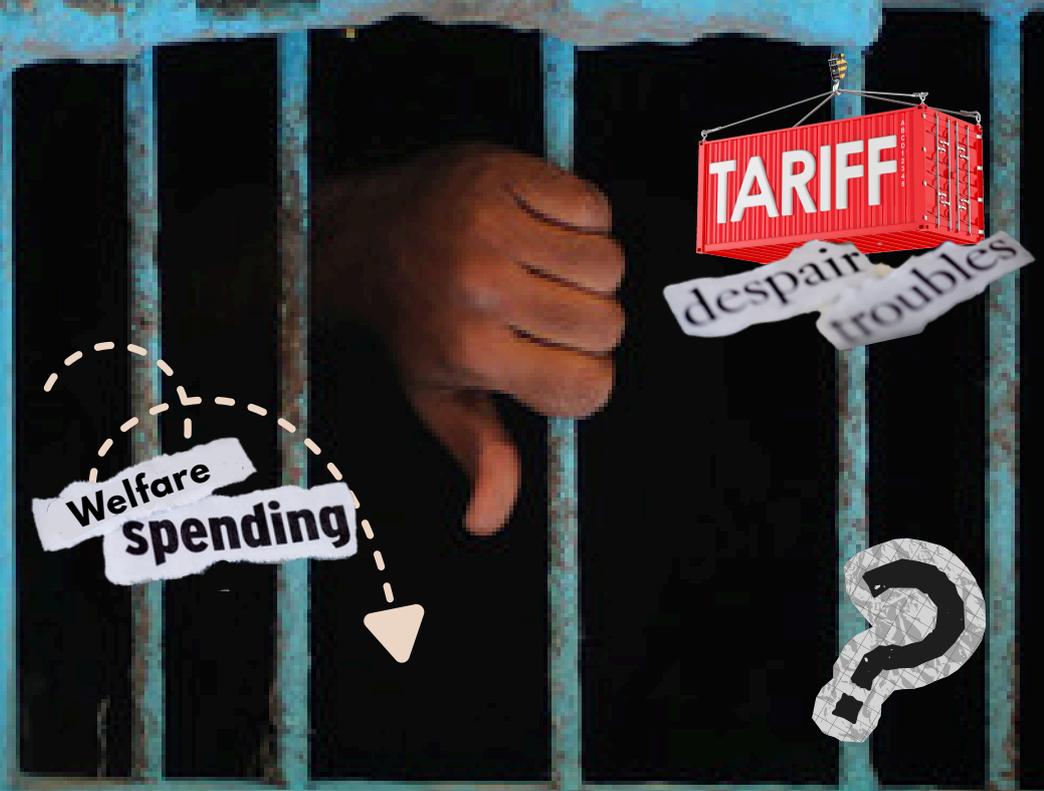


# KARTAVYA-LESS BUDGET



An Analysis of the Union Budget 2026-27

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**An Analysis of the Union Budget 2026-27**



## **Kartavya-less Budget: An Analysis of the Union Budget 2026-27**

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# Budget 2026: The Kartavya Path that doesn't serve the People

Listening to the Finance Minister's speech right after reading the Economic Survey felt as if the sound and fury of the Survey signified nothing. The Survey, sans several of the unqualified praise for the state of the economy, had rightly underlined the exigencies we are exposed to in the face of the global uncertainties and geopolitical realignments. The global churn it said is going to reshape things for years to come. And this, it said, shall require India to prioritise "domestic growth maximisation". This was in line with the government's own rhetoric of "Swadeshi" over the course of the last year in the face of the mounting tariffs.

But the alarm and urgency voiced in the Survey sadly did not reflect in the budget document. At least as far as boosting internal markets is concerned. The government had fired the 'big guns' to push consumption last year, one with the tax breaks for the middle class and two with the GST cuts. But the jury is out as to whether the impact on demand was to the extent it was anticipated. While automobiles and two wheelers did see some swell in sales, the FMCG companies barely saw much improvement in sales. The burden of alarming household debt, the alarmingly stagnant wages, precarious jobs and the consequent uncertainties meant that people remained cautious with their spending despite the big hoardings on "bachat utsav".

Given the fall in exports in the midst of tariff wars and the constantly escalating global tensions, building domestic resilience by addressing some of the pressing concerns around income, debt and purchasing power was essential. Ideally one would have expected a major and programmatic intervention to structurally address the concerns around people's shrinking pockets. But sadly the budget steered clear of any of these steps as is evident in the stagnating, if not shrinking, allocations to welfare and rights based schemes, health, education, social security and so on.

Instead, this year's budget foregrounds the idea of kartavya. While the Finance Minister speaks of three kartavyas of the government, it is imperative that we interrogate what the government actually implies by the notion of kartavya. The use of this idea is not without substance. It draws from the ideological underpinnings of this regime that has over the course of the last decade, foregrounded the idea of "kartavya" (duty) of the citizens in lieu of the much derided idea of "adhikar" (or rights). In this scheme of things, welfare was no longer rights-based entitlements, but "gifts" from above on the disbursement of which the government had discretionary powers. Hence the discourse of "laabharthis" (or beneficiaries) that we have been made familiar with. The most recent step in this direction was the dismantling of MGNREGA as a justiciable right to work, replaced with the discretionary VBGRAMG.

The idea being communicated in the budget in fact is that people ought not to expect any immediate relief or support, and in fact it is their duty to endure in these troubled times. On this count in fact there is a lot of congruence with the tone of the Economic Survey which underlined that we ought not to look for "fleeting comfort" (preya) and rather opt for "enduring good" (sreya). That the people of the country should not look for "quick fixes to visible, short-term pressures", but rather suffer dutifully.

And what is the kartavya of the government? It is to simplify the "baggage clearance" during international travel for the super rich; to further cut corporate taxes by reducing MAT rates; to offer cheaper foreign tour packages; to reduce costs for personal use imported items!

Symptomatic of the volatility of the crisis today, it is interesting that just a day after the budget speech India gets tariff relief from the Trump administration. It is celebrated across the media that says the end is in sight as far as the heightened anxiety is concerned. Given the hyperboles around this "successful resolution" one wonders if the Finance Minister would consider revising some of her allocations and add to the basket of welfare which they seem to call preya or "fleeting comfort". One cannot help but have the feeling that in this unfolding drama and sequence of episodes, it is only the people who end up being the biggest losers. First the EU is able to arm-twist their terms on us at the cost of our people. They are able to do that because the US has been playing hardball. Upfronting the tariff wars and the exigencies of the times we are forced to accept a budget that has hardly any relief for the people. We are lectured on endurance. And now right after the budget the tariffs fall which effectively means we have given in or compromised even with the US at the cost of the people's interest. After all, tariffs are a tool for Trump to force his will on countries. The implications it will have, for instance, for Indian farmers, given the indications of higher import of US agricultural products, is deeply troubling. The fine prints of these deals will not be made available for public scrutiny in time. And by the time this entire script unfolds the people are left high and dry.

The other congruence of the budget and the Economic Survey is their singular focus on the recently concluded India-EU Free Trade Agreement that has been touted as the “mother of all deals”. The FTA appears to be used as a magic bullet solution to the crisis. The budget, for instance, gives a definitive push towards exploring alternative export markets and keeping the EU FTA in mind, the Budget gives special emphasis on support for MSMEs in textiles, fisheries, and leather.

Given the context of the severely tariff-hit export MSME sector, the budget announces a dedicated ₹10,000 crore SME Growth Fund and speaks of strengthening the Trade Receivables electronic Discounting System (TReDS) as the transaction settlement platform to address the issue of delayed payments and enable cheaper and quicker financing. The Economic Survey acknowledged that despite several claims around credit support in recent years, the MSMEs continue to suffer from credit constraints and financial flows.

While the idea of addressing the distress in the MSME sector that employs the bulk of our workers is worthwhile, these needs to materialise beyond just announcements and should actually reflect in utilizations as well, given that several flagship announcements and corresponding allocations of yesteryears have been found to be grossly underutilised.

Having said that, at a time of heightened geopolitical uncertainty, which the Economic Survey itself discusses at length, addressing export losses without simultaneously building domestic capacity and boosting internal demand is inadequate. Exports, after all, contribute to about 20% of our GDP while the bulk of it (more than 60% of GDP) accrues from domestic consumption. Thus, without a supportive internal market, MSMEs will continue to struggle.

The Economic Survey seemed to discover the singular importance of manufacturing, which it underlined as crucial for greater global leverage (as enjoyed by China). Even the budget tries to pitch the idea of bolstering manufacturing by investing in biopharma, in electronic components, in chemical parks, in infrastructure equipment or container manufacturing. However, the fact remains that with the “mother of all deals”, we are opening our vast markets to European capital, thereby sacrificing the future of domestic manufacturing and farming to a large extent.

This is a reversal of protectionist policies pursued since 2015 in the name of “Make in India” when tariffs were raised to protect Indian manufacturing and concessions were granted under the PLI scheme to boost the economy. The FTA has meant that India is offering zero tariffs and concessions on most industrial imports from the EU, including machinery and electrical equipment, chemicals, pharmaceuticals, agri-food, olive oil, processed foods, etc.

The Finance Minister calls it a “Yuva Shakti budget”. But the segment it betrays the most is the unemployed and precariously employed youth. Even the Economic Survey acknowledges that the rising sector of gig work comprises youth, 40% of whom are earning less than 15000 a month. And what does the budget have to offer as employment to them? A standing committee for figuring out opportunities in the service sector?

The Economic Survey acknowledges that the majority of women in rural areas are “own account workers” or engaged in “household enterprise”. Even as it tries to celebrate this reality as a testament of their “entrepreneurship” and “flexibility”, the reality is that it's an outcome of failed policy making. The idea of Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets in the budget sounds good, but we need to wait for clarity as to what the “enhanced and innovative financing instruments” it talks about actually mean.

While the Finance Minister claimed in her speech that the government, through “sabka saath, sabka vikas”, ensures that the “dividends of growth reach every farmer, the scheduled caste, the scheduled tribes, the nomads, the youth, the poor and the women”, the reality of the budget fell far short of its stated “kartavya”. The Budget, for instance, made deep cuts to welfare schemes for SC, ST and OBC communities, including reductions of ₹890 crore in the PM Scheduled Caste Abhyuday Yojana, ₹690 crore in OBC/EBC/DNT scholarships, ₹360 crore in SC post-matric scholarships, and ₹1,559 crore in the ST Development Programme. There are hardly any announcements to address the farming crisis apart from those targeted at high-value crops like coconut, cocoa and cashew.

Finally, the Economic Survey was at its emphatic best when it comes to deregulation and the Finance Minister in her budget speech echoed the same as she boasted of the government’s “Reform Express”.

————— ” —————

***“A possible eruption of multiple global crises, which presents an opportunity for India to play a meaningful role in shaping the global order that emerges, necessitates the most agile, flexible, and purposeful governance that India has ever been called upon to muster since its Independence.”***

————— ” —————

‘Agility’, ‘flexibility’ and ‘purposeful governance’ are all synonyms for deregulation and dilution of labour rights, compliance and environmental rules. A student of history would find eerie similarities in the alarmism in the above claim and those that used to be made in the early nineties to open the gates for reforms. Only that the student would be stumped to notice that while the context before was of a world opening up to the idea of free market, today we are at the other end, as even the staunchest advocates of free trade are shutting doors and windows with tariff walls. Curiously enough, our response in the diametrically opposite scenario today is the same - more deregulation as the Finance Minister’s “Reform Express” boasts of anti-labour Codes, dilution of Quality Control and removal of compliances.

Among the many promises that have been forgotten, overwritten and outrightly broken, one that the Finance Minister has proudly fulfilled is that of austerity.

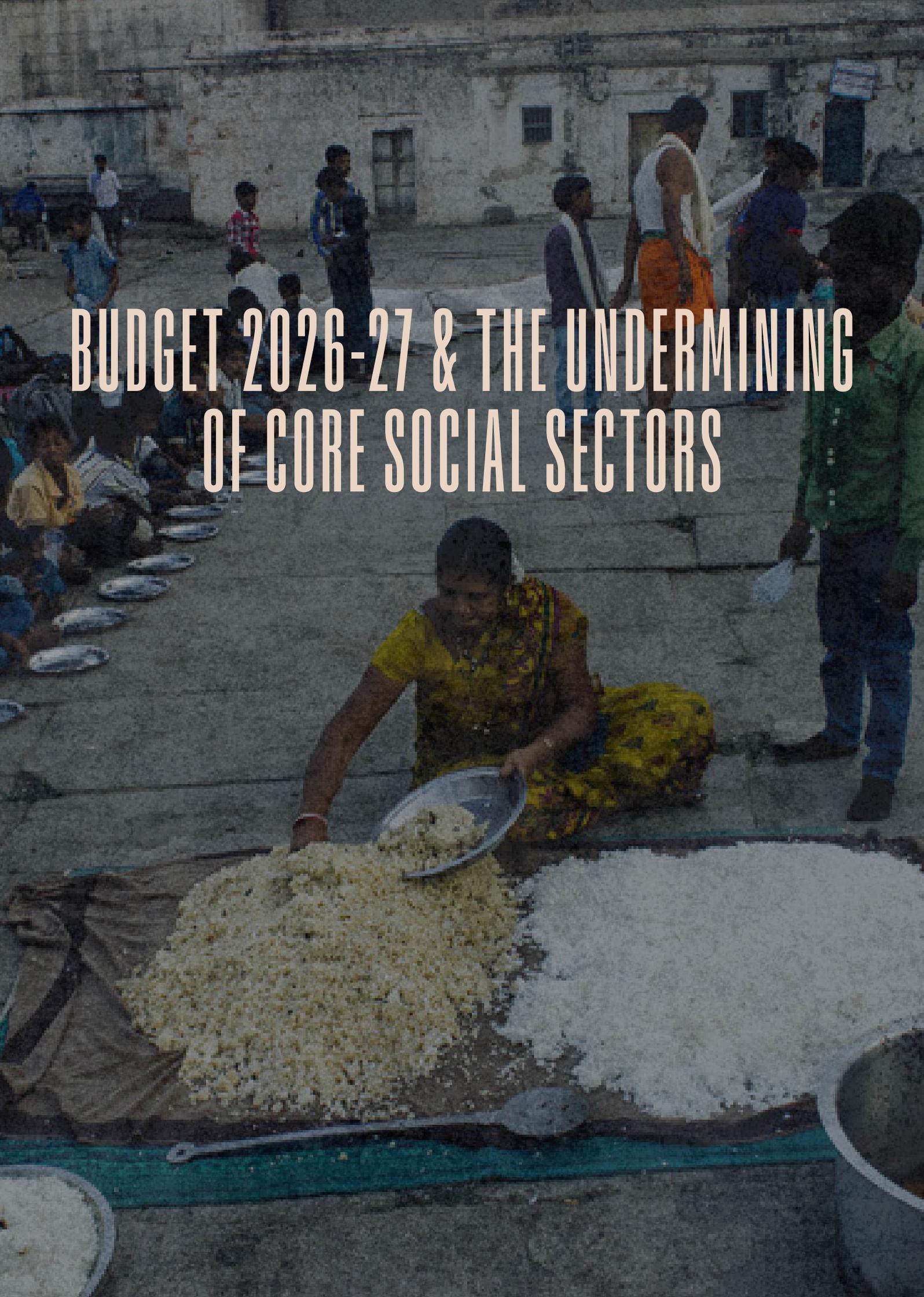
————— ” —————  
*“I am happy to inform this august House,” she says with smugness, “that I have fulfilled my commitment made in FY 2021-22 to reduce fiscal deficit below 4.5 per cent of GDP by 2025-26. In RE 2025-26, the fiscal deficit has been estimated at par with the BE of 2025-26 at 4.4 per cent of GDP.”*

————— ” —————

This is her fulfilling her kartavya to the neoliberal decree. At a time when the revenues of the government have been even lower than their estimates last year, adherence to such austerity targets could have only come at one cost. That of the people. This is a fact that is corroborated by the forgotten, stagnant or shrinking social spending in this budget. What we must reiterate is that none of this was an inevitability, but rather a choice. The government could have, if it so willed, made up for the loss in revenues by taxing the super-rich, instead of cutting on the welfare budget. The fact that it chose not to reveal the true beneficiary of its sense of kartavya.

