget 2026 outlines six major intervention areas, the most prominent being the expansion of manufacturing across seven strategic and frontier sectors. To provide stimulus, the following announcements have been made:

a) Upgrading India's Semiconductor Ecosystem

The budget announced India Semiconductor Mission (ISM) 2.0, building on the foundation of ISM 1.0, which helped establish India's semiconductor industry. ISM 2.0 will focus on designing and manufacturing semiconductor equipment, producing essential materials, expanding the design ecosystem, and strengthening talent development. A provision of ₹1,000 crore has been allocated for FY 2026-27 to support these initiatives.

b) Transforming India into a Global Biopharma Hub

The Union Budget 2026-27 has proposed Biopharma SHAKTI, a major initiative with an outlay of ₹10,000 crore over five years to strengthen India's ecosystem for the production of biologics and biosimilars. The programme supports India's broader ambition of becoming a leading global biopharma hub and achieving 5% of the global biopharmaceutical market share.

c) Rare Earth Corridors

The Budget emphasizes strengthening India's self-reliance in critical materials by complementing the recently approved Rare Earth Permanent Magnet (REPM) Manufacturing Scheme with new corridor-based initiatives. As part of this strategy, Dedicated Rare Earth Corridors have been announced in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu, focusing on mining, processing, research, and manufacturing by leveraging the mineral-rich strengths of these states.

d) Cluster-based Chemical Parks

The establishment of three cluster-based chemical parks under a plug-and-play model is another key measure intended to reduce the nation's import dependence on essential chemicals.

Beyond these core sectors, the government has also announced a dedicated initiative for sports goods manufacturing, promoting innovation in equipment design and material science to position India as a competitive global supplier. Additionally, a scheme for the rejuvenation of 200 legacy industrial clusters aims to upgrade infrastructure and technology across traditional industrial hubs, thereby improving productivity, efficiency and cost competitiveness.

FINANCIAL SECTOR

The Budget 2026 positions the financial services sector as a key driver of a service-led economy and aims to make it future ready by simplifying regulations, strengthening governance, and easing business. The Budget introduces several measures aimed at deepening India's capital markets, enhancing efficiency within public financial institutions and creating a more enabling environment for foreign investment.

a) Measures related to Bond Market

- i. To encourage larger **municipal bond** issuances, the government has proposed an incentive of ₹100 crore for any single bond issuance exceeding ₹1,000 crore, while also continuing the existing AMRUT-linked support mechanism for smaller and medium towns that issue bonds up to ₹200 crore.
- ii. To further deepen market liquidity and improve price discovery in the **corporate bond market**, a new market-making framework will be introduced, supported by access to funding and the availability of derivatives on corporate bond indices. Complementing this, the Budget also proposes the introduction of total return swaps on corporate bonds, marking another step towards expanding the breadth and sophistication of India's financial markets.

b) Restructuring of Public Sector NBFCs

The Power Finance Corporation and the Rural Electrification Corporation will undergo restructuring to help them achieve scale, improve operational efficiency and better support the country's long-term infrastructure financing needs.

c) Review of the Foreign Exchange Management (Non-debt Instruments) Rules

The government has announced a comprehensive review of the Foreign Exchange Management (Non-Debt Instruments) Rules to create a more contemporary, user-friendly framework for foreign investments consistent with India's evolving economic priorities.

SERVICES SECTOR

In the services sector, the Budget places strong emphasis on strengthening the link between education, employability and enterprise creation. The Budget also sets out a comprehensive vision for strengthening India's healthcare, tourism and cultural heritage sectors through a series of forward-looking initiatives. The following measures are announced in the union budget:

- A major announcement is the launch of a scheme to support States in establishing **five Regional Medical Hubs**, in partnership with the private sector, to position India as a global hub for medical tourism services.
- In parallel, traditional medicine and AYUSH capacity will be significantly expanded through the **establishment of three new All India Institutes of Ayurveda**, the upgradation of AYUSH pharmacies and drug-testing laboratories, and the enhancement of the WHO Global Traditional Medicine Centre in Jamnagar.
- To further promote India's tourism and hospitality potential, the government will set up a **National Institute of Hospitality** by upgrading the existing National Council for Hotel Management and Catering Technology.

