VOLUME 1 | ISSUE 22| February 2026

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Balancing fiscal discipline at 4.3% with the high-octane growth of Semiconductor Mission 2.0.

Reform Express 2026: Scaling Manufacturing, Skilling 'Yuva Shakti', and the New Tax Horizon.

Inside the Union Budget: Why a record capex push is the new anchor for a resilient Viksit Bharat.


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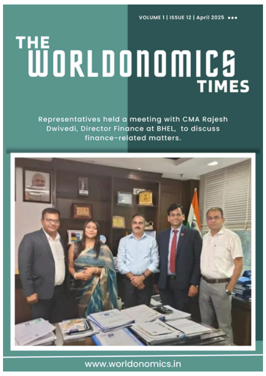
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Representatives held a meeting with CMA Rajesh Dwivedi, Director Finance at BHEL, to discuss finance-related matters.
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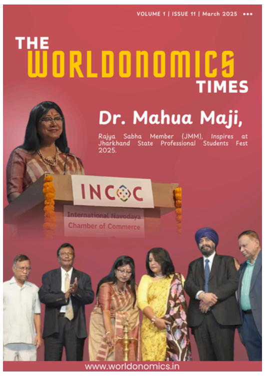
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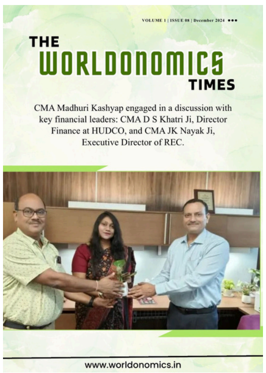
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CMA Madhuri Kashyap engaged in a discussion with key financial leaders: CMA D S Khatri Ji, Director Finance at HUDCO, and CMA JK Nayak Ji, Executive Director of REC.
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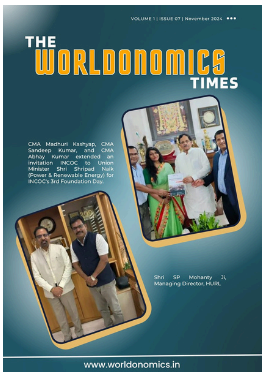
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THE RANCHI PRESS CLUB
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Chief Guest:
Dr. Ravindra Kumar Rai
State President (Working)
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THE WORLDONOMICS TIMES

PUBLISHED BY

INTERNATIONAL NAVODAYA CHAMBER OF COMMERCE

Established in 2021
Volume 1 | Issue 22 | February 2026 | Knowledge Box

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From the Editor's Desk

Dear Esteemed Readers,

Empowering the Global MSME Community

It is with a profound sense of purpose and professional pride that I present the February 2026 edition of The Worldonomics Times. This month, we stand at a historic crossroads for the Indian economy as the government unveils the Union Budget 2026–27, a vision we have defined as "The Kartavya Blueprint".

In an era marked by rapid global change—from trade disruptions and supply chain pressures to geopolitical tensions—this budget signals a significant shift in fiscal philosophy. It moves away from short-term populist announcements toward long-term structural health, anchoring a resilient Viksit Bharat through sustained public investment.

The Philosophy of the "Kartavya Blueprint"

The term "Kartavya" (Duty) is not merely rhetorical in this budget; it represents a foundational shift in how national success is measured. The Budget 2026–27 is built upon a Three Kartavya Framework:

Growth: Prioritizing high-octane economic expansion to reach our national milestones.

Capacity: Investing heavily in human capital, technology, and strategic infrastructure.

Inclusion: Ensuring that the benefits of this "Reform Express" reach every citizen, especially through the empowerment of MSMEs and rural entrepreneurs.

This framework reflects a mature approach that recognizes the interdependence of growth, stability, and environmental responsibility.
Navigating the "Reform Express"

Our lead coverage, "Reform Express 2026," explores the government's renewed focus on deregulation and the reduction of unnecessary compliance. Rather than introducing a flurry of new schemes, the strategy now centers on improving how existing frameworks function through technology and administrative ease.

