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UNION BUDGET 2026

Union Budget 2026: A Budget built for stability and growth

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Introduction

The Union Budget 2026–27 lays out a steady, practical plan for the year ahead. It avoids dramatic announcements and instead focuses on economic stability, long-term capability building, and a predictable policy environment for businesses.

Finance Minister Nirmala Sitharaman positioned ‘Atmanirbharta’ (self-reliance) as the guiding principle of the Budget, noting that it has helped India sustain growth of around 7% despite global uncertainty. She highlighted a challenging external environment marked by disrupted supply chains, resource volatility, and shifting trade dynamics, underscoring the need for India to remain globally integrated, expand exports, and attract long-term investment.

Describing this as a "Yuva shakti-driven Budget," the Finance Minister outlined three priorities: accelerating growth while building resilience to global volatility; strengthening people's capabilities so they can participate meaningfully in India's growth; and widening access to opportunities across sectors, families, and regions. The Budget continues India's reform trajectory. Public investment remains a key lever, with capital expenditure raised to INR 12.2 lakh crore and supported by an Infrastructure Risk Guarantee Fund to crowd-in private capital.

On the economy, the Budget supports manufacturing through biopharma and semiconductor initiatives, logistics upgrades, and efforts to secure critical minerals, aimed at strengthening domestic capability. MSMEs benefit from liquidity support, procurement reforms, and a dedicated growth fund, though gaps remain around GST simplification and unified compliance. In services, the proposal for a high-level skilling and jobs committee is a positive step, with its effectiveness hinging on execution.

Financial sector measures aim to strengthen market systems by tightening oversight of NBFCs and improving the bond market framework. Higher Securities Transaction Tax on derivatives has increased short-term trading costs, creating some market caution, but overall tax certainty and regulatory clarity are viewed as stabilising.

Job-intensive sectors such as textiles and rural industries receive targeted support through cluster development, sustainability initiatives, and branding efforts. Across energy, infrastructure, and manufacturing, the emphasis remains on building durable growth foundations rather than short-term stimulus. That said, several areas will require clarity as the year unfolds. Key missions, including AI adoption, service-sector transformation, the climate and energy transition, and the critical-mineral strategy, would benefit from more detailed execution plans. Private investment support remains modest even as public capex reaches a mature stage. Long-standing issues such as MSME credit gaps, especially for women-led enterprises, will need targeted policy solutions.

Overall, the Budget presents a steady and disciplined framework centred on predictability and long-term capacity building, with outcomes ultimately dependent on execution. In this report, we have explored the potential impact of the Budget across six critical ecosystems: climate, inclusion, technology, private capital, global value chains and regulatory. By strengthening these ecosystems, the government is laying the groundwork for a more resilient, inclusive, and sustainable economic future.

01

Climate

Resource security, clean industry readiness and resilient logistics

The Budget advances climate action by backing critical resource development, expanding clean energy manufacturing, and accelerating low-carbon logistics — steps that also help India remain resilient to global supply chain shocks.

Budget measures

- Sets up rare earth corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu to support mining, processing, research, and manufacturing.
- Proposes a 2,052 km Dankuni–Surat DFC to boost east–west freight efficiency and cut transport emissions by shifting cargo from road to rail.
- Extends the Basic Customs Duty exemption on capital goods used for manufacturing lithium-ion cells for batteries, reducing import dependence and boosting local manufacturing.
- Allocates INR 20,000 crore for Carbon Capture, Utilisation and Storage projects, helping hard-to-abate sectors like steel, cement, chemicals and fertilisers reduce emissions and move toward cleaner production.

Gaps to address

- No Green Hydrogen roadmap, leaving a major gap in India's clean molecule strategy.
- Budget does not address the rising electricity demand from data centres, even though power systems are under strain.
- No plan for smart, Artificial Intelligence (AI)-ready power grids, needed to keep energy reliable and affordable as loads grow.

Impact

These steps support India's clean energy goals by linking climate action with industrial growth. They strengthen critical minerals, clean industry and logistics supply chains, and help heavy industries move toward sustainability.

"Budget 2026 makes India's clean energy transition investable by lowering costs across storage, clean power and critical minerals, while boosting circular bioenergy and advancing CCUS at scale. These measures strengthen energy security and position India as a competitive clean energy manufacturing hub."