The Government's recognition to the Institute of Company Secretaries of India (ICSI) as a partner in developing a cadre of "Corporate Mitras" stands out as a forward-looking and inclusive initiative. Through short-term, modular courses designed by professional bodies, these Corporate Mitras will support MSMEs in meeting compliance requirements at affordable cost. This initiative not only strengthens the compliance ecosystem but also promotes entrepreneurship at the grassroot level, thereby ensuring employment generation and innovation.

In addition, the Budget emphasized on the ecologically sustainable tourism by developing curated mountain trails, turtle trails along coastal belts and bird-watching routes in biodiversity-rich regions. A significant environmental initiative which is announced in the Budget is that India will host the first-ever Global Big Cat Summit this year, bringing together leaders, environment ministers and experts from 95 big cat range countries to discuss collective conservation strategies. This move underscores India's expanding role as a global leader in wildlife protection and reinforces the nation's commitment to shaping international dialogue on biodiversity and conservation.

Heritage tourism will be boosted through the development of fifteen archaeological sites into vibrant, experiential cultural destinations. Complementing this effort, a dedicated scheme will be launched for the development of Buddhist Circuits across Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura, aimed at preserving cultural heritage while expanding spiritual and regional tourism.

AGRICULTURE SECTOR

Agriculture has long been the backbone of India's economy, sustaining millions of livelihoods, particularly in rural regions. Recognizing its vast potential, the Government has positioned the sector as a pivotal engine of national growth. Reflecting this commitment, the Budget proposes a comprehensive set of initiatives aimed at boosting productivity, diversifying farm incomes and strengthening rural livelihoods.

a) 'Bharat-VISTAAR' - A multilingual AI tool

'Bharat-VISTAAR' (Virtually Integrated System to Access Agricultural Resources)—a multilingual AI tool that shall integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems providing farmers with customised advisory services, real-time information and improved decision-making support.

b) 'SHE-Mart': A major step towards making rural women entrepreneurs

Under this initiative, community-owned retail outlets will be established in every district as a platform to sell products made by women, where items produced by Self-Help Groups and rural women will get access to new markets.

c) Strong focus on Agriculture Research and affordable fertilisers

The budget to Agriculture sector has been increased to ₹1,32,561 crore this year. A provision of ₹9,967 crore has been made for agricultural education and research, particularly for the Indian Council of Agricultural Research (ICAR), which will strengthen research and innovation. Further, to ensure the availability of affordable fertilisers, a subsidy of ₹1,70,944 crore has been provided so that production costs are reduced and farmers get relief.

In addition, a dedicated Coconut Promotion Scheme will be launched to increase output and improve productivity through targeted interventions. Further, Animal husbandry and veterinary capacity will be significantly enhanced through a loan-linked capital subsidy scheme for establishing veterinary and paravet colleges, hospitals, diagnostic laboratories and breeding facilities in the private sector. Water resource development remains a priority, with plans for the integrated development of 500 reservoirs and Amrit Sarovars aimed at improving irrigation, conservation and local water security.

EDUCATION AND YOUTH DEVELOPMENT – YUVA SHAKTI DRIVEN BUDGET

This budget focuses on augmenting skills for Yuva Shakti via multiple announcements highlighting on education, skilling and providing livelihood opportunities for the youth. In

the sphere of education and youth development, the Budget introduces following forward-looking initiatives:

- **Five University Townships will be established** which will host multiple Universities, colleges, research institutions, skill centres and residential complexes in the vicinity of industrial and logistics corridors having backward linkages of setting up of composite schools from pre-primary up to secondary.
- To support **greater participation of women in STEM**, particularly in fields requiring extended laboratory hours, the government will set up a girls' hostel in every district and for promoting high-end experiential scientific learning, 4 Telescope infrastructure facilities to be set up/ upgraded to promote Astrophysics and Astronomy.
- Design education in the eastern region will receive a major boost with the **establishment of a new National Institute of Design**, aimed at nurturing creative talent and strengthening India's design capabilities.
- **Setting up of Animation, Visual Effects, Gaming and Comics (AVGC) Content creator labs** in 15000 secondary schools and 500 colleges will create opportunities for skilled personnel in the area of animation, visual effects, gaming and comics to operate these labs.