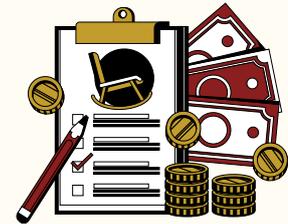
This budget report examines several key areas impacted by the budget - from social welfare, to taxation, to energy, climate and more - foregrounding concerns which affect the people. Rather than attempting to be exhaustive, the report goes into some detail in the sectors covered, running them through the lens of public reasoning.





# BUDGET 2026-27 & THE UNDERMINING OF CORE SOCIAL SECTORS

# Budget 2026-27 and the Undermining of Core Social Sectors



## Key Highlights

- Health, education, and agriculture together account for about 7.02% of the Union Budget in 2026-27, with health at 1.99%, education at 2.40%, and agriculture at 2.63%, maintaining the pattern of low fiscal priority for core social sectors.
- Public health spending by the Centre remains at 0.27% of GDP, far below the 2.5% of GDP target under the National Health Policy, even as private providers account for 55% of hospitalisations and 66% of outpatient care, and states bear a growing share of health expenditure.
- Education spending stands at 2.40% of the total budget and around 0.35% of GDP, well below the 6% of GDP commitment under the National Education Policy, with nearly 9.82 lakh teacher vacancies persisting under Samagra Shiksha despite a nominal increase in allocations.
- Agriculture’s share of the Union Budget declined from 2.71% in 2025-26 to 2.63% in 2026-27, even as sectoral growth slowed to 3.5% against a decadal average of 4.45%, and 52% of farming households remain indebted with an average debt of Rs 74,121.

The Economic Survey 2025-26 claims that “the general government’s social services expenditure (SSE) has kept pace with the development of the social sector” and that “sustained social sector investments, and welfare measures” are enhancing overall welfare and strengthening long-term resilience. Yet, successive Union Budgets contradict this on two counts – first, year after year, including in the post-pandemic years, allocations for key social sectors such as health, education, social security, farmers’ welfare, are marginal at best, and often failing to keep up with inflationary pressures. Second, even as the overall budgetary outlay expands, the share allocated to these sectors has seen a steady decline or remained stagnant. With every passing budget, a trend pointing to the retreat of the Union Government from the social sector and welfare has started to become increasingly visible, compounded by an equally growing reliance on the private sector. In this regard, the budgets for the three key social sectors in the current Budget show a declining priority as a share of overall expenditure.

## Health Sector Repeatedly Ignored

The allocation to the Ministry of Health and Family Welfare in Budget 2026-27 stands at Rs 1,06,530.42 crore, accounting for just 1.99% of the Union Budget and 0.27% of GDP, continuing the pattern of underinvestment by the Centre. This is far below the National Health Policy target of 2.5% GDP for public health expenditure by 2025, and even when combined with increasing state level spending, India's total public health expenditure remains well short of this benchmark. Over the years, states have been forced to shoulder a growing share of health expenditure as central allocations remain stagnant in proportional terms, perpetuating fiscal stress and interstate disparities. Instead of reversing this trend, the budget reinforces a withdrawal from state services and a shift towards a privatisation-oriented health model. The National Health Mission, the Union government's flagship programme for strengthening public health systems and delivering primary healthcare, has seen its priority steadily erode in budgetary terms, with allocations declining as a share of the overall Union Budget from 1.27% in 2019-20 to 0.74% in the present budget. Similarly, the budgets for providing child and maternal nutritional care and support have also been reduced in real terms. The share of overall allocation for Saksham Anganwadi & Poshan 2.0 has remained stagnant at 0.43% of the budget outlay. The PM Poshan scheme, under which the mid-day meal scheme is run, shows both an underutilisation of funds as well as a stagnant share in the budget.

India's healthcare system is heavily skewed toward private providers. As per the National Statistical Office 2017-18, private hospitals accounted for 55% of hospitalisation cases in India. The dominance of the private sector is even more pronounced in outpatient care, which includes consultations and treatment for non-hospitalised individuals, where private hospitals and clinics accounted for 66% of all cases. It also controls the bulk of health-system capacity, about 60% of hospital beds and 70% of the health workforce, including nearly 80% of doctors, underscoring both the fragility of public health infrastructure and the concentration of key resources in private hands. Therefore, it is imperative to strengthen public health infrastructure and the public health workforce, so that access to affordable, quality healthcare is not determined by ability to pay and does not remain overwhelmingly dependent on the private sector. The bend towards privatisation is reflected in the continued prioritisation of insurance-based financing. In this regard, the funding for the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana has seen increasing allocations despite evidence of persistent underutilisation of funds and weak execution on the ground. Since its inception, the PM-JAY has been characterised by frequent claim rejections, delayed settlements, and payment bottlenecks, which in turn discourage hospital participation, with private hospitals often rejecting eligible patients or withdrawing/going inactive due to low package rates and delayed reimbursements.



## Failure to Ramp Up Education

The allocation to both Departments in the Ministry of Education in Budget 2026-27 at Rs 1,39,286 crore marks an 14.21% increase over the revised estimate of Rs 1,21,949. Even with this nominal increase, education spending accounts for only about 2.4% of the total budget, declining from 2.53% in the previous year. This reflects a constrained fiscal priority relative to the size of the challenge and far below the 6% of GDP targeted under the National Education Policy.

Key flagship interventions such as Samagra Shiksha, which supports implementation of the Right to Education Act through transfers to states, saw only a small increase from Rs 38,000 crore to Rs 42,100 crore. This small increase falls flat in the face of many challenges this scheme is facing. It remains largely underutilised, with nearly 9.82 lakh teacher posts vacant in government schools.

Other than the budgetary challenges, the education sector is marred with many other issues. 5 years later, the implementation of the National Education Policy remains slow and uneven, with only 16 out of 28 states and 8 Union Territories having partially adopted its recommendations. Foundational learning outcomes continue to lag, as ASER survey results show that just 23.4% of Class 3 students, 44.8% of Class 5 students, and 67.5% of Class 8 students in government could read at age-appropriate levels. Similarly, only 27.6% of Class 3 students, 30.7% of Class 5 students and 45.8% of Class 8 students were able to solve age-appropriate numerical problems. With the key goal of NEP to universal foundational literacy and numeracy, the budget seriously lags in addressing these concerns. While basic infrastructure challenges such as access to toilets and drinking water have improved, schools continue to severely lack other necessary facilities such as computer facilities, libraries, playgrounds, and medical facilities.

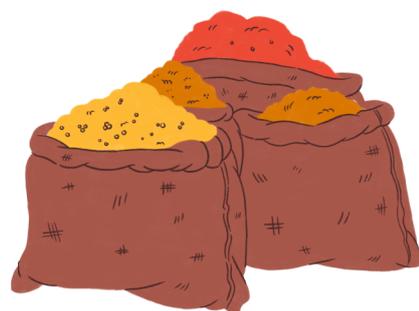
In the 2026-27 Union Budget, the Merit-cum-Means Scholarship for Professional and Technical Courses, which supports minority students in expensive degrees such as engineering and medicine, saw its allocation slashed from Rs. 7.34 crore in 2025-26 to just Rs 0.06 crore this year, a reduction of over 99%, effectively rendering the scheme non-functional. Funding for the Maulana Azad National Fellowship for MPhil and PhD scholars from minority communities was also cut by nearly 16%, from Rs. 42.84 (BE) crore to Rs. 36.14 crore in the current budget, raising concerns about reduced support for higher education and research among minority students.



Even with the budgetary increase for the Department of Higher Education, India continues to face a massive educated youth unemployment crisis. The Periodic Labour Force Survey shows that the degree-to-job link is broken, with graduate/diploma holders having the highest unemployment rates, followed by postgraduates. High unemployment rates among both men and women across India suggest a systemic deficiency in job creation that aligns with educational qualifications, resulting in a lack of opportunities that can effectively absorb the educated labour force. At the same time, Indian higher education also faces a quality of education issue and an employability crisis. The Economic Survey 2023–24 notes that only 51.25% of India's graduates are employable, with significant challenges in vocational training and skilling. Together, these trends point to a dual problem: weak job creation for educated youth and a higher education system that is still struggling to ensure graduates are job-ready.

## Farmer's Neglected

The allocation to the Ministry of Agriculture in Budget 2026–27 stands at Rs 1,40,529 crore, a nominal increase of only 5.37% over the revised estimates of Rs 1,33,370 crore for 2025–26. The ministry's share in the total Union Budget has decreased from 2.71% in the previous year to 2.63% in the current budget, indicating a continued erosion of priority for agriculture, the largest livelihood sector in the country. This fiscal stance is particularly concerning in light of the Economic Survey's acknowledgement that agricultural growth slowed to 3.5% in 2025, below the decadal average of 4.45%. The decline in the growth of the agriculture sector is in tandem with rising farmer distress, crop loss due to extreme weather events. Increasing production risks and rising debt. Unseasonal rainfall, heat stress, and drought conditions across several states have adversely affected yields, while rising input costs for fertilisers, seeds, and energy have compressed farm margins. Between 2015–16 and 2021–22, around 3.39 crore hectares of land was affected due to floods which caused extensive crop loss. Assam faces an yearly challenge of losing almost 8000 hectares of land to Brahmaputra. The pressures of crop loss and inadequate measures of the government to overcome these challenges have translated into heightened indebtedness among small and marginal farmers and growing dependence on credit and insurance mechanisms rather than stable income support. As of 2023, the average outstanding debt per farming household in India stands at Rs 74,121, with about 52% of farming households reported to be indebted.



The Department of Agricultural Research and Education has seen its allocation decline from Rs 10,281 crore in the revised estimates of 2025-26 to Rs 9,967 crore in Budget 2026-27, weakening public research capacity at a time of rising climate stress and input costs. Within this department, the budget for the strengthening of Krishi Vigyan Kendras (KVKs) has increased nominally, and funds have not been fully utilised, KVKs are important because they serve as last mile agricultural centres that bridge the gap between research and practice, teaching farmers techniques for improvement and how to adopt them.

The 2026 -27 Budget reflects a deeper structural weakness in the Union government's approach to social sectors: core public systems in health, education, and agriculture remain persistently under-resourced relative to need. Rather than rebuilding state capacity through sustained, predictable funding and administrative strengthening, the policy response continues to rely on headline catching schemes, accompanied by a shifting fiscal burden on states and a growing dependence on private providers to plug systemic shortfalls. As a result, household spending on essential services - especially healthcare and education, continues to rise, pushing more families toward out-of-pocket payments and distress borrowing, especially at a time when household savings are at a historic low and inequality widening.



## Key Figures at a Glance

### MINISTRY OVERVIEW

#### Ministry of Health

Overall Allocation: Rs 106530.42 crore  
As share of Overall Budget: 1.99 %  
As share of GDP: 0.27%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
99858.56	96853.5	106530.42

#### Ministry of Education

Overall Allocation: Rs 139289.48 crore  
As share of Overall Budget: 2.40 %  
As share of GDP: 0.35 %

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
128650.05	121948.81	139289.48

#### Ministry of Agriculture

Overall Allocation: Rs 140528.78 crore  
As share of Overall Budget: 2.63 %  
As share of GDP: 0.36%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
137756.55	133370.13	140528.78

## Schemes Overview

### Ministry of Health, Department of Health and Family Welfare

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Scheme for Allied Health Care Professionals			1,000
National Health Mission	37,226.92	37,100.07	39,390
Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana	9,406	9,000	9,500
Autonomous Bodies	20,046.07	21,901.98	22,343.97

### Ministry of Health, Department of Health Research

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Infrastructure Development for Health Research	210.91	235.91	241.35
Indian Council of Medical Research, New Delhi	3,125.50	3,150	4,000

### Ministry of Education, Department of School Education and Literacy

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Samagra Shiksha	41,250	38,000	42,100.02
Pradhan Mantri Poshan Shakti Nirman	12,500	10,600	12,750

### Ministry of Minority Affairs

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Merit-cum-Means Scholarship for professional and technical courses	7.34	0.06	0.06
Maulana Azad National Fellowship for Minority Students	42.84	53.84	36.14

## Ministry of Education, Department of Higher Education

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
PM Uchchar Shiksha Protsahan (PM-USP) Yojna	1,560	1,450	1,560
Research and Innovation	3,125.50	3,150	4,000
Centres of Excellence (CoE) in Artificial Intelligence (AI) <sup>1</sup>	200	120	250
University Grants Commission	3,335.97	3,470	3,709
Support to Central Universities	16,146.11	16,456.11	16,696.58
Indian Institutes of Technology	11,349	11,525	12,123
Indian Institutes of Management	251.89	280	292
Indian Institute of Science, Education and Research	1,353.33	1,357	1,319



<sup>1</sup> Establishment of Centre of Excellence (CoEs) in Artificial Intelligence (AI) for Education, Rs 200

## Ministry of Agriculture, Department of Farmers Welfare

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Crop Insurance Scheme	12,242.27	12,267	12,200
Pradhan Mantri Kisan Samman Nidhi	63,500	55,000	60,000

## Ministry of Agriculture, Department of Agriculture Research and Education

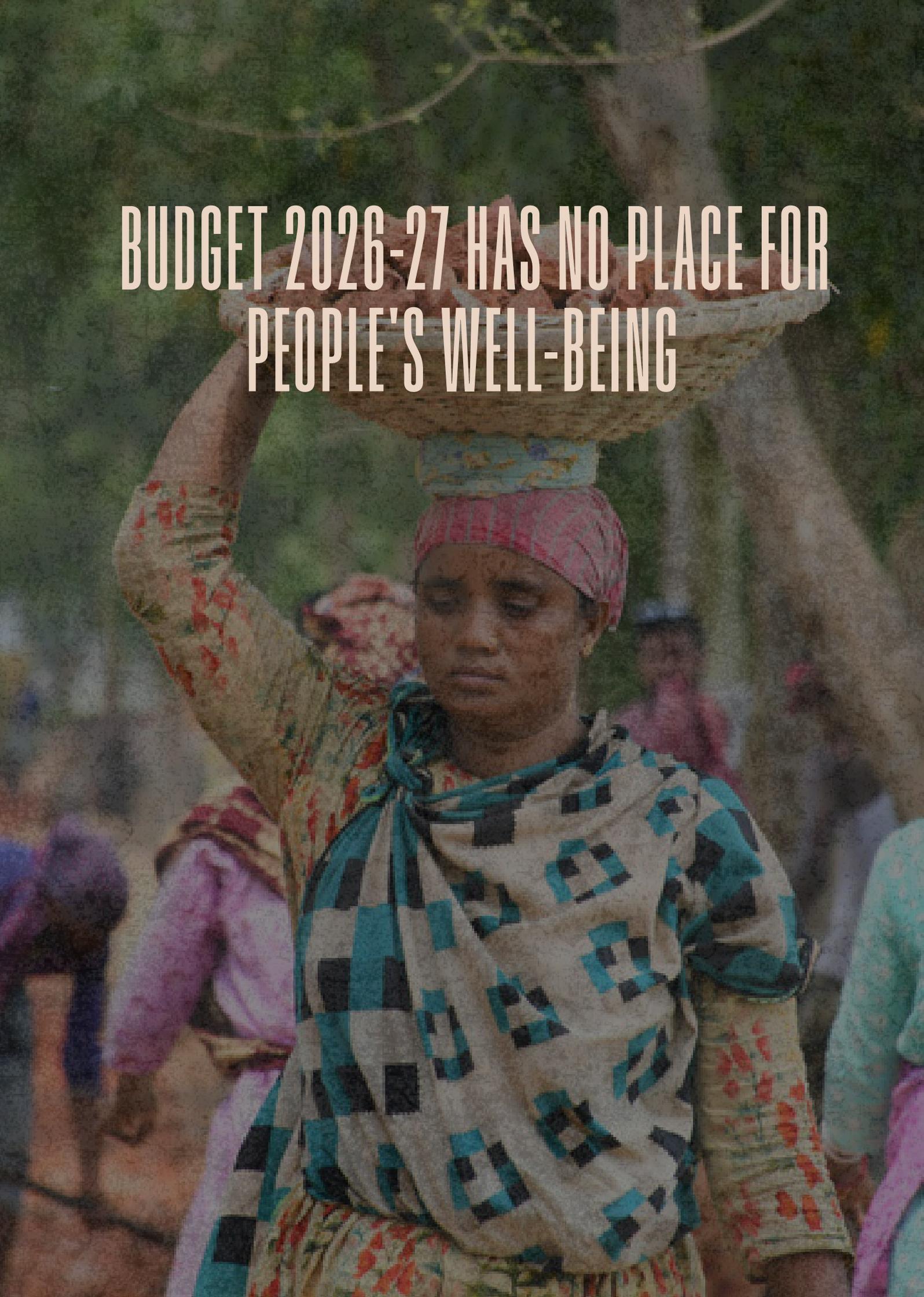
Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Crop Insurance Scheme	12,242.27	12,267	12,200

## Ministry of Agriculture, Department of Agriculture Research and Education

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Strengthening of Krishi Vigyan Kendras	204.23	182.23	210

## Ministry of Chemicals and Fertilisers, Department of Fertilisers

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Urea Subsidy	1,00,839.50	89,989.50	91,000
Nutrient Based Subsidy	19,000	25,000	20,000
Policy on Promotion of Organic Fertilisers	150	108	90

A woman in traditional attire, including a pink headwrap and a patterned shawl, carries a large woven basket on her head. She is walking through a crowd of people in an outdoor setting. The background is slightly blurred, showing other individuals and greenery.