Amit Kumar
Partner and Climate Ecosystem Leader

02

Automation

Scaling AI, cloud and digital research capacity

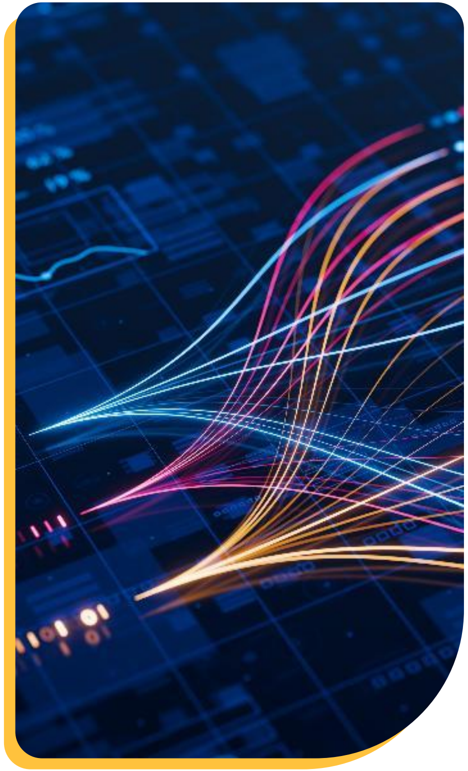
The Budget sets a measured roadmap for automation through stronger AI initiatives, cloud incentives and modernised digital research frameworks. These steps steadily move India toward a more tech-enabled economy.

Budget measures

- Expands national AI and emerging-tech missions, including AI, Quantum and Anusandhan NRF, to strengthen India's automation and innovation capacity.

  An INR 1 lakh crore RDI Fund to fast-track deep-tech, AI and quantum capabilities.

- Sets up a High-Powered Services Standing Committee to link education, employment and enterprise, assess AI's impact on jobs, and steer India toward a 10% global services share by 2047.
- Offers a tax holiday till 2047 for foreign companies providing global cloud services through data centres in India, supported by a 15% safe harbour for related-party transactions.
- Strengthens digital research capacity through 1,000 accredited clinical trial sites and a modernised regulatory framework under Biopharma Shakti (supports automation in drug discovery, trials and approvals).



1. Climate

2. Automation

3. Regulatory

4. Private capital

5. Global Value Chains

6. Inclusion

7. Conclusion

Gaps to address

- AI skilling push remains limited, and with the IndiaAI Mission funding halved to INR 1,000 crore, talent gaps could slow automation readiness.
- Limited emphasis on green industry schemes, especially storage and clean tech scale-up.
- Insufficient incentives for foundational AI and deep tech research, limiting India's innovation pipeline.
- India's compute capacity remains far below global benchmarks, and the Budget does not allocate enough toward GPUs and AI infrastructure needed for semiconductors, biosciences, and automation.

Impact

The Budget strengthens the foundations for automation by expanding AI initiatives, improving cloud infrastructure and upgrading digital research systems. These steps support a gradual shift toward more tech-enabled services and workflows.

"The Budget strengthens the building blocks for automation. The next task is disciplined rollout—governed data, cloud cost control and targeted AI skills, to convert these enablers into reliable productivity. Our focus should be a few scalable use-cases with clear ROI and tight governance."

Amit Khanna

Partner and Automation Ecosystem Leader

03

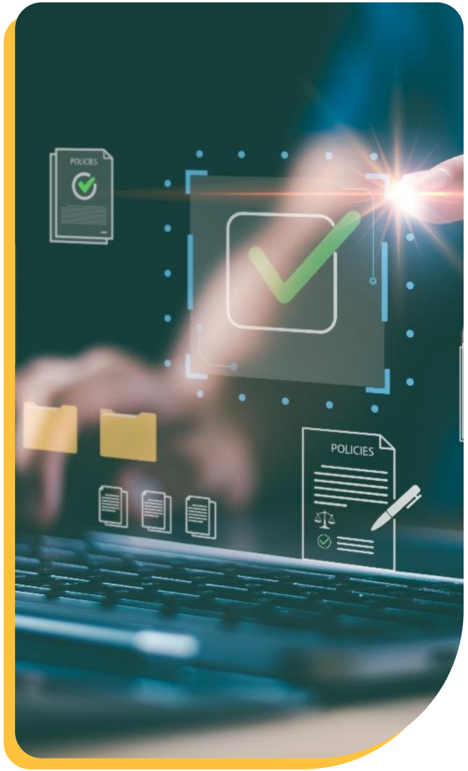
Regulatory

Reforms, institutional strength and compliance clarity

The Budget reinforces a steady, rules-based reform path, emphasising institutional independence, simpler compliance, and predictable regulation.