A central pillar of this effort is the New Income Tax Act, 2025. By streamlining complex legal provisions and rationalizing penalties, the state is moving away from an adversarial stance toward a trust-based regime. This transparency and predictability are essential for building a globally competitive economy.

Strategic Industrial Shifts and Infrastructure

The budget marks a historic ₹12.2 Lakh Crore infrastructure leap. This record capital expenditure is not just about building roads and railways; it is about creating a logistics ecosystem that supports private investment and global trade.

Key strategic areas highlighted in this issue include:

Semiconductor Mission 2.0: Moving India from digital adoption to digital leadership.

Manufacturing Leadership: Focused pushes in electronics, biopharma, textiles, and rare earths to integrate India deeper into global value chains.

City Economic Regions: A new focus on Tier-II and Tier-III cities as unified economic engines, preventing unplanned sprawl while boosting regional productivity.

Empowering the Backbone: MSMEs and "Corporate Mitras"

Small businesses remain the decisive drivers of job creation and exports. The Budget 2026–27 introduces the "Corporate Mitras" system—a landmark initiative where professional institutions like ICAI, ICSI, and ICMAI partner to provide affordable compliance support. This system is designed to make professional assistance accessible in smaller towns, ensuring that compliance becomes an enabler of growth rather than a burden.

Technology, Green Growth, and the Future

Artificial Intelligence and digital infrastructure are no longer isolated sectors but cross-cutting enablers of productivity. Through the AI Mission, India is enhancing governance, education, and agriculture.

Simultaneously, we are embracing a pragmatic approach to Green Growth. By framing sustainability as an opportunity for new industries —such as green hydrogen and renewable expansion—the budget ensures that our environmental responsibilities drive economic resilience.

The Role of the Finance Professional

As CA CMA Sandeep Kumar, I believe these reforms redefine our role. We are moving beyond compliance firefighting toward becoming strategic partners and risk managers. The high-level committee on "Banking for Viksit Bharat" and the transition toward disciplined, long-term capital markets emphasize the need for ethical stewardship and sophisticated advisory.

Our profession must continuously upskill to navigate this "high-octane" landscape, where technology-driven transparency and trust-based governance are the new norms.

Extended Analysis: The Pillars of 2026

Section I: The Big Picture - Stability as the New Stimulus

For decades, the Indian budget was viewed as a collection of announcements. In 2026, it has transitioned into a document of intent. By prioritizing reforms over freebies, the budget positions itself as a roadmap for long-term health rather than immediate political visibility. This continuity reinforces the narrative of political and economic stability, which is the ultimate stimulus for private investment.

Section II: Sectoral Deep-Dives

Infrastructure & Logistics: The push for REITs and municipal bonds aims to mobilize private capital for urban infrastructure, reducing dependence on direct budgetary support.

Energy Transition: The budget recognizes that affordability and reliability must be protected even as cleaner systems are adopted, reflecting a mature, pragmatic approach to the energy transition.

The Services Engine: Recognizing sectors like AVGC (Animation, Visual Effects, Gaming, Comics) and tourism as pivotal for employment, the budget signals a pivot to services-led growth to fortify India's balance of payments.

Section III: Taxation and the Trust-Based Regime

The New Income Tax Act, 2025 is not just a revision; it is a structural change. The introduction of early resolution mechanisms for transfer pricing and the expansion of tax incentives for data centers highlight a coherent strategy to leverage fiscal tools for infrastructure creation and global competitiveness.

Conclusion: A Multi-Year Horizon

Budget 2026–27 sends a clear message to all stakeholders: planning and investment decisions should be made with a multi-year horizon. As we march toward Viksit Bharat @ 2047, the alignment of execution, efficiency, and long-term thinking will define national success.

Acknowledgments

I extend my heartfelt gratitude to the Editorial Board, our esteemed advisors from NSIC, NFL, and GAIL, and the International Navodaya Chamber of Commerce (INCOC) for their unwavering support.