**BUDGET 2026-27 HAS NO PLACE FOR  
PEOPLE'S WELL-BEING**

# Budget 2026-27 has no place for People's Well-Being

## Key Highlights

- The budgetary allocation for Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY) is only 0.63% of the total GDP. The poor budgetary allocation for PMGKAY has yet again failed to ensure budget provisions to implement Supreme Court orders in the migrant workers' case in which the order came to give ration cards to all those E-shram card registrants who lack ration cards.
- Union Budget 2026-27 allocation for food subsidy will continue to ignore the food insecurity of millions and will also not come up with plans to diversify the food basket with pulses and edible oils at least for the ration cardholders.
- For the old age pension scheme, the share of the central government has been stagnant at Rs. 200 per month since 2006 and for the widow and disability pension scheme, the share of the central government is Rs. 300 per month. The marginal increase in only the Old-age pension scheme and stagnancy in rest of the social security pension schemes reflects apathy towards the vulnerable segment of our society who will for another year suffer to survive on inhumane financial assistance from the government.
- A distressing trend of non-utilisation of estimated budget in schemes concerning women and children.



The Union Budget 2026-27 has once again failed to acknowledge the crucial need to invest in people's basic rights and well-being. The Budgetary allocation on the key sectors like Education, Health, Food, Pensions and various Social Security schemes and programmes has continued to decline or have witnessed only a marginal increase. The Economic Survey 2025-26 discusses tackling poverty and inequality with the objective to ensure equality of opportunities, eliminate absolute poverty, and prevent inequality from rising. The social policies and schemes that cover the most marginalised sections of the society are one of the main sources to tackle the problem of inequality and poverty has been significantly ignored with poor budgetary allocation. India is witnessing the highest level of inequality since independence where the country's richest 1% are having control over nearly 40% of the national income while the bottom 50% of the population survives on just 15%. In these circumstances, the efforts and focus of the Union Budget should have been over welfare spending but the opposite of these crucial spending is happening over the last one decade.

The budgetary allocation within the food subsidy for Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY) has been decreased as compared to the revised expenditure (RE) of financial year 2025-26. This decrease is of less than 1% in real terms (RE for 2025-26 was Rs. 2,28,154 crore and Budget Estimate (BE) for 2026-27 is Rs. 2,27,629 crore). However, the budgetary allocation for PMGKAY is only 0.63% of the total GDP and this decreasing share in the overall GDP over the last few years is a concerning issue with respect to the food security of millions. In the absence of Census which has been delayed for more than 5 years (previous Census was conducted in 2011), the quotas under the National Food Security Act (NFSA) have not been revised on the basis of the population projections for 2026 as also directed by the Supreme Court in the migrant workers' case. This has led to the exclusion of more than 13 crore population from the food security net which are from the most marginalised sections of the society. The decline in the budgetary allocation once again indicates that the Union Government will continue to ignore the food insecurity of millions and will also not come up with plans to diversify the food basket with pulses and edible oils at least for the ration cardholders.

Social security pensions for the aged, single women and disabled under the National Social Assistance Programme (NSAP) have been allocated the budget poorly which will reflect into continued undignified pension amount, delay in payment and exclusion. Only the Indira Gandhi Old-Age Pension Scheme saw some increase in the Budget Estimate 2026-27 (RE for 2025-26 was Rs. 6,460 crore and BE for 2026-27 is Rs. 6,904.90). While the allocation in the widow pension and disabled pension schemes have remained the same as the revised estimate budget for 2025-26, which is Rs. 2,026.99 crore for the Widow pension scheme and Rs. 290.00 crore for Disabled pension scheme. For the old age pension scheme, the share of the central government has been stagnant at Rs. 200 per month since 2006 and for the widow and disability pension scheme, the share of the central government is Rs. 300 per month. This Union Budget showed apathy towards the vulnerable segment of our society who will for another year suffer to survive on inhumane financial assistance from the government.

The maternity entitlements that comes under *SAMARTHYA* (including PMMVY and other schemes) and *Saksham Anganwadi and POSHAN 2.0* (Umbrella ICDS - Anganwadi Services, Poshan Abhiyan, Scheme for Adolescent Girls) has seen some increase in the budgetary allocation this year. However, it is important to note a distressing trend of the non-utilisation of estimated budget in both of these umbrella programmes. The BE for *Saksham Anganwadi and POSHAN 2.0* in 2025-26 was Rs. 21,960 crore but ended the year with spending Rs. 20,949 crore. Similarly, in the *SAMARTHYA*, the BE in 2025-26 was Rs. 2,521 crore but the revised estimates or the spending for the end was limited to Rs. 1,677 crore. This reflects the poor implementation of various schemes which includes Anganwadi and PMMVY. In the last one year, the verification drives within Anganwadi programmes in the name of transparency has led to further increase the exclusion of families. Over the years, the maternity entitlement scheme, PMMVY has faced poor implementation due to its lesser coverage, unnecessary conditionalities and undignified amount of Rs. 5,000 as entitlement which is also a violation of the NFSA. The direct nutrition schemes that address the most vulnerable groups of young children, pregnant and lactating women and adolescent girls are facing budget crunches and require a lot more attention than given at present through this allocation.

The school's mid-day meal programme PM POSHAN, which provides a hot cooked meal for children in the age group of 6-14 years has also seen a similar fate where it has seen some increase in allocation this year. But, the non utilisation of estimated budget exists in this scheme too. The BE in 2025-26 was Rs. 12,500 crore but the revised estimates for the spending at the end of the year was limited to Rs. 10,600 crore. The Economic Survey 2025-26 mentions the importance of nutritional intake in order to enhance the overall development of school children. In 2024, nearly 27% of India's population was in the school-going age group (3-18 years) which is the highest in the world. The Technical Group on Population Projection constituted by the Ministry of Health and Family Welfare (MoHFW) has laid down a population projection for India that says that India's young population will witness a downward trend and the opportunity of demographic dividend is diminishing. This is a critical opportunity to convert vast human resources into high quality human capital. Ensuring better nutrition through PM-POSHAN in schools must be put into priority.

The budgetary allocation for these crucial social security schemes and programmes have failed the commitments shown in the Economic Survey 2025-26 that aims for the VIKSIT BHARAT-2047 by committing towards social security, food security, universal access to basic amenities, etc. in order to fight poverty and Inequality. The reduced budget allocation in all of these crucial programmes could add to the problem of poor dietary diversity, inadequate food consumption and illness among people, especially among women and children. The declining budgetary priority towards many of the schemes that are mandated by rights-based legislation needs to be also seen as part of the larger shift in the orientation of welfare policy in the country.

## Key Figures at a Glance

### MINISTRY OVERVIEW

#### Ministry of Consumer Affairs and Public Distribution

Overall Allocation: Rs. 2,39,521.37 crore

As share of Overall Budget: 4.48%

As share of GDP: 0.61%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
2,15,767.09	2,38,409.47	2,39,521.37

#### Ministry of Women and Child Development

Overall Allocation: Rs. 28183.06 crore

As share of Overall Budget: 0.52%

As share of GDP: 0.07%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
26,889.69	24,373.91	28,183.06

#### Ministry of Rural Development

Overall Allocation: Rs. 197023.14 crore

As share of Overall Budget: 3.67%

As share of GDP: 0.5%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
1,90,405.53	1,88,753.01	1,97,023.14

### Schemes Overview

#### Ministry of Consumer Affairs and Public Distribution, Department of Food and Public Distribution

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Pradhan Mantri Garib Kalyan Anna Yojana	2,03,000	2,27,753.65	2,27,429

**Ministry of Consumer Affairs and Public Distribution, Department of Food and Public Distribution**

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
National Social Assistance Programme	9,652	9,197.10	9,671
Indira Gandhi National Old Age Pension Scheme	6,645.90	6,460.00	6,904.90
Indira Gandhi National Widow Pension Scheme	2,026.99	2,026.99	2,026.99
Indira Gandhi National Disability Pension Scheme	290.00	290.00	290.00
National Family Benefit Scheme	659.00	400.00	400.00

**Ministry of Consumer Affairs and Public Distribution, Department of Food and Public Distribution**

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Saksham Anganwadi and POSHAN 2.0	21,960.00	20,949.47	23,100.
SAMARTHYA	2,521.00	1,677.65	2,573.00
Mission VATSALYA	1500	1100	1,550
SAMBAL	629	322.35	627

**Ministry of Consumer Affairs and Public Distribution, Department of Food and Public Distribution**

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Pradhan Mantri Poshan Shakti Nirman	12,500	10,600	12,750

A woman wearing a purple headscarf and a red sari is working in a sugarcane field. She is holding a large bundle of harvested sugarcane stalks. The background is filled with tall sugarcane plants. The text is overlaid on the image in a bold, white, sans-serif font.

**IN THE UNION BUDGET, MGNREGA BEGINS  
A WALK TOWARD CERTAIN DEATH**

# In The Union Budget, MGNREGA Begins a Walk Toward Certain Death

## Key Highlights

- The Budget underscores that VB-GRAMG is not a guarantee but a discretionary scheme.
- The Budget outlines a combined allocation of Rs. 1,25,692 crore for both VB-GRAMG (Rs. 95,692.31) and MGNREGA (Rs. 30,000)
- The total effective outlay of VB-GRAMG is projected to exceed Rs. 1.59 lakh crore once the State Government contributions, amounting to Rs. 63,795 crore, are included.
- There is no clarity whether the MGNREGA allocation is meant to clear arrears or to fund new work during the transition to VB-GRAMG. Either way it is inadequate.
- The current central allocation meets only 42% of the estimated funding required to implement the guarantee of 125 days.
- Decline in MGNREGA demand was not its incompetence but the result of a series of deliberate policy and administrative choices that have systematically weakened the programme.
- Weakening of MGNREGA demand, particularly in poorer states and those with weaker institutional capacity, is the persistent stagnation of wages. If wages continue to stagnate in real terms, the fate of VB-GRAMG is unlikely to be any different.
- The 120-day promise under VB-GRAMG is unattainable without conducive factors that includes adequate budgets, fair and uniform wages, minimal technological interference, and above all, people's participation in planning.



## Introduction

The Union Budget 2026–27 served as a test of the Viksit Bharat–Guarantee for Rozgar and Aajeevika Mission (Gramin) Act, 2025 (VB–GRAMG), which was enacted with the promise of 125 workdays and a revised 60:40 centre–state financing model (except for North Eastern and Himalayan states). However, the Finance Minister’s speech made no mention of the much celebrated VB–GRAMG; the headline allocation is evidently insufficient to operationalise the 125–day guarantee; and critical operational details such as the normative allocation for each state, the specific areas to be notified for implementation, and the full fiscal implications for state budgets remain unspecified at a time when states need to allocate funds for the new scheme. These fiscal ambiguities and policy silences within the new employment guarantee architecture will have far–reaching consequences in the lives of crores of rural workers who depend on the right to work once guaranteed by MGNREGA.

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) aimed to enhance livelihood security in rural areas by guaranteeing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. On December 19, 2025, two decades after MGNREGA was unanimously passed by the Parliament, the Union Government repealed the MGNREGA without any consultation, ending this 20–year–old legacy of rights–based guarantee of work. This chapter examines the fiscal and policy contours of India’s rural employment guarantee programme as presented in the Union Budget 2026–27 and the Economic Survey 2025, following the Union Government’s arbitrary repeal of the MGNREGA 2005 and its replacement by the VB–GRAMG 2025.

## Employment Guarantee in the Economic Survey 2025 and the Union Budget 2026–27

The Economic Survey 2025 contends that dependence on MGNREGA has declined alongside falling rural unemployment, implying a shift toward non– farm and non–MGNREGA employment. However, the survey conveniently omits crucial information: this measured decline in demand was significantly shaped by the Union Government’s deliberate weakening of MGNREGA’s demand–driven character. This was achieved through the systematic starving of the programme of resources, the deprivation of workers from timely and enhanced wages, and the weaponization of digital tools to exclude vulnerable workers. This deliberate suppression of the scheme’s performance powered the narrative that MGNREGS had long ceased to function as a right, even before the repeal.



It is against this backdrop that the Union Budget 2026–27 outlines a combined allocation of Rs. 1,25,692 crore for rural employment schemes, marking a 43% increase over the revised estimate of Rs. 88,000 crore for MGNREGA in 2025–26. This aggregate comprises Rs. 95,692 crore for the new VB–GRAMG and Rs. 30,000 crore presumably to address outstanding liabilities under the sunseting MGNREGA. These allocations represent 2.35% of the total Union Budget and 0.32% of the projected GDP for FY 2026–27. While the Union Government’s direct budgetary share for the new scheme is pegged at Rs. 95,600 crore, the total effective outlay is projected to exceed Rs. 1.59 lakh crore once mandatory State Government contributions, calculated as a 40% share of the total VB–GRAMG cost, amounting to Rs. 63,795 crore, are included.

The budget allocates Rs. 30,000 crore for MGNREGA in FY 2026–27. Projections indicate FY 2025–26 will close with pending liabilities of at least Rs. 11,000 crore, rising to approximately Rs. 15,000 crore when including dues to states such as West Bengal. The Union Government has not clarified whether this allocation is meant to clear these arrears or to fund new work during the transition to VB–GRAMG. The NREGA Sangharsh Morcha, a rural workers’ collective, states that if intended for new work, the provision is "woefully inadequate." Historically, 40% of annual MGNREGA expenditure occurs from April to June, the peak employment period before the kharif season. After accounting for Rs. 15,000 crore in carryover liabilities, the net funding available for employment generation in this critical period is insufficient.

## The 125-Day Guarantee Without a Budget

The Union Budget 2026–27 validates the critique by civil society and workers’ collectives that the 125-day guarantee under the VB–GRAMG Act is fiscally unviable under the current law. The total budget for the VB–GRAMG, including the mandated 40% state contribution, that is Rs. 1.59 lakh crore, would only yield an average of just 52 workdays for active households.

According to estimates from the NREGA Sangharsh Morcha, providing 125 days of work to active households alone would require a total budget of Rs.3.84 lakh crore, with the Centre’s 60% share amounting to Rs. 2.3 lakh crore. The current central allocation meets only 42% of the estimated funding required to implement the guarantee of 125 days. To extend the guarantee to all registered households, the budget would need to be nearly Rs. 7 lakh crore.