Budget measures

- Keeps the reform agenda on track with 350+ measures since 2025, including GST simplification, labour code progress, and stronger quality control norms, signalling stability and continuity.
- Sets up a high-level committee on banking for Viksit Bharat to assess the banking sector, strengthen governance, and align it with India's next growth phase.
- Refreshes the NBFC vision with clearer credit delivery and technology adoption expectations, supported by restructuring PFC and REC to improve public finance efficiency.
- Simplifies compliance for MSMEs through:
  - Central Public Sector Enterprises paying MSMEs through a single online platform (TReDS), improving payment speed and reliability.
  - Government-backed guarantees for MSME invoices, making short-term financing easier and safer.
  - Linking GeM with TReDS, allowing MSMEs to track and finance receivables in one place.



Gaps to address

- TDS remains complex; a simpler, neutral system would reduce friction for businesses.
- Advance Ruling remains slow, limiting certainty for foreign investors.
- Inverted duty structures persist, weakening cost competitiveness for domestic producers.
- Safe harbour rules need further refinement to reduce classification disputes, especially in IT/ITeS and outsourcing.

Impact

These measures create a more predictable and stable regulatory environment, improve institutional capacity, and make compliance easier for businesses, especially MSMEs, during a period of rapid economic change.

> **"Building competitiveness for sustained economic growth requires a strong balance between innovation and regulation. Deregulation is a key lever to achieve this by rationalising compliance costs without compromising systemic stability."**

Vivek Iyer
Partner and Regulatory Ecosystem Leader

04

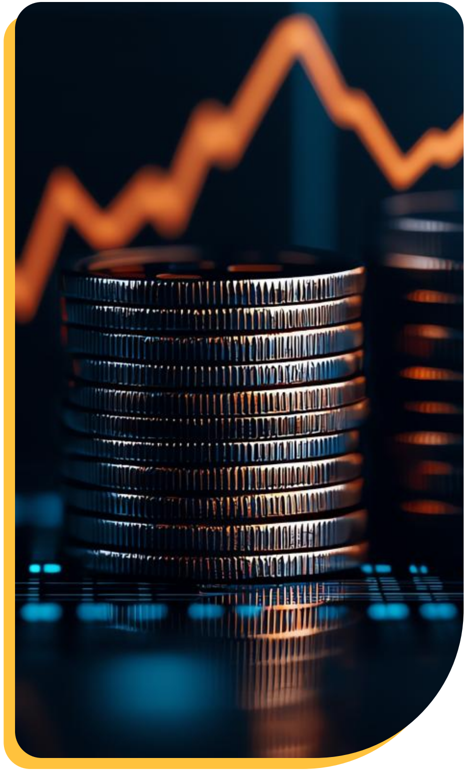
Private capital

Derisking growth, lowering friction and crowding in investment

The Budget adopts a clear stance: support private investment, not compete with it. The government anchors long-term growth through public capex while reducing risks and frictions so private capital can drive the investment cycle.

Budget measures

- Continues the capex-led model, letting private players lead investment while the government supports demand, cuts risk and keeps capital costs low.
- Introduces an Infrastructure Risk Guarantee Fund to reduce construction phase risk and make large projects more bankable for private investors.
- Accelerates CPSE asset monetisation, including real estate assets through dedicated REIT structures, to unlock capital and improve efficiency.
- Strengthens mid-market financing with:
  - INR 10,000 crore SME Growth Fund for high-potential enterprises,
  - INR 2,000 crore top-up to the Self-Reliant India Fund for micro-enterprise risk capital,
  - mandatory TReDS use by CPSEs to improve MSME payment cycles,
  - invoice guarantee support to help MSMEs access quicker financing,
  - Corporate Mitras in Tier 2 and Tier 3 cities offer affordable compliance assistance.
- Improves tax clarity and liquidity through stronger anti-evasion efforts, evolving safe harbour rules, and an amnesty for overseas income, reducing litigation for students and workers abroad.
- Treats buybacks as dividends, simplifying taxation and leaving more post-tax cash with investors.



Gaps to address

- No updated PLI incentives for next-generation frontier sectors.
- Power distribution reform is missing, which is key for private participation in energy and manufacturing.
- R&D tax support remains modest, slowing domestic IP creation.

Impact

These measures lower risk, increase capital flow, and reduce transaction friction, helping private investors commit to longer-term projects. MSMEs gain better cash flow, easier financing and simpler compliance, strengthening the middle of India's enterprise pyramid.