We invite you to dive deep into this issue. Let it serve as your comprehensive roadmap for understanding and participating in India's next great phase of growth.

Sandeep Kumar (FCMA, CA)
Editor-in-Chief
The Worldonomics Times
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BUDGET 2026 HIGHLIGHTS

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The Big Picture: What This Budget Is Trying to Achieve

The Union Budget 2026–27 has been presented at a time when the global economy is facing uncertainty from multiple directions. Trade disruptions, pressure on supply chains, technological shifts, and geopolitical tensions form the backdrop against which this Budget has been framed. Against this challenging environment, the Government has chosen a steady and deliberate approach rather than dramatic announcements.

Over the last twelve years, the Budget speech notes that India's economic journey has been marked by stability, fiscal discipline, sustained growth, and moderate inflation. The Finance Minister highlights that conscious policy choices, even during periods of disruption, have helped the economy maintain a growth rate of around 7 percent. This Budget builds on that foundation and signals continuity rather than a sharp change in direction.

The central message of the Budget is clear: growth must continue, but not at the cost of stability. Instead of focusing on short-term giveaways or large new subsidies, the emphasis is on strengthening productive capacity, improving competitiveness, and building resilience. Public investment remains a key driver, with capital expenditure proposed to rise to ₹12.2 lakh crore in 2026–27, up from ₹11.2 lakh crore in the previous year. This reflects the Government's belief that sustained public capex creates a crowding-in effect for private investment.

Another important aspect of this Budget is its focus on long-term planning. The speech repeatedly refers to India's journey towards becoming a developed nation, while also recognising the need to stay integrated with global markets. Export growth, domestic manufacturing, energy security, and reduced import dependence are presented as interconnected goals rather than isolated policy objectives.

From a fiscal perspective, the Budget underlines the Government's commitment to discipline. The fiscal deficit for 2026–27 is estimated at 4.3 percent of GDP, improving from 4.4 percent in the revised estimates of the previous year. The debt-to-GDP ratio is also projected to decline, supporting the broader aim of freeing up resources for priority sectors over time.

Overall, this Budget sets the tone for the years ahead. It is less about immediate relief and more about direction. For businesses, professionals, and policymakers, the key takeaway from the big picture is that the Government is prioritising stable growth, reform-led development, and long-term capacity building over short-term measures.

The Economic Context Behind the Budget

The Budget 2026–27 is framed against a challenging global and domestic economic backdrop. The Finance Minister explicitly acknowledges that global trade and multilateral systems are under stress, while access to supply chains, resources, and critical minerals has become more uncertain. At the same time, rapid technological change is reshaping production systems and increasing pressure on water, energy, and infrastructure.

Despite these global headwinds, India's economic position is presented as relatively strong. The Budget speech notes that sustained reforms, fiscal prudence, and public investment have helped India maintain a growth rate of around 7 percent in recent years, while also reducing poverty and improving living standards. This context explains why the Government has chosen continuity and stability as the guiding principles of this Budget.

Rather than responding to uncertainty with short-term stimulus or aggressive spending, the Government has focused on strengthening domestic capabilities. Building manufacturing capacity, improving energy security, and reducing critical import dependence are highlighted as strategic priorities. These measures are not positioned as temporary responses, but as long-term safeguards to protect growth in a volatile global environment.

The Budget also reflects an understanding that India must remain integrated with global markets. The speech emphasises the need to export more, attract stable long-term investment, and remain connected to global capital and trade flows. This balance between self-reliance and global integration forms a key part of the economic context shaping the Budget's overall direction.

Growth with Stability: The Core Economic Thinking

A central theme running through the Budget 2026–27 is the idea that economic growth must be supported by stability. The Government makes it clear that rapid expansion without fiscal discipline can weaken the economy over time. As a result, this Budget places equal importance on sustaining growth and maintaining macroeconomic balance.

This thinking is reflected in the Government's fiscal strategy.