<b>Active households (only 56% of total households)</b>	<b>8.65 CRORE</b>
<b>Average cost per day of work (FY 25-26 rate)</b>	<b>RS. 355</b>
<b>Cost for generating 1 day of work for active households</b>	<b>3,071 CRORE</b>
<b>Cost for generating 125 days of work for active households</b>	<b>3,83,844 CRORE</b>
<b>Centre’s share at 60%</b>	<b>2,30,306 CRORE</b>

Source: NREGA Sangharsh Morcha’s statement on the Union Budget 26–27

## MGNREGA Didn't Die, The Union Government Killed It

The Economic Survey 2026 extensively promotes the new VB-GRAMG while acknowledging a significant decline in MGNREGA implementation. It reports that person-days generated fell from a pandemic peak of 389.09 crore in FY20-21 to approximately 183.77 crore in FY25-26 (up to 31 December 2025) a decline of over 53%. The survey attributes this trend to an improved rural economy and reduced dependence on MGNREGA, framing it as a positive outcome of strong macroeconomic fundamentals.

The Economic Survey 2025-26 indicates that while rural unemployment has declined to 2.5% in FY2023-24, indicating improved employment conditions, it persists as a challenge due to high reliance on agriculture (57.7% of rural jobs) and self-employment (62.8%) Such persistence of agriculture and self-employment is widely interpreted in labour-economics literature as an indicator of rural distress. In this context, MGNREGA plays a critical role as a shock absorber and source of bargaining power, protecting rural households against agricultural income volatility, lean-season unemployment, and micro-shocks by providing a fallback wage floor. Consequently, high shares of agriculture/self-employment, seasonally fluctuating MGNREGA demand linked to farm cycles, and weak non-farm job creation together undermine the claim that the rural workforce has decisively moved away from MGNREGA dependence toward non-MGNREGA employment.

Further, this decline cannot be explained merely by reduced demand for MGNREGA due to an improved rural economy. Instead, it reflects a series of deliberate policy and administrative choices that have systematically weakened the programme. The Union government replaced states' demand-based *Projected Labour Budgets* with arbitrarily determined *Approved Labour Budgets*, effectively capping employment generation according to fund availability and converting MGNREGA from a demand-driven entitlement into a supply-driven scheme. Simultaneously, wage rates under MGNREGA have remained well below statutory minimum wages in most states, with chronic delays in wage payments further eroding its viability for workers. In addition, the introduction of multiple digital and technological requirements, alongside large-scale deletions of job cards, has increased exclusion and distanced workers from accessing work and wages. Taken together, these structural constraints have actively dissuaded workers from seeking employment under MGNREGA, contributing significantly to the observed decline in person-days generated.

If, as claimed, the new VB-GRAMG law is designed to enhance efficiency and boost performance, the Union Government's continued failure to allocate adequate resources, even for its legitimate child, is contradictory. This inconsistency suggests that the intent is not to improve the employment guarantee but to systematically undermine its foundational principle as a demand-driven right.

## Discrediting MGNREGA Amid Limited Metrics of Rural Distress

While the Economic Survey 2023 expressed apprehension about treating MGNREGA demand as a proxy for rural distress signalling a revamp, the absence of any credible evidence or high-frequency indicators that explains the reality of rural distress weakens this argument. Rural distress is better assessed through a composite lens encompassing consumption patterns, indebtedness, migration and real wage trends.

The Household Consumption Expenditure Survey (HCES) 2023-24 reports an average rural Monthly Per Capita Expenditure of Rs. 4,122; however, evidence from the All-India Debt and Investment Survey (AIDIS) 2019 and the NABARD All-India Rural Financial Inclusion Survey (NAFIS) 2021-22 suggests that a substantial share of rural consumption is debt-financed rather than income-driven. NAFIS shows that the proportion of indebted rural households rose to 52% in 2021-22 from 47.4% in 2016-17. Migration remains another key stress signal. The most recent official data was from the Periodic Labour Force Survey (PLFS) 2020-21 which pointed to continued high levels of rural out-migration, however, that reflects a pandemic period and therefore isn't ideal for isolating normal rural distress migration trends. Unfortunately, there are no newer official migration surveys at the national level that include migration modules.

One plausible explanation for the weakening of MGNREGA demand, particularly in poorer states and those with weaker institutional capacity, is the persistent stagnation of wages under the programme. It is important to note that, the Standing Committee on Rural Development, in its 2025 report on MGNREGA, raised serious concerns over abysmally low wage rates and persistent delays in the disbursement of wages to workers. Warning that such wages discourage participation and fuel distress migration, the Committee recommended a uniform national base wage of at least Rs. 400 per day, indexed to a more representative inflation measure than CPI-AL. If wages continue to stagnate in real terms, the fate of VB-GRAMG is unlikely to be any different.

## Conclusion

Since 2021, the BJP-led Union Government has withheld MGNREGA funds to West Bengal, citing implementation irregularities. Incidentally, MGNREGA was repealed shortly after the Calcutta High Court and the Supreme Court directed the Union Government to release dues and resume work, highlighting that MGNREGA's strength lies in the basic entitlement to ask for work. Many focus on the 120-day promise, but this target is unattainable without a conducive environment that includes adequate budgets, fair and uniform wages, minimal technological interference, and above all, people's participation in planning. Without the entitlement to work, VB-GRAMG is not a guarantee but a discretionary scheme. By replacing the right to work with normative allocations, VB-GRAMG allows the Union Government to suspend works arbitrarily, as already signalled by its inadequate, uncertain, and opaque budgeting.

## Key Figures at a Glance

### MINISTRY OVERVIEW

#### Ministry of Rural Development

Overall Allocation: Rs. 197023.14 crore

As share of Overall Budget: 3.67%

As share of GDP: 0.5%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
1,90,405.53	1,88,753.01	1,97,023.14

### Scheme Overview

#### Ministry of Rural Affairs, Department of Rural Development

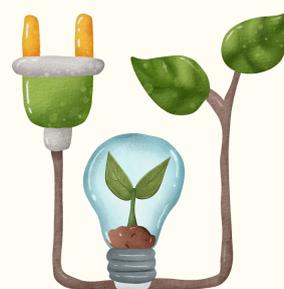
Scheme Name/ Expenditure Head	BE 2025-26 (IN RS. CRORE)	RE 2025-26 (IN RS. CRORE)	BE 2026-27 (IN RS. CRORE)
Mahatma Gandhi National Rural Employment Guarantee Act	86,000	86,000	30,000
Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin)-VB-G RAM G Scheme	0	0	95,692.31
Pradhan Mantri Gram Sadak Yojna	19,000	11,000	19,000





**INVESTMENT-HEAVY, TRANSITION-LIGHT:  
SIGNALS FROM THE ENERGY BUDGET**

# Investment-heavy, Transition-light: Signals from the Energy Budget



## Key Highlights

- Allocation to the Ministry of Coal has increased by 640%, signalling a strong policy push towards coal and lignite gasification despite its carbon-intensive nature.
- An outlay of Rs. 20,000 crore has been announced for Carbon Capture, Utilisation and Storage (CCUS), positioning it as a key enabler for continued fossil-fuel use rather than direct emissions reduction.
- Extension of Basic Customs Duty (BCD) exemption on imports for nuclear power projects till 2035, expanded to cover all nuclear plants irrespective of capacity (removing the earlier capacity threshold of 440 MW or above), reinforcing long-term commitment to capital-intensive nuclear expansion.
- Increase in allocation to the PM Surya Ghar Muft Bijli Yojana by Rs. 5,000 crore to Rs. 22,000 crore, strengthening support for rooftop solar and household-level renewable energy adoption.
- Allocations for wind energy remain largely stagnant.
- BCD exemption on imports of sodium antimonate for solar glass manufacturing, aimed at boosting domestic solar supply chains.
- Extension of BCD exemption on capital goods used for the manufacture of lithium-ion cells for battery energy storage systems.
- Proposed rare earth corridors in Andhra Pradesh, Kerala, Odisha, and Tamil Nadu, along with customs duty exemptions on capital goods for critical mineral processing, signalling a push for strategic minerals without parallel clarity on environmental safeguards and community impacts.
- An allocation of Rs. 18,000 crore for the Reform Linked Distribution Scheme, which remains modest relative to the scale of financial stress in the power distribution sector.
- Restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC), potentially deepening their role in financing large, centralised energy projects rather than decentralised and grid-strengthening investments.
- Exclusion of the entire value of biogas from Central Excise duty payable on biogas-blended CNG.

This year's budget is the first to be presented after the nuclear power sector was opened up to private participation, while at the same time drastically capping nuclear liability at a mere Rs. 3,000 crore (around \$0.33 billion). This cap appears strikingly inadequate when viewed against the scale of past nuclear disasters. The Chernobyl accident alone is estimated to have caused damages of nearly \$700 billion (inflation-adjusted), while the Fukushima disaster resulted in losses of about \$187 billion to Japan's GDP, in addition to almost \$200 billion in clean-up costs. The sharp contrast raises serious concerns about risk allocation and who ultimately bears the cost in the event of a nuclear accident. This context becomes even more significant given the budget's continued support for nuclear expansion. The basic customs duty exemption on imports for nuclear power projects has been extended till 2035, following the enactment of the SHANTI law, which allows private companies to participate in nuclear power generation; a sector earlier restricted under the Atomic Energy Act, 1962. The government has set an ambitious target of 100 GW of nuclear capacity by 2047, compared to the current installed capacity of 8.8 GW. While nuclear power is often presented as a low-carbon solution, it comes with serious economic, safety, and long-term environmental concerns. Nuclear projects are highly capital-intensive, take many years to build, and are prone to delays and cost overruns, even as questions around waste disposal, accident liability, and public accountability remain unresolved.

Alongside nuclear power, the budget has also strongly pushed so-called transition technologies. It has announced an outlay of Rs. 20,000 crore over the next five years for Carbon Capture, Utilisation and Storage (CCUS), with Rs. 500 crore allocated in the current year. However, this announcement must be viewed in light of the 640% increase in the allocation to the Ministry of Coal. Coal gasification and coal-to-chemicals pathways are inherently carbon-intensive processes. They produce fuels, plastics, hydrogen, and other chemicals that are often at least twice as carbon-intensive as their conventional alternatives. Framing these pathways as part of a climate solution obscures their true emissions footprint.

The allocation of an unprecedented Rs. 3,525 crore for coal and lignite gasification appears less like a transition strategy and more like a familiar tactic to delay meaningful climate action. Coal has a high carbon-to-hydrogen ratio, which means additional CO<sub>2</sub>-generating steps are required to produce hydrogen-rich syngas or chemical feedstocks. The government plans to gasify 100 million tonnes of coal by 2030, presenting this as a way to reduce imports and add value to domestic coal. However, gasification does not reduce India's dependence on coal; it merely changes how coal is used. In many cases, emissions are released later in the value chain, when the gas or derived fuels are finally consumed.

To further support this shift, the government has also launched a scheme to assist States in setting up three dedicated Chemical Parks, ostensibly to reduce import dependence and promote domestic manufacturing. While advertised as a step towards Atmanirbharta, this approach disproportionately benefits large corporate players. A case in point is the Adani Group's coal-to-PVC plant in Mundra, Gujarat, billed as the world's largest, which is expected to produce 2 million metric tonnes of PVC annually, locking in emissions-intensive plastic production for decades.

Coal gasification is often argued to be more sustainable when paired with CCUS. However, CCUS itself comes with serious economic, technical, and environmental challenges, raising doubts about its viability at scale. In India, CCUS remains at a nascent stage, with limited clarity on long-term storage sites, regulatory oversight, safety standards, and liability frameworks. Reliance on CCUS risks postponing real emissions reductions by banking on technologies that are yet to be proven at scale.

The push for so-called “green” hydrogen also deserves closer scrutiny. While presented as a clean energy solution, green hydrogen comes with a substantial water footprint. According to a November 2025 report by the Institute for Energy Economics and Financial Analysis (IEEFA), India’s announced green hydrogen capacity has already reached 11.2 million metric tonnes per annum, which could consume up to 336 billion litres of water. This raises serious concerns in a country already facing acute water stress.

The budget does show some positive steps for renewable energy, particularly solar power. The allocation for the PM Surya Ghar Muft Bijli Yojana has increased by 29.41% to Rs. 22,000 crore, supporting rooftop solar adoption and household-level energy access. The budget has also announced customs duty exemptions on sodium antimonate used in solar glass manufacturing, aimed at supporting domestic solar production and excluding the entire value of biogas that is used for blending in CNG. In addition, the basic customs duty exemption on capital goods for manufacturing lithium-ion cells has been extended.

However, generation-focused incentives alone are not sufficient. Developing power systems – especially transmission infrastructure, grid flexibility, and energy storage – is equally critical for integrating renewable energy into the grid. The Economic Survey has explicitly cautioned that increasing renewable capacity alone is not enough. Without adequate transmission networks and storage, renewable power cannot be fully utilised, leading to curtailment, losses, and reliability challenges.

Concerns also persist in the power distribution sector. Despite an allocation of Rs. 18,000 crore for distribution sector reforms, DISCOMs continue to face deep structural stress, with cumulative debts exceeding Rs. 7 trillion (Rs. 7 lakh crore) by the end of FY25. Without addressing these underlying issues, financial support alone is unlikely to deliver lasting reform.

Overall, the budget continues to favour large, centralised, and capital-heavy projects, such as coal gasification, CCUS, and nuclear power. At the same time, the foundational elements of a clean energy transition – robust grids, storage, and system-level planning – receive far less attention. Rather than enabling a genuine transition, the budget risks deepening technological lock-in while shifting environmental and financial risks onto the public.



## Key Figures at a Glance

### MINISTRY OVERVIEW

#### Ministry of Power

Overall Allocation: Rs. 29,996.85 crore  
As share of Overall Budget: 0.56%  
As share of GDP: 0.08%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
21,847.00	21,587.66	29,996.85

#### Ministry of New and Renewable Energy

Overall Allocation: Rs. 32,914.67 crore  
As share of Overall Budget: 0.62%  
As share of GDP: 0.08%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
26,549.38	25,301.22	32,914.67

#### Ministry of Coal

Overall Allocation: Rs. 3,635.32 crore  
As share of Overall Budget: 0.07%  
As share of GDP: 0.01%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
501.20	490.96	3,635.32

#### Ministry of Petroleum and Natural Gas

Overall Allocation: Rs. 30,443.22 crore  
As share of Overall Budget: 0.57%  
As share of GDP: 0.08%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
19,326.90	29,800.34	30,443.22

## Ministry of Atomic Energy

Overall Allocation: Rs. 24,123.92 crore

As share of Overall Budget: 0.45%

As share of GDP: 0.06%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
24,049.10	24,411.47	24,123.92

## Schemes Overview

### Ministry of Power

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Reform Linked Distribution Scheme	16,021	15,671	1,000
Power System Development Fund	1,100	1,100	39,390
Viability Gap Funding for development of Battery Energy Storage Systems	200	100	9,500
Carbon Capture Utilization and Storage Scheme	0	0	22,343.97

### Ministry of New and Renewable Energy

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM )	2,600	5,000	5,000
PM Surya Ghar Muft Bijli Yojana	20,000	17,000	22,000

### Ministry of Coal

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Scheme for Promotion of Coal/ Lignite Gasification	300	285	3,525

## Ministry of Petroleum and Natural Gas

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Direct Benefit Transfer - LPG	1,500	1,000	1,500
LPG Connection to Poor Households	9,100	12,736	9,200

## Ministry of Atomic Energy

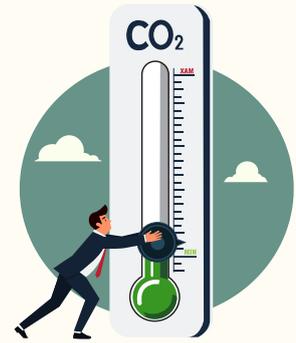
Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
R&D projects of Bhabha Atomic Research Centre (BARC)	1100	919	1800
Nuclear Power Projects	2086	1333	2500
Research and Development Projects (Atomic Energy)	1250	1200	1200



A dark, grainy photograph of a destroyed urban area. In the foreground, there is a large pile of rubble, including twisted metal and debris. Several cars are visible, some heavily damaged and partially buried in the debris. In the background, a person is standing amidst the wreckage. The overall scene conveys a sense of devastation and the aftermath of a disaster.