In addition, Youth engagement in sports is also set to receive a significant push with the launch of the Khelo India Mission, envisioned to transform the sports sector over the next decade by building talent pathways, integrating sports science and expanding infrastructure. Parallely, the Samarth 2.0 initiative will modernise and upgrade the textile skilling ecosystem in partnership with industry and academia, equipping young people with advanced competencies in textile technologies and helping them access emerging employment opportunities in the sector.

INFRASTRUCTURE AND URBANISATION

In the sphere of infrastructure and urban development, the Budget outlines a robust and forward-looking strategy designed to accelerate national connectivity, modernize logistics and strengthen India's long-term economic foundations. The transformative infrastructure initiatives, including the development of three high-speed rail corridors linking Bengaluru, Chennai, and Hyderabad is a significant step to enhance regional connectivity and drive deeper economic integration across South India.

The monetization of CPSE real estate assets, together with the establishment of an Infrastructure Risk Guarantee Fund that provides carefully structured partial credit guarantees to lenders, will strengthen institutional backing and ensure sustained progress in India's infrastructure growth trajectory.

This budget provides urban development a sustained boost with an allocation of ₹5,000 crore per year for five years for City Economic Regions (CERs), alongside a continued focus on Tier-2 and Tier-3 cities as emerging growth centres. These measures will enable planned urbanisation, support civic infrastructure, and unlock housing demand across new geographies. Further, accelerated recycling of CPSE real estate assets through dedicated REITs and continued emphasis on InvITs will deepen capital markets, improve liquidity, and strengthen investor confidence across the sector.

In support of greener logistics, a Coastal Cargo Promotion Scheme will be launched to incentivize a modal shift from rail and road to coastal and inland waterways, while a Seaplane VGF Scheme will be introduced to facilitate regional connectivity and promote tourism by supporting the viability of seaplane operations. The Budget also underscores India's commitment to long-term energy security and climate resilience by announcing an outlay of ₹20,000 crore over the next five years for the advancement of Carbon Capture, Utilization and Storage (CCUS) technologies.

EASE OF DOING BUSINESS

The Budget introduces a series of reforms to enhance ease of doing business, streamline regulatory processes and improve trade facilitation. Individual Persons Resident Outside India (PROI) will now be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme, with the individual investment limit doubled from 5% to 10% and the aggregate limit for all PROIs increased to 24%.

In trade and logistics, a single, interconnected digital window will be introduced to consolidate cargo clearance approvals across government agencies, while a comprehensive Customs Integrated System (CIS) will be rolled out within two years to provide a unified and scalable platform for all customs processes. To strengthen risk assessment and expedite cargo movement, non-intrusive scanning using advanced imaging and AI technology will be deployed with the objective of scanning every container at major ports.

Additionally, to facilitate dispute resolution, honest taxpayers willing to settle outstanding matters will be allowed to close cases by paying an additional amount in lieu of penalty, thereby reducing litigation and fostering a more trust-based compliance environment.

MSMEs

The Union Budget 2026 positions MSMEs as pivotal growth engines in India's economy by introducing measures for liquidity support, compliance assistance, and a dedicated growth fund. The Budget introduces a comprehensive set of measures to strengthen the MSME ecosystem, with a strong focus on easing compliance, improving liquidity, and expanding access to growth capital.

a) 'Corporate Mitras' Initiative

Recognizing the ICSI as a partner in developing a cadre of "Corporate Mitras" stands out as a forward looking and inclusive initiative. Through short term, modular courses designed by professional bodies, these Corporate Mitras will support MSMEs in meeting compliance requirements at affordable cost. This initiative not only strengthens the compliance ecosystem but also promotes grassroots entrepreneurship, employment generation and innovation.