The fiscal deficit for 2026–27 is estimated at 4.3 percent of GDP, improving from 4.4 percent in the revised estimates of 2025–26. This marks the continuation of a consolidation path that aims to gradually reduce debt levels without cutting back on essential development spending. The debt-to-GDP ratio is projected to decline further, supporting the longer-term objective of reaching a stable and sustainable debt position.

At the same time, the Government has avoided contractionary policies that could slow down the economy. Total expenditure for 2026–27 is estimated at ₹53.5 lakh crore, up from ₹49.6 lakh crore in the revised estimates of the previous year. This indicates that fiscal discipline in this Budget is being achieved through better prioritisation and efficiency, rather than by reducing overall spending.

The Budget also reinforces the idea that stability builds confidence. Predictable taxation, steady reforms, and clear fiscal targets are intended to provide businesses and investors with a sense of certainty. In an environment where global volatility is high, this approach is meant to encourage long-term investment decisions rather than short-term, risk-averse behaviour.

By combining a controlled fiscal deficit with continued investment and reform, the Budget positions stability not as a constraint on growth, but as its foundation. This balance between discipline and development is one of the most important messages conveyed in the big-picture narrative of the Budget.

From Freebies to Reforms: A Clear Shift in Budget Priorities

One of the most noticeable features of the Budget 2026–27 is what it deliberately avoids. There is very little emphasis on large-scale new subsidies or short-term giveaways. Instead, the focus is firmly on reforms, systems, and institutional strengthening. This reflects a conscious shift away from consumption-led stimulus towards productivity-led growth.

The Budget speech highlights that over 350 reforms have been rolled out following the Prime Minister's announcement on Independence Day in 2025. These include simplification of GST processes, notification of labour codes, rationalisation of quality control orders, and coordinated efforts with State Governments to reduce regulatory burdens. The message is clear: reforms are no longer one-time events, but an ongoing process.

This reform-first approach is closely linked to the Government's belief that sustainable growth cannot be driven by repeated short-term incentives. Instead of announcing numerous new schemes, the Budget seeks to improve how existing frameworks function. Deregulation, reduction of unnecessary compliance, and use of technology for governance are presented as tools to improve efficiency across the economy.

For businesses and professionals, this shift has important implications. The emphasis moves away from tracking new incentives every year and towards adapting to improved systems, clearer rules, and stronger compliance frameworks. The Budget signals that efficiency, transparency, and accountability will play a larger role in economic decision-making going forward.

By prioritising reforms over freebies, the Budget positions itself as a document focused on long-term economic health rather than immediate political gains. This marks a significant evolution in fiscal thinking and sets the tone for how future budgets may be structured.

Long-Term Planning Over Short-Term Announcements

Another defining feature of the Budget 2026–27 is its clear preference for long-term planning over short-term announcements. The speech repeatedly places current policy decisions in the context of India's future economic position rather than limiting them to the needs of a single financial year.

This long-term approach is visible in the way capital expenditure, manufacturing capacity, energy security, and human capital are discussed. Instead of announcing one-time allocations, the Budget outlines multi-year commitments, such as sustained public investment, expansion of strategic manufacturing sectors, and long-term energy and climate initiatives. These measures are designed to create durable economic capacity rather than temporary demand.

The Budget also aligns fiscal policy with longer-term national goals. The reference to maintaining fiscal discipline while steadily reducing the debt-to-GDP ratio indicates that public finances are being managed with a multi-year horizon in mind. The Government reiterates its commitment to a responsible fiscal path, ensuring that today's spending does not become tomorrow's burden.

Importantly, this long-term perspective is not limited to economic growth alone. Capacity building in areas such as skills, technology adoption, services, and institutional reforms is presented as essential for sustaining growth over decades. The Budget treats these investments as foundational, recognising that outcomes may not be immediate but will shape India's economic resilience in the future.

By prioritising long-term outcomes over short-term visibility, the Budget sends a clear message to businesses and professionals: planning, investment, and compliance decisions should be made with a longer horizon in mind.

This reinforces the idea that Budget 2026–27 is a roadmap document rather than a checklist of annual announcements.