**PRAGMATISM AS RETREAT:  
A CRITIQUE OF THE CLIMATE LENS  
IN THE BUDGET**

# Pragmatism as Retreat: A Critique of the Climate Lens in the Budget



## Key Highlights

- **Climate Crisis Minimised in Policy Narrative:** The Economic Survey downplays India’s lived climate emergency, ignoring evidence that extreme weather occurred on 99% of days in 2025, reflecting a disconnect between policy framing and ground realities.
- **“Pragmatism” Reframes Climate Action as Risky:** Climate policy is presented as cautious realism, but in effect, it narrows ambition, questions scientific consensus, and prioritises economic growth over urgent mitigation.
- **Development Framed as Adaptation:** The claim that development itself builds climate resilience ignores how current growth models have intensified ecological fragility and social vulnerability.
- **Welfare vs Climate: A False Trade-off:** The Survey argues climate action diverts resources from social welfare, even though the Budget simultaneously prioritises infrastructure, defence, and industry over both welfare and climate resilience.
- **Monitoring Expanded, Community Protection Neglected:** Mission Mausam funding rises sharply for forecasting technologies, but investments in community-level early warning systems, disaster preparedness, and local adaptation remain inadequate.
- **Coastal Vulnerability Overlooked While Deep-Sea Extraction Expands:** Despite escalating cyclone and sea-level risks across India’s 7,500 km coastline, coastal protection funding declines while the Deep Ocean Mission promotes seabed mining and mineral extraction.
- **Biodiversity Funding Minuscule Compared to Fossil Fuel Subsidies:** Less than Rs. 52 crore is allocated to biodiversity and ecosystem conservation, compared to over Rs. 1.33 lakh crore for petroleum, refinery, and petrochemical sectors, driving habitat destruction and emissions.
- **Climate-Health Adaptation Remains Unfunded:** The National Programme on Climate Change and Human Health lacks dedicated budgetary support, leaving India exposed to escalating heatwaves, disease outbreaks, and climate-linked health crises.

- **Pollution Control Budgets Decline Amid Rising Air Quality Crisis:** Pollution control allocations and CPCB funding have been reduced despite worsening air pollution and significant regulatory staff shortages, signalling weak enforcement capacity.
- **High-Tech Climate Solutions Favoured Over Ecological Protection:** Large investments in CCUS, nuclear expansion, rare earth mining, and hydropower-linked infrastructure reinforce carbon-intensive development pathways while conservation, adaptation, and ecosystem restoration remain underfunded.

Reading the climate chapter of the Economic Survey, one would be hard-pressed to sense the urgency of the climate crisis unfolding on the ground in India. There is no mention of how New Delhi regularly ranks among the most polluted capitals globally, nor of the fact that India has one of the highest numbers of polluted cities in the world. Even more striking is the omission of recent data from the Centre for Science and Environment (CSE) and Down To Earth, which shows that India experienced extreme weather events on 99% of days between January and September 2025, a period marked by heatwaves, floods, storms and landslides that together claimed thousands of lives and devastated millions of hectares of crops across the country. Such lived reality—where climate impacts are near-daily occurrences—is conspicuously absent from a Survey that couches climate risk mainly in terms of technical uncertainties and distant challenges. (The report of the 16th Finance Commission released alongside the budget recommends recognising lightning and heatwaves as national disasters)

The climate perspective articulated through the Economic Survey and reflected in the Union Budget marks a significant ideological emphasis. Presented as realism, pragmatism, and evidence-based caution, this shift effectively narrows the scope of climate action, questions scientific consensus, and constructs a false trade-off between social welfare and climate commitments. Far from being neutral or technocratic, this framing actively shapes fiscal priorities in ways that protect incumbent capital, justify continued fossil-fuel dependence, provide public funding for carbon capture technologies to intensive emission sectors such as steel, chemicals and more, promote large-scale renewables such as solar parks and small nuclear reactors run by private players without adequate safeguards.

At the heart of the Survey’s climate narrative is a repeated invocation of international uncertainty. References to grid instability in advanced economies, the so-called “entropy effect” of renewable-heavy systems, and the underestimation of storage and balancing costs are deployed to caution against “alarmist framings” and accelerated mitigation pathways. While concerns around grid stability and system costs are not illegitimate, their selective emphasis performs an important political function: it reframes climate action as a risky, destabilising gamble, especially for a developing economy like India. International experience is thus mobilised not to learn how transitions can be managed better, but to argue why ambition itself should be tempered.

The repeated assertion that “development is, in itself, a form of adaptation” further entrenches this logic, challenging the understanding that our present ‘development’ model has led to the climate emergency today. Growth, energy security, and competitiveness are positioned as inescapable imperatives, while mitigation is recast as a secondary, potentially disruptive objective. In effect, climate action is made conditional on not disturbing existing growth pathways, rather than growth being reshaped to respond to climate realities.

**The second major strand of the climate narrative is the repeated pitting of climate commitments against social welfare.** The Survey argues that “scarce fiscal resources should not be diverted away from health, agriculture and poverty reduction merely to accelerate near-term mitigation milestones.” At one level, this appears compassionate and grounded in developmental realities. But this framing collapses under scrutiny. The budget is not led by adequate increases in social welfare expenditure on health, education or income generation for the most marginalised, but rather on defence, infrastructure, and other industries.

In this context, “development as adaptation” becomes a deeply hollow claim. Development that deepens ecological fragility, concentrates benefits, and undermines public provisioning does not build resilience; it reproduces vulnerability. True adaptation would require precisely the kinds of investments the Budget underplays: robust public health systems, expanded social protection, decentralised energy, and climate-resilient livelihoods. Instead, adaptation is invoked discursively while being fiscally marginalised.

In an era of intensifying climate impacts, such a stance is not pragmatic; it is perilous. This ideological bias is crystallised in this budget. A closer look at specific allocations reveals a pattern of prioritising monitoring over protection, extraction over conservation, and incumbent energy systems over ecological and community resilience. Consider these stark contradictions:

**Monitoring Over Action:**

Mission Mausam received Rs. 1,342.29 crore (up from Rs. 840 crore revised in 2025-26), with Rs. 487 crore for capital outlay on high-performance computing, modelling, radars (e.g., 50 Doppler Weather Radars), and observation networks like disdrometers and wind profilers. This strengthens prediction accuracy, a key foundation for disaster response in a climate-vulnerable nation facing events on 99% of days in 2025.

Yet, while the mission includes dissemination systems and last-mile connectivity goals, detailed allocations prioritise upstream tech over scaled community-level early warnings, response training, or integration with local adaptation plans, areas essential for translating data into lives and livelihoods saved.

### **Coastal Protection Neglected:**

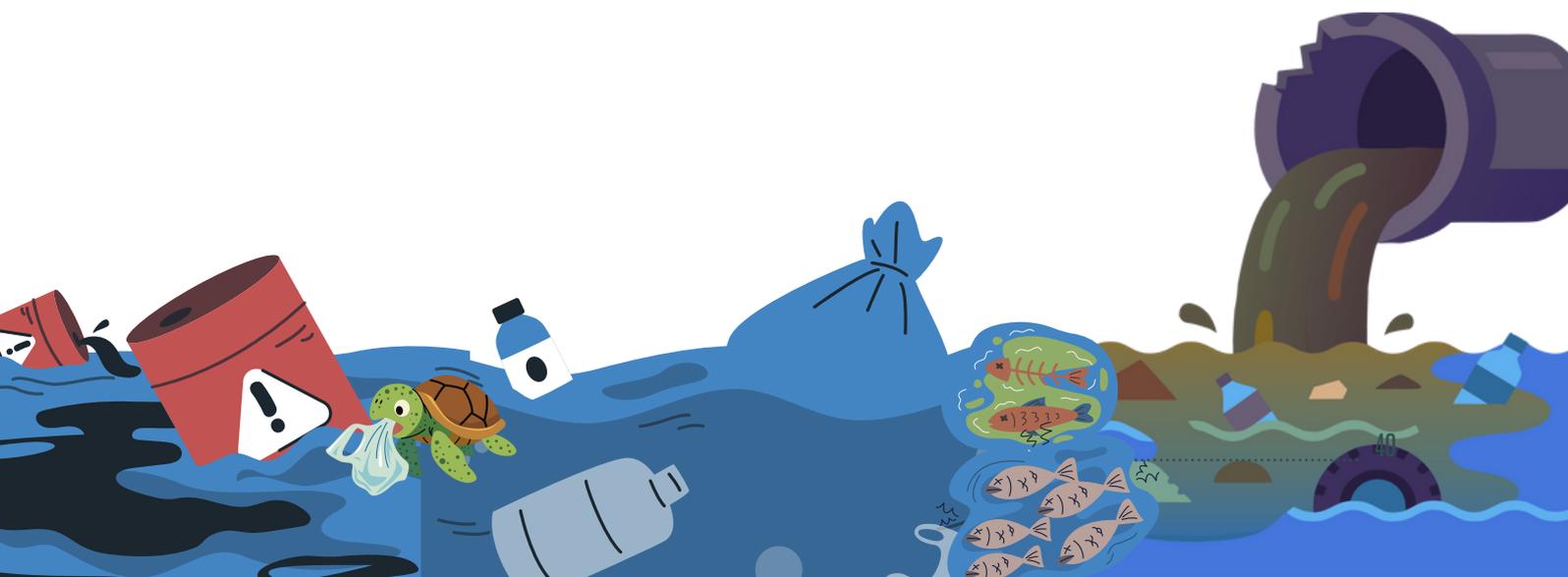
**Recent cyclones** like Ditwah (November 2025) and Montha (October 2025) battered India's Bay of Bengal coast, causing devastating floods, ecosystem damage, and heightened risks from sea-level rise projected at 62-87 cm by 2100 in cities like Visakhapatnam and Bhavnagar. Erosion and urban flooding threaten Mumbai, Chennai, and Kolkata, endangering millions along the 7,500+ km coastline that supports fisheries, ports, and tourism. With India's long coastline facing extreme climatic threats from storms and sea rise, coastal protection receives just Rs.1,205 crore in Budget 2026, down from Rs.1,382 crore last year under the National Coastal Management Programme.

While this funds some shoreline protection and coastal zone plans, it risks going to waste amid the contradictory Rs. 625 crore boost to Deep Ocean Mission for seabed mining technologies like manned submersibles (for 6,000m depths), seabed mining systems to collect polymetallic nodules rich in metals like nickel and cobalt, and underwater robotics. The goal is commercial extraction from the Central Indian Ocean Basin, covering 75,000 sq km, for minerals critical to batteries and renewables.

### **Biodiversity Vs Fossil Fuels:**

Budget 2026 shows ecosystems squeezed between meager conservation funds and fossil fuel giants. The National Biodiversity Authority (NBA) gets approx. Rs.18 crore, while "Conservation of Natural Resources and Ecosystems" adds Rs.34.06 crore covering biodiversity, wetlands, and lakes under the Ministry of Environment, Forests and Climate Change, totaling under Rs.52 crore for vital habitats. In stark contrast, the Refinery and Marketing receives Rs. 60,108 crore, Petroleum Exploration & Production receives Rs.57,612 crore and Petrochemicals Rs.16,001 crore, over Rs. 1,33,721 crore total, for sectors that drill new oil wells, refine and build plastic/fertiliser plants, directly harming ecosystems.

Petroleum exploration often means offshore rigs in fragile coastal zones, like the Krishna-Godavari basin, where drilling has damaged mangroves and coral reefs, displacing Olive Ridley turtles and small fishers. Petrochemicals expand plants producing plastics that choke rivers (e.g., Ganga's microplastic crisis) and agrochemicals, causing widespread water and soil quality depletion and chemical contamination killing the microbiota. These sectors fuel habitat loss, India lost 2.3 million hectares of forest since 2000 partly to energy infrastructure, while emitting greenhouse gases that warms habitats faster.



### **Escalating Health Crisis Vs Descalating Health-adaptation funds:**

India's National Programme on Climate Change and Human Health (NPCCHH) remains without dedicated funding despite urgent climate-health risks. Launched in 2019 under the Ministry of Health and Family Welfare (MoHFW) within the National Health Mission (NHM), it targets air pollution, heat stress, extreme weather impacts, and climate-resilient health infrastructure; all states submitted action plans by 2021. Budget 2026 allocates no specific line item within MoHFW, continuing a pattern from 2019-26 where NPCCHH relies on unearmarked flexible pools.

Without ring-fenced funds, NPCCHH can't scale heat action plans or disease surveillance, leaving gaps exposed by 2025's 45°C+ Delhi heatwaves (200+ deaths), deadly cloudbursts in Himachal Pradesh washing away villages, floods submerging Assam's crops and homes, and sea-level rise eroding coastal communities and ecosystems such as Sundarbans in West Bengal.

### **Pollution Control Cut Amid Crisis:**

The Centre has allocated Rs. 1,091 crore for pollution control in FY 2026-27— Rs. 209 crore lower than the revised estimate of Rs. 1,300 crore in 2025-26, which itself had been raised from an initial allocation of Rs. 853.9 crore. This rollback comes at a time when India's cities continue to choke, with Delhi and other urban centres recording hazardous air quality for prolonged periods. The contradiction is sharper within institutions: the Central Pollution Control Board's (CPCB) budget has been marginally reduced from Rs. 126 crore in BE 2025-26 to Rs. 123 crore in BE 2026-27, even as regulatory posts across pollution control boards remain vacant, including 16.28% in CPCB, and enforcement capacities are stretched thin. Monitoring pollution without adequately staffing or empowering regulators once again signals governance by data, not deterrence.



### **Conservation Shrunk, Carbon Managed:**

The squeeze extends to ecological protection. Allocations for the conservation of natural resources and ecosystems, covering aquatic systems and biodiversity—have been cut from Rs.50 crore in BE 2025–26 to Rs. 34.06 crore in BE 2026–27. This decline sits uneasily alongside repeated official invocations of ecosystem-based adaptation and nature-based solutions. While biodiversity loss, wetland degradation, and freshwater stress accelerate, conservation appears fiscally dispensable.

In sharp contrast, the budget commits Rs. 20,000 crore over 5 years, beginning with Rs. 500 crore in this financial year, to Carbon Capture, Utilisation and Storage (CCUS) technologies for heavy industries such as steel and cement, aligning with India's Net Zero 2070 framework. Framed as a bridge from pilot projects to commercial-scale deployment, CCUS reinforces the continued centrality of carbon-intensive sectors by managing emissions rather than questioning production pathways themselves. The imbalance is telling: ecosystems are expected to absorb neglect, while industries are insulated through public finance. In addition the announcement of budgetary allocation lies at the intersection of climate policy and global trade dynamics, particularly as India has just finalised a landmark Free Trade Agreement (FTA) with the European Union (EU). While the FTA dramatically cuts tariffs across most goods, it does not exempt Indian exports from the EU's Carbon Border Adjustment Mechanism (CBAM) — a carbon-linked levy that applies to imported steel, aluminium, cement and other high-carbon products entering the EU market. Under the terms of the trade deal, CBAM continues to operate fully, meaning Indian producers will still face carbon levies on exports to the bloc even as tariffs fall under the FTA.

### **Nuclear and Minerals Push Excludes Ecological or Social Accountability:**

Budget 2026 commits Rs. 24,124 crore to the Department of Atomic Energy (Rs. 9,966 crore capital), spanning nuclear projects, rare earth processing, and atomic minerals amid SHANTI Act privatization. It extends customs duty exemptions on reactor components and absorber rods until 2035 for all-capacity plants, locking in fiscal support for expansion, without explicit safety, waste management, or ecological safeguards.

Alongside this, plans to support mineral-rich states (Odisha, Kerala, Andhra Pradesh, and Tamil Nadu) in establishing Rare Earth Corridors to scale mining, processing, research, and manufacturing of critical minerals needed for energy transition and high-tech sectors, without detailed ecological accountability measures.

Critics warn that this strategy carries **significant safety, economic, and governance risks**. The SHANTI Bill, legislation underpinning the expansion, was passed without full parliamentary scrutiny and omits meaningful debate with independent scientists, environmental experts, and civil society. It effectively privatises much of the nuclear fuel cycle, handing profit-driven entities control over uranium mining, fuel fabrication, reactor operation, and reprocessing, activities traditionally under sovereign oversight.