> **"This Budget sends a clear signal: private capital will lead India's next investment cycle. By reducing risk, improving payment flows, and strengthening institutional clarity, it creates the stability investors need to commit with confidence."**

Siddharth Nigam
Partner and Private Capital Ecosystem Leader

05

Global Value Chains

Building sectoral depth, transport corridors and market access

The Budget strengthens India's position in global value chains by building deeper industrial capability, improving domestic connectivity, and signalling stability to international investors.

Budget measures

- The Budget deepens India's manufacturing base by supporting semiconductor, biopharma and chemical ecosystems, reducing dependence on imported inputs.
- Improves connectivity with dedicated freight corridors and seven high-speed city connectors, reducing logistics cost and improving speed to market.
- Expands inland and coastal waterways, aiming to lift their modal share from roughly 6% toward 14%, lowering transport costs and carbon emissions.
- The Budget improves investor confidence through higher public capex, easier customs rules and consistent reforms.
- Accelerates textile sector transformation across fibre production, cluster modernisation, sustainable manufacturing, skilling (SAMARTH 2.0) and mega textile parks. It also aligns the sector with emerging global trade opportunities, including a potential EU FTA.

Gaps to address

- Inverted duty structures still distort costs, reducing competitiveness for domestic producers.
- Customs procedures need faster on-ground simplification to match global trade expectations.
- Export finance options for mid-market firms remain limited, slowing their ability to scale and compete internationally.

Impact

The Budget helps India progress from basic assembly to higher-value capabilities by upgrading clusters, improving logistics and easing trade. This strengthens India's position as a reliable and competitive export hub.

"The Budget enables better value chains by improving domestic sourcing, integrating Tier-2/3 suppliers, lowering landed costs, and accelerating project commissioning. For global investors, this translates into predictable operations and scalable production ecosystems. The outcome is a shift from cost arbitrage to value creation-positioning India as a reliable manufacturing hub and driving high-quality FDI with deeper local value addition."

Rahul Turki
Partner and Global Value Chains Ecosystem Leader

06

Inclusion

Driving inclusion through skills, regional access and health tourism growth

The Budget shifts the inclusion agenda from transfers to productive participation, with human capital, skills, and regional development at the core.

Budget measures

- Widens MSME participation by improving liquidity, easing compliance and expanding market access, supported by measures such as TReDS-based payments, easier financing and targeted advisory support.
- Supports health tourism by developing regional medical hubs, helping attract international patients and strengthening healthcare capacity.
- Expands opportunities in the healthcare workforce through new training pathways, including AYUSH institutes, clinical trial infrastructure and skilling programs for persons with disabilities.
- Strengthens rural and artisanal value chains through the National Handloom & Handicraft Programme, ODOP, SAMARTH 2.0, and the Mahatma Gandhi Gram Swaraj initiative, improving training, quality, branding and global market linkages.
- Expands workforce inclusion through specialised skilling initiatives for divyangjan, creating more pathways for dignified and skilled employment.
- Creates new high-skill opportunities by expanding biopharma and semiconductor training, research and regulatory capacity.
- Improves tourism connectivity by introducing seaplane services to remote regions. This helps bring more visitors and creates local jobs, especially in the north-east.

Gaps to address

- AI-driven job shifts require stronger reskilling, beyond committee-level guidance, to help workers adapt to new roles.
- Underserved districts need better grid and digital access to fully benefit from growth in services, tourism and healthcare.
- Inclusion gains depend on faster ground execution, particularly in remote regions where infrastructure gaps persist.

Impact

These measures ensure that more workers, small businesses and underserved regions are included in India's growth story. Better local infrastructure, smoother connectivity and stronger rural value chains allow more communities to benefit from growth.

“The government has moved decisively from a populist, consumption-focused framework to a capex-led model that builds long-term capacity. By supporting both traditional and emerging sectors, this budget gives the MSME ecosystem the structural push it has long needed. It is a shift toward growth built on capability, technology and competitiveness.

Kunal Sood
Partner and Inclusion Ecosystem Leader

07

Conclusion

The Union Budget 2026–27 presents a focused, ecosystem-driven plan to strengthen India's capabilities and competitiveness. By investing in critical minerals, semiconductors, biosciences, infrastructure, MSME liquidity, skills and regional development, the Budget moves India from incremental reforms to structural, long-term capacity building.

Across the six critical ecosystems of Climate, Automation, Regulatory, Private Capital, Global Value Chains, and Inclusion, the policy direction is clear: build domestic depth, reduce vulnerabilities, simplify rules, crowd in private capital, and broaden participation.

While gaps remain, the Budget sets a strong foundation for India to climb higher up global value chains and ensure growth is resilient, innovative and inclusive.

It is a decisive step towards Viksit Bharat.

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