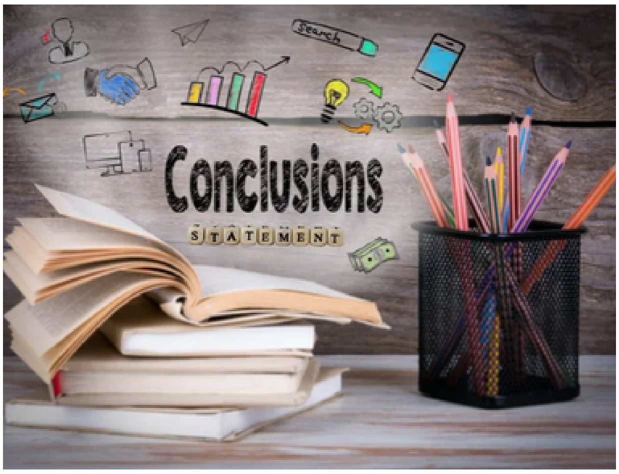
What This Budget Signals for Businesses and Professionals

For businesses and professionals, the Budget 2026–27 sends a clear and consistent signal: the operating environment is expected to become more stable, predictable, and reform-driven. The emphasis on fiscal discipline, steady capital expenditure, and system-based reforms suggests that policy shocks are unlikely, while continuity in rules and frameworks is being prioritised.

The Budget's focus on reforms over new schemes means that businesses will need to adapt to improved processes rather than chase fresh incentives every year. Simplification of regulations, reduction in compliance burdens, and greater use of technology in governance point towards an ecosystem where efficiency and transparency will matter more than navigating complexity.

For finance professionals, this Budget reinforces a shift in expectations. Predictable fiscal policy, clearer tax frameworks, and rationalised penalties indicate that compliance and advisory roles will increasingly be about interpretation, planning, and risk management rather than routine procedural work. The Government's emphasis on long-term planning also means that financial decisions—whether related to investment, expansion, or restructuring—must be aligned with multi-year policy signals rather than short-term tax outcomes.

The continued increase in public capital expenditure, alongside reforms in manufacturing, MSMEs, infrastructure, and services, also creates opportunities. Businesses that align themselves with these priority areas are likely to benefit from improved infrastructure, better access to finance, and a more supportive policy environment. Overall, the Budget encourages businesses and professionals to think strategically, plan ahead, and operate within a framework of stability rather than uncertainty.



Conclusion: The Real Message of Budget 2026–27

When viewed as a whole, the Union Budget 2026–27 is less about individual announcements and more about intent. Its real message lies in the consistency of its approach: growth anchored in stability, reforms over short-term measures, and long-term capacity building over immediate visibility.

The Budget reflects confidence in the reforms already undertaken and signals a commitment to stay the course. By maintaining fiscal discipline while continuing to invest in infrastructure, manufacturing, human capital, and institutional strength, the Government is positioning the economy to handle future uncertainties with resilience.

For readers across business, finance, and policy domains, the big picture is clear. This Budget is not designed to surprise, but to reassure. It sets expectations for a predictable policy environment where execution, efficiency, and long-term thinking will define success. In that sense, Budget 2026–27 functions as a roadmap—one that outlines where the economy is headed and what will be required from all stakeholders along the way.

Three Kartavya Framework: Growth, Capacity, and Inclusion

The Union Budget 2026–27 is built around a clearly defined framework that the Finance Minister describes as three kartavya, or core duties of the Government. This framework provides the intellectual structure of the Budget and explains how diverse policy measures—ranging from manufacturing and infrastructure to education and social inclusion—fit into a single narrative.

The three kartavya are not presented as abstract ideas. They are used as organising principles to guide economic priorities, public spending, and reforms. By explicitly anchoring the Budget around these duties, the Government signals that policy decisions are being evaluated not in isolation, but in terms of how they contribute to long-term national goals.