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### **Support for Flood moderation linked to Hydropower decreased:**

Meanwhile, support for flood moderation through hydropower projects, a critical buffer for Himalayan states facing glacial melt, extreme rainfall, and landslides, has been reduced from an actual expenditure of Rs. 486.24 crore in 2024–25 to a budget estimate of Rs. 300 crore in 2026–27.

At a moment when climate disasters are intensifying across the Himalayas, and hydropower infrastructure has a multiplier effect on floods and landslides, this budget head should have seen an enhancement rather than reduction.

Across sectors, Budget 2026–27 reveals a consistent preference for managing climate risk through technology and extraction, while underfunding regulation, conservation, restoration/rehabilitation of contaminated ecosystem habitats and the everyday infrastructures of adaptation and thereby attaining climate resilience.



## Key Figures at a Glance

### MINISTRY OVERVIEW

#### Ministry of Environment, Forest and Climate Change

Overall Allocation: Rs. 3759.46 crore

As share of Overall Budget: 0.07%

As share of GDP: 0.01%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
2219.7	3481.61	3759.46

### Schemes Overview

#### Ministry of Environment, Forest and Climate Change

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Control of Pollution	853.9	1300.00	1091.00
Central Pollution Control Board	126.0	116.20	123.00
National Biodiversity Authority (NBA)	17.00	14.00	17.95
Conservation of Natural Resources and Ecosystems	24.69	30.48	34.06

### MINISTRY OVERVIEW

#### Ministry of Power

Overall Allocation: Rs. 29996.85 crore

As share of Overall Budget: 0.56%

As share of GDP: 0.08%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
19713.78	21587.66	29996.85

## Schemes Overview

### Ministry of Power

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Carbon Capture Utilization and Storage Scheme	0	0	500
Support for flood moderation storage- Hydro Electric Projects	486.24	220.00	300.00

## MINISTRY OVERVIEW

### Ministry of Earth Sciences

Overall Allocation: Rs. 3789.23 crore

As share of Overall Budget: 0.07%

As share of GDP: 0.01%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
3371.17	3380	3789.23

## Schemes Overview

### Ministry of Earth Sciences

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Mission Mausam	515.7	840	1342.29
Deep Ocean Mission	589.96	660	625

## MINISTRY OVERVIEW

### Ministry of Petroleum and Natural Gas

Overall Allocation: Rs. 30443.22 crore

As share of Overall Budget: 0.57%

As share of GDP: 0.08%

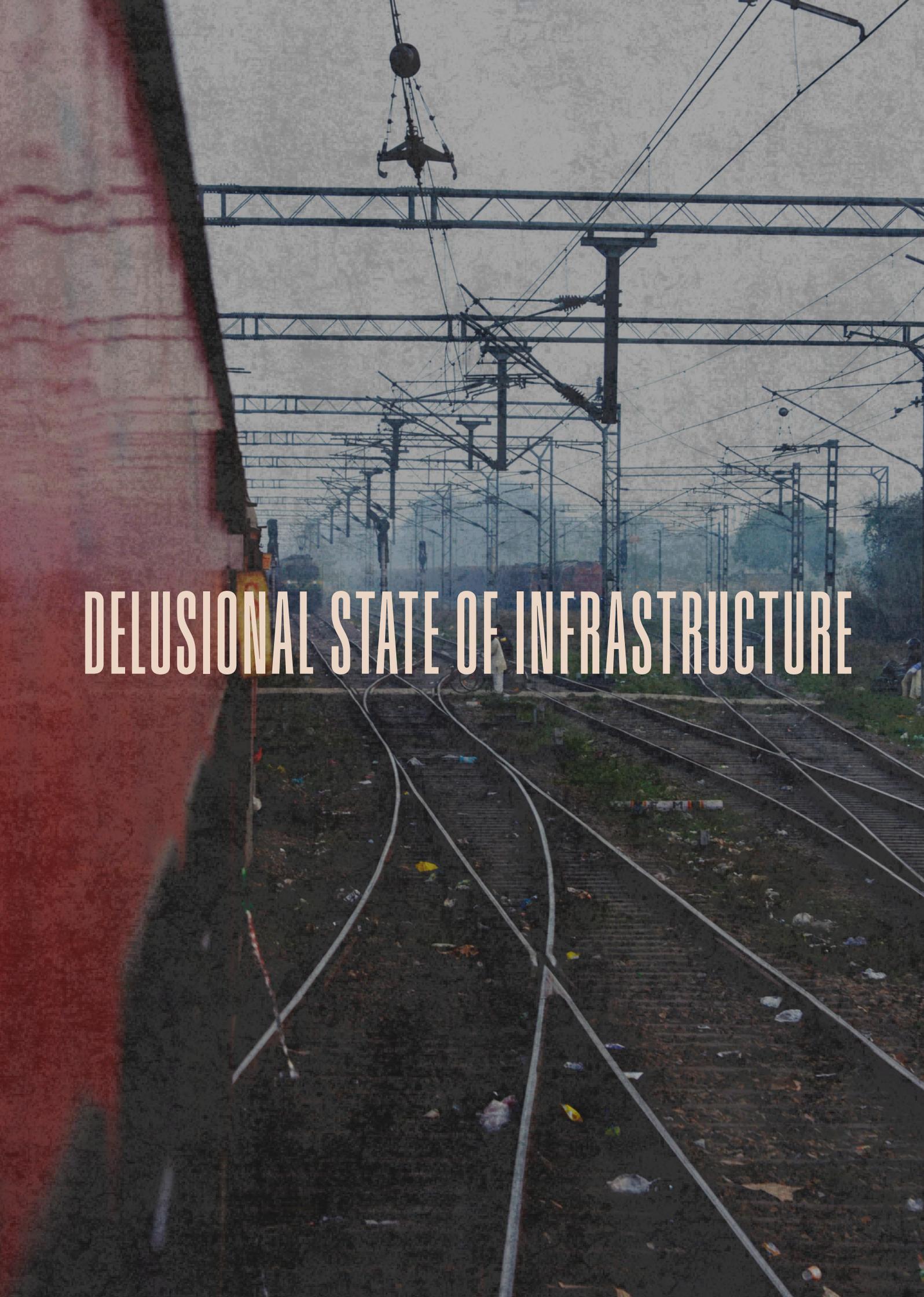
BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
29800.34	29800.34	30443.22

## Schemes Overview

### Ministry of Petroleum and Natural Gas

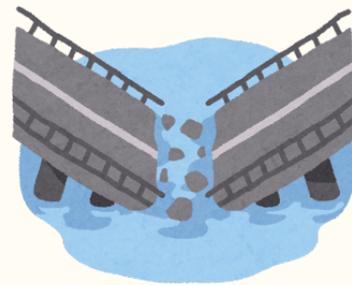
Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Exploration and Production	85559.66	55350.57	57612.86
Refinery and Marketing Sector	72614.17	64292.74	60108.73
Petrochemical Sector	10894.55	10233.27	16001.41



A photograph of a railway track with overhead power lines and a person standing on the tracks. The image is dark and grainy, with a red vertical strip on the left side. The text "DELUSIONAL STATE OF INFRASTRUCTURE" is overlaid in white, bold, sans-serif font across the middle of the image.

# DELUSIONAL STATE OF INFRASTRUCTURE

# Delusional State of Infrastructure



## Key Highlights

- Problematic investment models like Infrastructure Investment Trusts (InVITs) and Public-Private Partnerships pushed ahead again as new and vital mechanisms.
- Total outlay of Rs. 12.2 lakh crore for the infrastructure sector
- Rs. 1000 cr allocation for Infrastructure Risk Guarantee Fund to use public money to absorb risks that private investors are unwilling to bear, socialising potential losses while profits remain privatised.
- New Dedicated Freight Corridors connecting Dankuni (West Bengal) in the East, to Surat (Gujarat) in the West.
- Operationalising 20 new National Waterways (NW) over the next 5 years, disrupting fragile river ecosystems, displacing riverine and fishing communities, and prioritising commercial shipping interests over the social, ecological, and livelihood needs of people who depend on rivers as shared commons.
- Not learning from the monumental failure in the Statue of Unity to the Sabarmati Riverfront seaplane project, giving incentives to manufacture seaplanes.
- Seven High-Speed Rail corridors between cities as ‘growth connectors’, namely i) Mumbai-Pune, ii) Pune-Hyderabad, iii) Hyderabad-Bengaluru, iv) Hyderabad-Chennai, v) Chennai-Bengaluru, vi) Delhi-Varanasi, vii) Varanasi-Siliguri, ignoring the needs of ordinary passengers who face overcrowding and poor amenities persist in regular trains used by the majority.



Two significant infrastructure projects this government launched in 2015 and completed 10 years in 2025 are the Smart City Mission as well as the Sagarmala project.

A review of the Smart City Mission revealed about it prioritising costly but short-term infrastructure fixes over long-term planning and social infrastructure, leaving urban living conditions and citizen well-being largely unimproved despite massive spending. That governance through Special Purpose Vehicles centralised control in the hands of central and state authorities while weakening municipal governments and sidelining local democratic decision-making. The technology-driven, capital-intensive redevelopment over ecological protection and community needs, resulted in the erosion of urban commons, displacement of vulnerable communities, and cities that remain neither inclusive nor environmentally sustainable.

Similarly, Sagarmala project has accelerated port-led industrialisation that has displaced coastal communities, damaged fragile ecosystems such as mangroves and fishing grounds, and restricted traditional access to coastal commons used by small fishers and local residents. Large stretches of coastline and associated infrastructure have increasingly been handed to private corporations for ports, industrial corridors, and logistics hubs, often reducing public control over coastal resources. Meanwhile, governments have supported these projects through substantial public investment, subsidies, and land acquisition, while local communities bear the social and ecological costs.

In announcing another slew of projects in the 2026-27 Budget to a tune of Rs. 12.2 lakh crore, what is concerning is that the lessons from previous projects are not factored in.

## Financing Models

Promoted as the new financing model to fund infrastructure projects, the Infrastructure Investment Trusts (InVITs) have been in use since 2018. InVITs repackage public assets into tradable financial products, ostensibly to “monetise” revenue-generating roads and utilities for private investors rather than build new public goods. An analysis of the Oriental Infrastructure Trust (OIT), a InVIT funded by the International Finance Corporation, the Asian Infrastructure Investment Bank (AIIB) and the German Deutsche Investitions- und Entwicklungsgesellschaft (DEG) showed that this model effectively shifts control of essential infrastructure from the state and citizens to distant financial markets and private funds, weakening democratic oversight and accountability. InVITs finance already built projects, meaning social and environmental harms from construction are ignored and standards are applied only after the fact, if at all, leaving affected communities stranded without redress. By layering yet another financial intermediary between finance and development, InVITs embed short-term profit motives into infrastructure that should serve long-term public needs, deepening the financialisation of essential services.

## **Public-Private Partnerships**

The Economic Survey bats from PPPs, calling it “vital mechanisms through which governments can leverage private sector enterprise and resources to address critical infrastructure needs.” This is a sign of refusal to learn from the decades’ old experiences from PPPs, where they have frequently failed to deliver promised infrastructure efficiently, with many projects stalled, renegotiated, or abandoned after private players withdrew when profits fell short. In numerous cases, governments ended up absorbing financial risks and debts while private firms secured favourable contracts, effectively socialising losses and privatising gains. Rather than strengthening public infrastructure, PPPs have often weakened public accountability and diverted public funds to rescue struggling private concessions.

## **High-Speed Rail corridors**

Seven high-speed rail corridors are announced in the budget under the pretext of promoting environmentally sustainable passenger systems. This is in continuation to the introduction of Vande Bharat trains inaugurated in 2019. The rapid expansion of Vande Bharat trains for prioritising premium, higher-fare services that remain unaffordable for many ordinary passengers, while overcrowding and poor amenities persist in regular trains used by the majority. Investment has focused on showcasing modern, high-speed services instead of expanding affordable coaches, improving basic facilities, and increasing the number of general and sleeper class trains. This budget has made no announcement for the ordinary passengers. The capex remains stagnant.

## **Infrastructure Risk Guarantee Fund**

The proposed Infrastructure Risk Guarantee Fund effectively uses public money to absorb risks that private investors are unwilling to bear, socialising potential losses while profits remain privatised. It signals a tacit admission that private investment in infrastructure has fallen far short of official claims, requiring government-backed guarantees to make projects attractive. Instead of strengthening public financing or improving project design, the model shifts commercial risks onto taxpayers while protecting corporate balance sheets. Such mechanisms deepen the trend of de-risking private capital at public expense, even when projects may have uncertain social or ecological benefits. In effect, the fund risks turning the state into an insurer of private infrastructure ventures rather than a provider of accountable and equitable public infrastructure.



## Crumbling Public Infrastructure

It is only just over a month since the Indore water contamination incident happened, causing the deaths of many. It was a result of not investing in public infrastructure and poor maintenance, which caused sewage to mix with drinking water. Indore was not an aberration. In the recent past, we have seen frequent collapses of bridges across many states, school roof collapses, roads and national highways caving-in and many such. While some of these were caused by rampant corruption, many others happened due to poor maintenance. Neither the Economic Survey nor the Budget is talking about these, and they remain in a delusional state.

## Infrastructure Expansion and Climate Crisis

Joshimath Subsidence or Teesta dam failure or frequent flooding of cities and towns in the monsoon is established to have caused due to poorly planned infrastructure and urban expansion in a geologically fragile Himalayan zone, which is prone to climate change-driven extreme rainfall and glacier melt, destabilised slopes long known to be vulnerable. And large infrastructure projects built without adequate regard for fragile mountain ecology and changing climate patterns were overwhelmed by intensified floods and glacial lake outbursts. Both the Economic Survey and the Budget remain in a state of climate denial and announce newer projects that accelerate the climate impacts on people and the environment in a massive way. They fail to require the investors to adhere to stringent social and environmental norms while investing in such large projects, keeping in mind the climate crisis.

### Gujarat's ambitious seaplane project has crash-landed

In the context of incentives to indigenise manufacturing of seaplanes announced in the budget, it is useful to look into India's first seaplane service, inaugurated by Prime Minister Narendra Modi linking the Sardar Sarovar reservoir (Statue of Unity) and the Sabarmati Riverfront under the UDAN seaplane initiative in 2020. It has become a high-profile failure as the service barely operated and has long remained grounded despite heavy public spending. The Gujarat government admitted that the seaplane operated for only about 80 days and carried roughly 2,100 passengers before shutting down, and efforts to restart the route have stalled due to lack of operator interest and failed tenders, leaving the project dormant years. The wasteful expenditure of over Rs. 19 cr on the defunct service is emblematic of unrealistic infrastructure promises that did not translate into sustainable operations.

## Key Figures at a Glance

### Ministry of Railways

Overall Allocation: Rs. 2,81,377.32 crore

As share of Overall Budget: 5.26%

As share of GDP: 7.16%

BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
2,55,393.00	2,55,466.32	2,81,377.32

### Schemes Overview

#### Ministry of Finance

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Infrastructure Risk Guarantee Fund	0	0	1,000

#### Ministry of Ports, Shipping and Waterways

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Sagarmala Schemes and Projects	866	699	616.88

#### Ministry of Jal Shakti, Department of Water Resources, River Development and Ganga Rejuvenation

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Jal Jeevan Mission	67,000	17,000	67,670
Ground Water Management and Regulation	509	425	425
Interlinking of Rivers	2,400	1808.29	1906.07
Modernisation of Command Area Development and Water Management	0.00	550	550

## Ministry of Housing and Urban Affairs

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Pradhan Mantri Awas Yojana - Urban	23,294	7800	21,625.05
PM-eBus Sewa Scheme	1,310	300	500

## Ministry of Rural Development

Scheme Name/ Expenditure Head	BE 2024-25	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Pradhan Mantri Gram Sadak Yojna	19,000	11,000	19,000
Pradhan Mantri Awas Yojna (PMAY)- Rural	54,832	32,500.01	54,916.70



A busy street scene in India, likely a market or a crowded urban area. In the foreground, a man is riding a motorcycle with a license plate that reads "11F9J-AP-8237". The motorcycle has "अभि" (Abhi) written on the front. The street is filled with people, including men in shirts and women in saris. A woman in a yellow sari is prominent in the foreground. In the background, there are buildings, a sign for "स्कुल ड्रेस की दुकान" (School Dress Shop), and a poster for "हरि ओम कवीला पेट्रेस" (Hari Om Kavyala Petres). The overall atmosphere is one of a bustling, everyday life scene.