b) Creation of MSME Growth Fund and top up to Self-Reliant India Fund

One of the most significant announcements is the creation of a ₹10,000 crore MSME Growth Fund, aimed at building future "Champion MSMEs." This will help promising enterprises scale up, invest in technology,

expand capacity, and compete more effectively. Further, a top up of ₹2,000 crore to the Self-Reliant India Fund, will continue to support micro enterprises with access to risk capital.

c) Introduction of Credit Guarantee Support Mechanism

To further strengthen cash flow and trade finance, the Budget mandates the use of the Trade Receivables Discounting System (TReDS) as the settlement platform for all purchases from MSME by Central Public Sector Enterprises. Complementing this, a credit guarantee support mechanism through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) will be introduced for invoice discounting on the TReDS platform.

TAXATION REFORMS

The Budget 2026 reflects a pragmatic and forward-looking approach to taxation. It introduces the Income Tax Act, 2025, which will come into effect from April 2026, accompanied by simplified rules and redesigned forms intended to reduce compliance complexity and improve ease of filing.

To ease compliance, the time limit for revising income tax returns has been extended from December 31 to March 31, and the filing timeline has been staggered across taxpayer categories. To attract global business, the Budget introduced safe harbour provisions, extended tax holiday for GIFT units, and statutory clarity on legal issues which is intended to create a stable, predictable and investment-friendly environment for India's services-led growth. The Budget also rationalises the definition of "accountant" for safe harbour rules and proposes taxing buyback proceeds as capital gains for all shareholders, with promoters required to pay an additional levy that results in an effective tax rate of 22% for corporate promoters and 30% for non-corporate promoters.

In recognition of India's growing strength in technology services, multiple measures have been introduced to support the IT sector, including consolidation of all major IT-related services such as software development, ITES, KPO and contract R&D under a single category with a unified safe harbour margin of 15.5 percent, alongside a substantial increase in the safe harbour threshold from ₹300 crore to ₹2,000 crore. The liberalization of the safe harbour range for arms length margin for IT enabled services would bring relief to many multinationals. The Budget also grants dutyfree status to fish caught by Indian fishing vessels in the Exclusive Economic Zone or on the high seas, supporting the fisheries sector.

In the front of Indirect Taxes, the budget has taken customs measures by including tariff simplification across sectors such as marine products, leather, textiles, renewable energy, nuclear power, critical minerals, aviation, and electronics. Customs processes will be redesigned to minimize physical intervention and expedite cargo movement, including automated clearances and modernized warehousing norms. Additionally, the Budget removes the existing ₹10 lakh per consignment value cap on courier exports, a move that will greatly support small businesses, artisans and startups accessing global markets through ecommerce channels.

REGULATORY REFORMS

A series of regulatory reforms have been proposed to strengthen governance and to enhance policy coherence

across sectors. Key initiatives under regulatory reforms are as under:

- Setting up a **"High Level Committee on Banking for Viksit Bharat"**, to undertake a comprehensive review of the banking sector and align it with India's next phase of growth, while ensuring financial stability, inclusion and consumer protection.
- Setting up a **High-Powered 'Education to Employment and Enterprise' Standing Committee** to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat.
- Constitute a **Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes** to integrate Income Computation and Disclosure Standards (ICDS) into Indian Accounting Standards (IndAS), eliminating the need for separate ICDSbased reporting from the tax year 2027-28.

CONCLUSION

Overall, the Union Budget 2026 stands out as a structurally forward-looking and strategically grounded financial blueprint that reinforces India's manufacturing ecosystem and responds to industry demands for higher competitiveness and sustainability. With its strong emphasis on capital expenditure, infrastructure expansion, innovation, and support for key sectors, the Budget articulates a clear vision for growth while maintaining fiscal responsibility and longterm economic stability. It reflects the Government's confidence in India's growth trajectory and its commitment to building an inclusive, resilient and future-ready economy.

By prioritizing reforms that enhance productivity, strengthen domestic capabilities, and encourage investment, the Budget not only accelerates India's journey toward selfreliance but also lays the foundation for sustained prosperity. In essence, this Budget strengthens the pillars of growth, resilience and innovation — charting a path toward a stronger, more selfreliant and prosperous India.

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