At its core, this framework seeks to balance economic ambition with social responsibility. It recognises that rapid growth alone is not sufficient unless it is accompanied by capacity building and inclusive access to opportunities. The three kartavya together form the foundation on which the Budget's proposals are designed and implemented.

First Kartavya: Accelerating and Sustaining Economic Growth

The first kartavya focuses on accelerating and sustaining economic growth by improving productivity, competitiveness, and resilience. The Budget speech emphasises that growth must be strong enough to absorb shocks arising from volatile global conditions, technological change, and resource constraints.

This kartavya is reflected in the Government's continued emphasis on public investment, particularly capital expenditure. The proposed increase in public capex to ₹12.2 lakh crore in 2026–27 demonstrates the belief that infrastructure-led growth strengthens the economy's productive base and encourages private investment. Manufacturing expansion, logistics development, and energy security are also key components supporting this objective.

The Budget further highlights the importance of structural reforms in sustaining growth. Measures such as deregulation, simplification of compliance, and coordinated reform efforts with State Governments are intended to reduce friction in economic activity.

Second Kartavya: Fulfilling Aspirations and Building Capacity

The second kartavya focuses on people—on enabling citizens to participate meaningfully in India's growth story by building skills, institutions, and opportunities. The Budget speech makes it clear that growth outcomes depend not only on investment and infrastructure, but also on the capacity of people to take advantage of emerging opportunities.

A key element of this kartavya is the renewed emphasis on the services sector as a driver of employment, exports, and aspiration. The Budget proposes the creation of a High-Powered "Education to Employment and Enterprise" Standing Committee to identify services sub-sectors with high growth and job potential. The objective is to make India a global leader in services with a targeted 10 percent share of global services exports by 2047. This reflects a recognition that services—such as IT, healthcare, tourism, design, education, and creative industries—will play a decisive role in shaping future employment.

Capacity building is also addressed through targeted interventions across sectors. In healthcare, the Budget proposes upgrading existing institutions and establishing new ones for Allied Health Professionals, with the aim of adding 100,000 professionals over the next five years. A structured caregiving ecosystem is also planned, with 1.5 lakh caregivers to be trained in the coming year. These measures are designed not only to meet domestic needs, but also to create skilled professionals who can serve global markets.

The Budget extends this capacity-building approach to emerging and creative sectors. Initiatives in animation, visual effects, gaming, comics, design, and sports are aimed at creating structured career pathways for youth. The proposal to set up AVGC content creator labs in schools and colleges, establish new design institutions, and strengthen sports infrastructure highlights the Government's intent to move beyond traditional employment models.

Education and research are another important pillar of this kartavya. Support for university townships near industrial and logistics corridors, hostels for women in STEM institutions, and investment in advanced scientific infrastructure reflect a long-term commitment to strengthening India's knowledge base. Together, these measures seek to convert aspiration into capability by ensuring that education, skills, and employment opportunities are aligned.

Third Kartavya: Sabka Sath, Sabka Vikas Through Inclusive Growth

The third kartavya aligns with the vision of Sabka Sath, Sabka Vikas and focuses on ensuring that growth reaches all sections of society and all regions of the country. The Budget emphasises that economic progress must translate into improved access to resources, services, and opportunities for families, communities, and regions that have historically been left behind.

In agriculture and the rural economy, the Budget outlines a shift from income support alone to productivity enhancement and diversification. Initiatives covering fisheries, animal husbandry, high-value crops, and agri-technology aim to increase farmer incomes while creating new employment opportunities in rural and peri-urban areas. The launch of Bharat-VISTAAR, a multilingual AI-based advisory tool integrating agricultural data and best practices, is intended to support better decision-making by farmers and reduce risk.

The Budget also places strong emphasis on empowering women and vulnerable groups. The proposal to set up Self-Help Entrepreneur Marts builds on the success of women-led livelihood programmes and encourages the transition from credit-based activities to enterprise ownership. For Divyangjan, targeted skill development programmes and improved access to assistive devices are aimed at ensuring dignified livelihood opportunities.