# TAXATION WITHOUT SPECTACLE

# Taxation without Spectacle



## Key Highlights

- Gross tax revenue in FY26 grew just 3.3% in the first eight months, far below the 12.5% budgeted target, highlighting underlying fragility despite overall tax-to-GDP improving from 8.5% (FY16-20) to 9.1% (FY22-25).
- Personal income tax grew from Rs. 4.2 lakh crore (2017-18) to Rs.14.7 lakh crore (FY25), increasing its share of total tax revenue from 21.9% to 33.3%, while corporate taxes remain around 26-28% of revenue.
- Tax demands locked in disputes climbed sharply—from Rs.6.64 trillion (2021-22) to Rs. 14.21 trillion (2023-24), and by the end of FY25, Rs. 38.4 trillion of assessed taxes remained unrealised, with 47% under dispute, limiting the government's ability to spend on public needs.
- India's tax-to-GDP ratio (11.7%) is much lower than that of many large economies; for example, countries like the United Kingdom, France, and Italy mobilise around 24-25% of GDP in tax revenue. India relies more on consumption taxes like GST and less on a balanced mix, limiting the capacity to fund health, education, and climate goals.
- The top 10% of earners capture 58% of income and 65% of wealth, while the bottom 50% get only 15%; FY23-24 tax exemptions cost the government nearly Rs.99,000 crore, highlighting how households bear a heavier burden under GST.

The Union Budget 2026-27 briefly drew attention for raising the Securities Transaction Tax (STT), increasing the cost of derivatives trading. STT on futures was raised from 0.02% to 0.05% of trade value, and on option premiums from 0.10% to 0.15%, triggering an immediate reaction in equity markets as traders reassessed costs and liquidity. While the direct revenue impact of this change is limited, the episode is instructive, even marginal tax adjustments that affect capital markets generate scrutiny, reinforcing how visible segments of the tax system attract disproportionate attention, while deeper and more consequential shifts in revenue mobilisation and distribution often pass with little debate.

## Trends in Tax Revenue and Fiscal Performance

Budgets are often judged by what the finance minister announces rather than by what they actually reveal. In this sense, the taxation proposals in the Union budget FY 2026–27 are notably less for new taxation slabs but more for what it indicates about the deeper direction of India's fiscal landscape. The Economic Survey presents a reassuring picture of India's tax performance, noting that revenue receipts rose from an average of about 8.5% of GDP during FY16–FY20 to around 9.1% in FY22–FY25, and gross tax revenue increased from roughly 10.8% to 11.5% of GDP. It also highlights a growing role for direct taxes, particularly personal income tax, aided by digitisation and improved compliance. Yet, recent in-year trends point to underlying fragility. Assessment by CareEdge Ratings on the budget finds that gross tax revenue in FY26 grew by only about 3.3% during the first eight months, far below the budgeted growth of around 12.5%. Corporate tax, personal income tax, and GST collections have all lagged targets, reflecting softer demand and policy adjustments. Although collections are expected to improve in FY27, this divergence between strong annual aggregates and weak in-year momentum underscores a central tension in India's tax system: stability in headline numbers masks structural vulnerabilities in revenue depth, equity, and resilience.

However, higher collections in the past years alone do not tell us whether the tax system is fair, sustainable, or capable of meeting India's growing needs. Important questions remain unanswered: Who is paying more tax today? Who is paying less? And does the tax system help reduce inequality, or does it quietly reinforce it, especially at a time when public spending needs are rising due to climate risks, welfare demands, and global economic uncertainty?

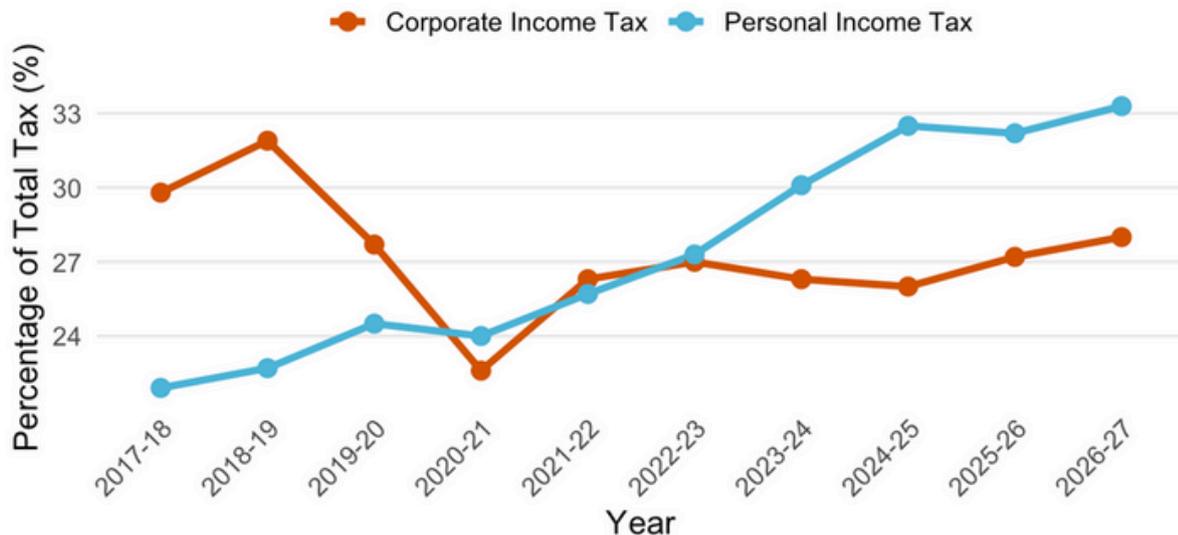
## Shifts in Direct Tax Contributions

In aggregate terms, India's tax collections have indeed risen since the pandemic. Revenue receipts rose from an average of 8.5% of GDP during FY16–FY20 to around 9.1% in FY22–FY25. This improvement was driven primarily by higher gross tax revenue, which increased from 10.8% to 11.5% of GDP over the same period.

The share of direct taxes in total tax revenue has increased steadily, from 51.9% pre-pandemic period to 55.5% post-pandemic period, reaching 58.8% in FY25 (PA). The number of income tax returns filed grew from 6.9 crore in FY22 to 9.2 crore in FY25, reflecting gains from wider compliance, improved use of technology, and more individuals entering the tax net.

## Who is paying more? Rising reliance on Personal Income Tax in India

Share in total tax revenue (%)



Source: Union Budget Documents

Note: Corporate Income Tax and Personal Income Tax include cesses & surcharges.

FY 2025–26 refers to Revised Estimates (RE) and FY 2026–27 refers to Budget Estimates (BE).

Much of the recent growth in tax receipts comes from personal income tax (PIT), particularly from salaried workers, whose incomes are fully visible and taxed at source. Between 2017-18 and 2026-27, total tax revenue increased from Rs.19.2 lakh crore to Rs.44.0 lakh crore, but this expansion was driven disproportionately by personal income tax, which rose from Rs.4.2 lakh crore to Rs.14.7 lakh crore and increased its share from 21.9% to 33.3%. In contrast, corporate tax collections grew from Rs.5.7 lakh crore to Rs.12.3 lakh crore, with their share remaining largely stagnant at around 26–28%, indicating a growing reliance on individual taxpayers for revenue mobilisation.

## Unrealised Tax Revenues Tax Disputes

Yet, a substantial share of assessed taxes in India is never collected. Budget documents repeatedly show large volumes of tax demands locked in disputes, written off due to inadequate assets, or classified as untraceable, weakening the reliability of headline revenue figures. Between 2004-05 and 2023-24, unrealised tax revenue increased from Rs. 1.1 lakh crore to Rs. 31.1 lakh crore, rising steadily year after year and pointing to a persistent gap between assessment and collection.

As a result, rising tax revenues increasingly reflect administrative extractability rather than a genuine expansion of the tax base, with greater dependence on a narrow set of visible and compliant taxpayers. This pattern is underscored by the sharp rise in tax disputes. The Standing Committee on Finance has flagged a 198% increase in disputed direct tax amounts within just two years, with contested demands rising from Rs.6.64 trillion in 2021–22 to Rs.14.21 trillion in 2023–24, even as the number of appeals rose more modestly. This divergence indicates a growing concentration of disputes in high-value cases, rather than widespread non-compliance.

## Tax Head-wise Dispute Intensity of Unrealised Revenues

### Litigation versus recovery-related arrears

Tax Category	Total Arrears (₹ cr)	% Under Dispute%	% Not Under Dispute
Corporation Tax	1,642,329	55.6%	44.4%
Income Tax (Non-Corporate)	1,932,463	34.4%	65.6%
Taxes on Commodities & Services	264,937	80.0%	20.0%

Source: Author's Calculation based on Union Budget 2026–27, Statement on Revenues Raised but Not Realised

## Age-wise Composition of Unrealised Tax Arrears (₹ crore)

### Disputed and Not Under Dispute, FY 2024–25

Age of Arrears	Under Dispute	Not Under Dispute	Total Arrears	Share of Total
1–2 Years	609,308	776,961	1,386,269	36.1%
2–5 Years	706,697	629,210	1,335,907	34.8%
5–10 Years	399,641	407,754	807,395	21.0%
Above 10 Years	73,201	236,956	310,158	8.1%

Source: Author's Calculation based on Union Budget 2026–27, FRBM Disclosure on Tax Arrears

Union Budget 2026–27 disclosures under the FRBM Rules reinforce this assessment. As of end-FY25, tax revenues raised but not realised stood at Rs.38.4 lakh crore, with nearly 47% under dispute. Taxes on income and expenditure alone account for over Rs.35.7 lakh crore, confirming that unrealised revenues are overwhelmingly concentrated in direct taxes. Corporate tax arrears show particularly high litigation intensity, with over half under dispute, compared to about a third for non-corporate income tax.

The age profile of arrears further challenges the Economic Survey’s emphasis on improved compliance. Nearly 71% of outstanding tax demands are less than five years old, suggesting that unrealisation is not a legacy issue but a continuously reproduced feature of the current assessment and enforcement regime. If even 50% of these locked revenues were realised, India could finance a significant share of its annual climate adaptation requirement or expand social spending without raising taxes. Instead, fiscal consolidation increasingly relies on administrative extractability from salaried and easily traceable taxpayers, raising concerns about equity, efficiency, and long-term state capacity.

## Corporate Taxation and Profits

Corporate tax reforms in India have significantly boosted corporate profitability, with listed company profits rising from Rs.2.5 trillion in FY21 to Rs.7.1 trillion in FY25, accompanied by a doubling of corporate tax collections. Yet, this surge in profits has not triggered a corresponding revival in private investment. Analysis of FY 2023–24 corporate returns reveals a structural imbalance: large firms, accounting for over 64% of total profits before tax, face lower effective tax rates (18.85%) than smaller and mid-sized firms, which bear proportionally higher tax burdens.

### Distribution of Corporate Profits and Effective Tax Rates

#### Large firms command most profits while facing lower effective taxation

Profit Before Tax (PBT) Category	Share in Total PBT (%)	Effective Tax Rate (%)
Rs. 0–1 crore	1.62	23.68
Rs. 1–10 crore	5.59	22.64
Rs. 10–50 crore	8.46	21.96
Rs. 50–100 crore	5.2	21.66
Rs. 100–500 crore	14.55	21.04
More than Rs. 500 crore	64.58	18.85

Source: Union Budget Documents, FY 2026–27

Despite robust profits, a significant share of earnings has been diverted to deleveraging, dividend payouts, and cash accumulation rather than productive investment. As a result, even as corporate taxation strengthens profitability, its impact on investment-led growth and broad-based economic dynamism remains limited. However, this concentration of profits and tax advantages among a few large firms also highlights the fragility of revenue growth, a concern underscored by the persistence of unrealised corporate taxes.

Together, these trends underscore a dual challenge: While corporate profits have soared and tax reforms have enhanced incentives, the public finances remain vulnerable to uneven taxation, litigation, and unrealised revenues, limiting both fiscal reliability and the potential for investment-led growth.

## **GST and Household Finances: Distributional Implications**

Among indirect taxes, GST collections have recorded multiple all-time highs in absolute terms during FY26, with growth broadly aligned to nominal GDP. Gross GST revenue during April–December 2025 stood at Rs 17.4 lakh crore, registering a YoY growth of 6.7%. Recent GST rate rationalisation reforms are expected to support demand by lowering tax incidence and improving price competitiveness, while volume and compliance effects help maintain revenue resilience. The underlying strength of GST revenues is also reflected in the steady expansion of the tax base, with registered taxpayers increasing from about 60 lakh in 2017 to over 1.5 crore at present, indicating deeper formalisation of economic activity.

However, as a consumption tax, GST disproportionately affects lower- and middle-income households, who spend a larger share of income on essentials. The rising reliance on indirect taxes coincides with weakening household savings. Net household financial savings dropped to about 5.3% of GDP in FY23, and only slightly recovered to about 5.3% in FY24. This contraction from pre-pandemic levels (around 7–8% of GDP) reflects rising consumption, increasing liabilities, and a lower cushion for future shocks”, reflecting pressures from housing, healthcare, and education.

## **India’s Tax Effort in the International Context**

International comparisons underscore India’s position in global taxation and highlight persistent structural constraints in domestic resource mobilisation. In FY 2021–22, India’s tax-to-GDP ratio stood at just 11.7%, with direct taxes contributing 6.1% of GDP and indirect taxes accounting for the remaining 5.6%. This level remains significantly lower than that of comparable economies. For instance, countries with similar GDP size, such as the United Kingdom, France, and Italy, report tax-to-GDP ratios of around 24.9%, 24.6%, and 24.6% respectively, while even South Africa, a relatively smaller economy, mobilises tax revenues amounting to 24.2% of GDP. Moreover, unlike countries such as France, Japan, or Australia, which raise higher revenues through a more balanced mix of direct taxes, indirect taxes, and social contributions, India relies more heavily on consumption taxes. This limits the government’s capacity to finance social priorities, including health, education, and climate adaptation, without increasing pressure on households, underscoring the structural limitations of India’s current tax framework.

## Equity Implications of the Current Tax Structure

India's tax system provides a measure of stability but falls short on promoting fairness. Income inequality remains among the highest globally: the top 10% of earners capture roughly 58% of national income and almost 65% of total wealth, while the bottom half of the population receives just 15% of income. Wealth concentration is even more pronounced, with the richest 10% owning about 65% of total wealth, and the top 1% alone controlling around 40%, according to the [World Inequality Report 2026](#). Tax expenditures continue to weaken the redistributive power of the system. In FY 2023–24, the government forwent nearly Rs.99,000 crore in corporate tax revenue through exemptions, incentives, and deductions, highlighting the magnitude of revenue foregone under the current corporate tax framework. Corporate profits have grown faster than their tax contributions, leaving households to bear a disproportionate share of the fiscal burden, while unresolved tax disputes undermine revenue certainty.

Thus, without broadening the tax base, rationalising exemptions, strengthening progressive taxation, and streamlining dispute resolution, the system risks prioritising fiscal targets over social equity. A fairer approach would focus on taxing wealth and capital income, recalibrating corporate concessions, encouraging productive investment, and leveraging technology to ensure compliance among high-value taxpayers, steps that could align India's tax system with inclusive growth, climate resilience, and sustainable fiscal credibility.



A close-up photograph of a hand holding a stack of Kenyan 2500 Shilling banknotes. The hand is positioned in the lower-left quadrant, with the thumb and index finger gripping the edges of the stack. The banknotes are fanned out slightly, showing their texture and color. The background is dark and out of focus. The text is overlaid in the upper-middle section of the image.

**BANKING & FINANCIAL INSTITUTIONS:  
DARK CLOUDS OF DEBT, DISTRESS &  
DISINVESTMENT**

# Banking & Financial Institutions: Dark clouds of Debt, Distress & Disinvestment

## Highlights

- **Apparent banking strength hides massive write offs:** Low NPAs and rising profits are underpinned by Rs. 6.15 lakh crore in write-offs, squeezing credit for MSMEs and smaller borrowers.
- **Key banking decisions shifted outside parliamentary debate:** A High-Level Committee is set to decide mergers and disinvestment, bypassing scrutiny and threatening public control over banks.
- **Restructuring of PFC and REC endangers developmental finance:** Commercial efficiency goals may override rural electrification and long-term public-interest lending, raising costs for states and consumers.
- **MSME and agricultural credit growth is faltering:** Equity-based support for a few “future champions” fails to ease widespread working-capital stress among micro and small enterprises.
- **Gold-backed MSME loans reflect distress-led credit:** Rising reliance on household jewellery shifts business risk onto families, masking weak demand and limited access to unsecured, affordable credit.
- **Microfinance is sliding from inclusion to over-indebtedness:** Profit-driven MFIs and NBFCs have deepened multiple borrowing and distress lending among rural women, with growth reversing under stress.
- **Household debt is rising in consumption-led, risky forms:** Personal loans and gold loans now dominate borrowing, signalling financial strain rather than income growth, with no Budget response in sight.



## Overall view of the budget

As far as the banking sector is concerned, the Economic Survey is all praise for the “strong capital buffers, low non-performing asset ratios (NPAs), and increasing profitability”. What such an eulogy misses is the fact that behind the clean books are massive write-offs. The public sector banks have written off an aggregate loan amount of 6,15,647 crore rupees during the last five financial years till 30.9.2025. The high provisions that the banks are forced to cover for their massive write-offs to the big corporations actually undercuts the share of credit available for MSMEs. But such details stay hidden behind the hyperboles. The budget offered precious little to address the concerns around credit, debt and distress.

### High-Level Committee to decide the fate of Public Sector Banks

Recent statements and consultations, including those emerging from the PSB Manthan, indicate a renewed push to dilute government ownership in public sector banks, grant greater autonomy to boards, and leave regulation primarily to the RBI. In the run up to the budget the Finance Minister was heard making emphatic gestures saying privatization of banks cannot hurt financial inclusion and is not against the national interest. There were strong forebodings thereby of merger or disinvestments. Even right after the budget, the FM has made comments regarding disinvestments being on the cards.

But in her budget speech she sidetracked making any major announcements in this regard. What she did instead was to declare the constitution of a High Level Committee on Banking for Viksit Bharat, “to comprehensively review the sector and align it with India’s next phase of growth”.

This is part of a pattern under this government that major announcements that may be unpopular and may have larger public interest implications are often avoided in the budget and instead are either outsourced or come after the budget presentation. A good example being the major decision with regard to the National Monetisation Pipeline which had come through a press conference. The danger of such a practice is that it cleverly disallows public scrutiny and parliamentary debate on such crucial concerns on national importance. Proposals to sell government stakes in banks such as IDBI to foreign investors and to pursue further mergers among public sector banks are deeply troubling. But sadly, none of these steps against the people’s and national interest would be discussed threadbare in the budget session of the parliament and would be decided unilaterally by the High Level Committee. It must be emphasised that such mergers and privatisations of the banking sector are going to be detrimental for the majority of small depositors and small borrowers.

Public sector banks safeguard household savings and provide credit to agriculture, MSMEs, and vulnerable sections. Consolidation and privatisation risk marginalising small depositors and borrowers while concentrating financial power. The complete opening of the insurance sector to foreign ownership further amplifies these concerns.

### **Restructuring of Government financial institutions**

The FM in her budget speech has declared that in order to “achieve scale and improve efficiency” in the Public Sector NBFCs, as a first step, it is proposed to restructure the Power Finance Corporation and Rural Electrification Corporation.

Are these the two next scapegoats after the fateful decision to privatize IDBI? Both PFC and REC were established as development finance institutions, not merely as commercial lenders. Their core public mandate has been to finance rural electrification and grid expansion, support state utilities and public power projects, and absorb long-term risks that private lenders are typically unwilling to take.

A restructuring driven primarily by the goals of efficiency and scale raises the concern that commercial considerations may begin to dominate decision-making, potentially sidelining developmental priorities, particularly in low-return or high-risk regions. From a public-interest perspective, these institutions have also played a crucial role in ensuring the availability of long-term and relatively affordable finance for state power utilities, which in turn has supported sustained investment in rural and remote electrification. If higher returns and efficiency takes over the social mandate of these institutions, it is pertinent to ask what its impact on rural and remote electrification would be concerning many of them are not “profitable” and “remunerative” financially but are largely mandated for social inclusion and equitable distribution of power. If the so-called “restructuring” results in stricter lending norms or higher return expectations, state utilities and rural power projects may face increased borrowing costs. These higher costs are likely to be passed on to consumers through higher electricity tariffs or reflected in reduced quality and reach of services. There is also apprehension that restructuring could increase exposure to privatisation and market volatility. Such processes are often a precursor to reduced government control, partial or full privatisation, and greater reliance on capital markets. This raises concerns that institutions vital to India’s power sector could become more susceptible to market cycles and investor sentiment, rather than being guided by long-term public and developmental needs.



## Critical Assessment

### Banking at a time of global uncertainties

The Economic Survey 2026, while largely praising the government's macroeconomic management, also points to several areas of concern. It acknowledges that FY27 will be a difficult adjustment year, shaped by global uncertainty, unstable capital flows, trade disruptions due to tariffs, and slowing growth in major trading partners. These risks are real and have direct consequences for exports, investment, and jobs. However, the Survey does not clearly explain how these challenges should be tackled through fiscal policy. That responsibility lied with the Finance Minister. The credibility of the Union Budget depended on whether it meaningfully responded to these warnings by building economic buffers, supporting domestic demand, and strengthening policy credibility. Instead it has only celebrated deregulation, hinted at more disinvestments and spoke of further restructuring that entails further weakening the public sector banks and government financial institutions. While it is the public sector banks that were largely credited for averting the headwinds of the global financial crisis of 2008, we do not seem to have taken the right lessons from the past.

### Lukewarm performance in credit disbursal

The Economic Survey indicated that as of 31 December 2025, the (YoY) growth in outstanding credit by SCBs increased to 14.5% compared to 11.2% in December 2024. Overall, it underlined that in the financial year 2026 we observed a moderation in bank credit growth across major sectors compared to the same period last year (though recent months have shown an uptick).

This seems to be a continuation of the trend as observed in the RBI reports pertaining to last financial year. Credit to micro, small and medium enterprises seems to have lost momentum as per the Trends and Progress in Banking Report. While public sector banks did increase their MSME lending portfolio, private banks slowed theirs to the extent that MSME credit as a share of total adjusted net bank credit fell from 19.3% in March 2024 to 19.0% in March 2025. The figures should concern us more in the context of the hardships that tariffs have brought to the MSME sector in recent times. The slowdown is even starker in agriculture. The Finance Minister even in the last two budgets spoke of Kisan Credit Cards (KCC, that falls under Modified Interest Subvention Scheme or MISS) to facilitate short term loans to farmers. Yet, outstanding credit under Kisan Credit Cards grew by just 3.9% in 2024-25, compared with 10.8% growth the previous year.

The Economic Survey acknowledged that despite several claims around credit support in recent years, the MSMEs continue to suffer from credit constraints and financial flows. As such, in this year's budget there seems to be a clear shift in approach. In earlier Budgets, MSME support was largely routed through credit-guarantee schemes, where the government encouraged banks to lend by absorbing part of the risk, even though MSMEs still had to borrow and repay the loans. In contrast, the Rs. 10,000 crore SME Growth Fund in this budget marks a different strategy. Instead of expanding debt-based support, the government is proposing to back select MSMEs through equity and growth capital, focusing on a limited number of so-called "future champions." While this approach may help a few enterprises scale up and become globally competitive, it does little to address the widespread working-capital stress and weak demand faced by the vast majority of micro and small enterprises that continue to depend on affordable credit rather than equity investment.

### **Gold backed credit & Household stress**

The Economic Survey highlights that within the MSME sector, the credit extended to the micro and small enterprises has registered an increase of 24.6% (YoY) in November 2025, up from 10.2% in November 2024. It said that certain regulatory measures, such as revised guidelines on "voluntary pledge of gold and silver jewellery as collateral for small business loans", have helped in improving credit flow to the MSME segment.

But we need to be careful before uncritically celebrating the same. Banks may increasingly prefer gold-backed loans because they are easier to secure and carry lower risk for lenders. But this means that lending decisions are driven more by the availability of household assets than by the strength or productivity of the business itself. As a result, credit may flow disproportionately to those who can pledge personal assets, rather than to enterprises with stronger growth potential.

Moreover, for micro enterprises, where business and household finances are closely intertwined, this trend raises serious concerns about household asset depletion. Entrepreneurs may be compelled to pledge family jewellery in order to keep their businesses afloat, especially during periods of weak demand or cash-flow stress. In the event of default, the consequences extend beyond business failure to the erosion of inter-generational household assets. This effectively shifts business risk onto poorer households, while banks remain largely insulated through collateral protection. Gold-backed MSME loans blur the distinction between formal bank lending and informal distress finance traditionally associated with pawn-based borrowing. While such loans may improve formal credit statistics on paper, their underlying implications seem more distress-driven.

## The dark clouds over Microfinance

The Economic Survey observed something rather grim, not in its main text, but hidden in a box. It underlined strong apprehensions regarding over-indebtedness and distress-borrowing among the rural poor in particular. It is in line with apprehensions being raised by us and other civil society organisations about how microfinance has largely become profit and target driven wherein private NBFCs are looting people with usurious rates and inhuman recovery practices. It is the MFIs and NBFCs to whom small credit has been outsourced to as bank branches have been shrinking over the years in the name of “efficiency”.

The Survey underlined how India’s microfinance sector caters to the most vulnerable 95% of whom are women borrowers and 80% rural clientele. The sector operates through a diverse institutional structure. As of March 2025, NBFC-MFIs held 39% market share by loan outstanding, followed by banks (32%), small finance banks (16%), NBFCs (12%), and others (1%).

While in government discourse microfinance and the role of NBFCs has been celebrated in the name of “financial inclusion”, the Survey points out how the microfinance sector has experienced a reversal in growth in FY25, with loan outstanding declining by 14% on a YoY basis. The stress reportedly appears to have been driven by “credit overexposure” in the sector.

Microfinance, says the Survey, is meant to help poor and low-income households become more stable. But in recent years, the sector has repeatedly gone through periods of stress. These have included too many loans being given, borrowers taking loans from multiple lenders, and a rise in unpaid loans (NPAs). Originally, microfinance was designed to help families manage risk, stabilise incomes, and slowly build assets. The idea was not rapid growth, but steady improvement in household security. Over time, however, many microfinance institutions became closely linked to capital markets and commercial investors. As a result, their priorities often shifted. Growth in loan numbers, bigger portfolios, and higher returns began to matter more. One visible result of this shift, underlines the Survey, is the use of easy but misleading “impact” indicators. These include figures such as the number of borrowers, the size of loan portfolios, the share of women borrowers, or how widely loans are spread across regions. While these numbers show outreach, they do not tell us whether borrowers are actually better off. In fact, they can encourage more frequent lending, loan top-ups, and deeper borrowing, even when households may not have the capacity to repay comfortably.

It is quite significant that the Economic Survey has raised the question as to whether families are becoming financially stronger over time as a result of these loans. This would mean looking at things like whether households are building assets, whether their incomes and cash flows are becoming more stable, whether their savings are growing, whether they are becoming less dependent on informal moneylenders. Whether families are borrowing out of distress during emergencies. When such household-level indicators are examined, it becomes easier to see when credit is doing more harm than good. Studies from India already show areas where too many lenders and multiple loans per borrower have led to over-indebtedness underlines the Survey. In these situations, rapid credit expansion without careful assessment of repayment capacity can weaken household finances and push families into stress. If financial inclusion is understood only as access to loans, it can be fragile. Easy and repeated borrowing can sometimes replace savings, making households more dependent on debt even for routine expenses. When a shock occurs (like illness, job loss, or a bad crop), these households may default and drop out of the formal credit system altogether, undermining the very goal of financial inclusion, says the Survey. An actual evaluation, it says, should not be based on how many loans are given, but by whether families are genuinely becoming more secure, resilient, and less dependent on debt.

Sadly such deeply incriminating observations of the Economic Survey did not yield any concrete steps from the Finance Minister in her budget. Neither did it budget for expansion of full service brick and mortar public sector bank branches. Nor did it signal a reversal of the policy of replacing branches with Bank Mitras which the RBI's own Financial Inclusion Plan 2025-30 identifies as detrimental to the idea of financial inclusion.

### **No concrete measures to address the deepening household debt**

The Economic Survey observes that in terms of sectoral deployment of non-food credit, among the categories of agriculture and allied activities, industry, services and personal loans, the highest YoY growth has been observed in personal loans, with an increase of 12.8% in November 2025. This is in line with the Financial Stability Report household debt in India stood at 41.3% of GDP as of end-March 2025, marking a sustained rise compared to its five-year average of 38.3%. While this is alarming enough, the nature of credits is cause for further concern. Among the major categories of household borrowings, non-housing retail loans, largely taken for consumption purposes, continue to dominate. These loans accounted for 55.3% of total household borrowing from financial institutions as of September 2025, surpassing housing loans as well as agricultural and business-related borrowings.

The Economic Survey said that a significant factor contributing to the growth in personal loans is a substantial rise in loans against gold jewellery, which have increased by a whopping 125.3% (YoY). While it is likely that part of it is due to the increasing prices of gold, it is difficult to ignore the implications of distress lending that it carries.

## Key Figures at a Glance

### Schemes Overview

Ministry of Agriculture, Department of Farmers Welfare

Scheme Name/ Expenditure Head	BE 2024-25 (IN RS CRORES)	RE 2025-26 (IN RS CRORES)	BE 2026-27 (IN RS CRORES)
Crop Insurance Scheme	12,242.27	12,267	12,200
Modified Interest Subvention Scheme(MISS)	22,600	22,600	22,600



# Annexure

## Loans From External Agencies (Projects Disbursing ₹ 100 Crore or more)

Agency	Loan Amount 2025-26 (BE)	Loan Amount 2025-26 (RE)	Loan Amount 2026-27 (BE)
Asian Development Bank	962.22	967.94	1287.18
Asian Infrastructure Investment Bank	453.58	927.61	1321.03
European Investment Bank	3262.62	2061.66	3889.33
World Bank	3406.32	6221.41	5290.81
New Development Bank	696.14	591.55	424.86
France	214.4	496.24	604.18
Germany	549.99	4070.39	2451.45
Japan	6371.52	19291.76	15340.22
Russia	6495.5	6635.26	6030.26

## India's Contributions to Selected International Bodies

Ministry/Department	2025-2026 (RE)	2026-2027 (BE)
International Atomic Energy Agency	55	55
World Trade Organisation	57.59	61.63
United Nations Conference on Trade and Development (UNCTAD), Geneva	0.14	0.14
Contribution to UNESCO	34.5	30
United Nations Environment Programme	4.13	1.52
BIMSTEC Secretariat	17	17
SAARC Secretariat	12	12
Commonwealth Secretariat	13.45	14.18
United Nations Organization	484	450
Contribution to International Development Association (World Bank)	1356.37	773.7
Contribution to UNDP	37.66	42
Contribution for Global Environment Facility (GEF)	44	45
Contribution to WHO and Other International Agencies	54.4	57.58
International Labour Organization, Geneva	51.77	51.83
United Nations Children's Fund (UNICEF)	5.6	5.6
Contribution to UN Women	6	6



# KARTAVYA-LESS BUDGET

## An Analysis of the Union Budget 2026-27

Centre for Financial Accountability (CFA) engages in critical analysis, monitoring and critique of the role of financial institutions – national and international, and their impact on development, human rights and the environment, amongst other areas. Our body of work includes both research and programmes.

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