Mental health and trauma care receive focused attention under this kartavya. The proposal to establish a new national institute for mental healthcare and upgrade existing institutions addresses a critical gap in healthcare infrastructure, particularly in underserved regions. These measures underline the Government's view that inclusion must extend beyond income and employment to overall well-being.

Regional balance is another important aspect of inclusive growth. Special focus on the Purvodaya States and the North-Eastern Region through industrial corridors, tourism development, transport infrastructure, and cultural initiatives reflects an effort to integrate these regions more closely into the national growth process.

How the Three Kartavya Work Together

While each kartavya addresses a distinct objective, the Budget presents them as interconnected rather than independent. Accelerating growth without building capacity would limit long-term sustainability, while capacity building without inclusive access would deepen inequalities.

The three kartavya framework seeks to avoid both outcomes by aligning economic expansion, human development, and social inclusion.

This integrated approach explains why the Budget simultaneously focuses on capital expenditure, reforms, skills, services, agriculture, and social infrastructure. Each policy measure is positioned as contributing to at least one kartavya, and often to more than one. For example, infrastructure spending supports growth, creates jobs, and improves access; skill development builds capacity while enabling inclusion.

For readers from the finance and business domain, this framework provides a useful lens to interpret individual announcements. Rather than viewing measures in isolation, the three kartavya offer a way to understand how fiscal policy, reforms, and spending priorities are expected to work together over the long term.

Conclusion: The Kartavya Framework as the Budget's Anchor

The three kartavya framework is more than a thematic device; it is the anchor around which the Union Budget 2026–27 is structured. By clearly articulating duties related to growth, capacity, and inclusion, the Government has provided a coherent narrative that links economic ambition with social responsibility.

This framework signals a shift towards policy continuity and long-term execution. It sets expectations for how future budgets and reforms may be evaluated—not just by immediate outcomes, but by their contribution to sustained growth, empowered citizens, and inclusive development. In doing so, the three kartavya serve as both a roadmap and a benchmark for India's economic journey in the years ahead.

Reform Express: Why the Government Is Focused on Reforms, Not New Schemes

The Union Budget 2026–27 clearly signals that the Government's priority is no longer the announcement of new schemes, but the steady execution of reforms already set in motion. Rather than expanding the list of welfare programmes or launching multiple fresh initiatives, the Budget places its emphasis on improving how the economic system functions on a day-to-day basis.

The Finance Minister describes this approach as the "Reform Express", highlighting that more than 350 reforms have been rolled out following the Prime Minister's announcement on Independence Day in 2025. These reforms span areas such as taxation, labour regulations, quality standards, and regulatory simplification, and are aimed at reducing friction for businesses and citizens alike.

This Budget reflects a belief that sustainable growth cannot be achieved by repeatedly adding new schemes to an already complex policy landscape. Instead, the focus is on deregulation, simplification, and better coordination between the Centre and the States. The intention is to create an environment where economic activity is supported by efficient systems rather than administrative intervention.

By foregrounding reforms over new announcements, the Budget sets expectations for the future. It suggests that the Government now sees reform as a continuous process rather than a one-time exercise, and that long-term economic performance will depend more on execution and institutional strength than on headline-grabbing measures.

Reform Express: Why the Government Is Focused on Reforms, Not New Schemes

The Union Budget 2026–27 makes it clear that the Government has consciously shifted its approach from launching new schemes to strengthening the foundations of economic governance. The Finance Minister refers to this approach as the "Reform Express", signalling that reform is no longer an occasional policy event but a continuous journey. This framing sets the context for understanding why the Budget prioritises systems, processes, and institutions over headline announcements.

What the Reform Express Really Means

The Reform Express refers to a broad set of structural and procedural reforms undertaken across sectors to improve productivity, competitiveness, and ease of living. According to the Budget speech, more than 350 reforms have been rolled out following the Prime Minister's announcement on Independence Day in 2025. These reforms are not confined to a single ministry or sector but span taxation, labour, quality standards, and regulatory processes.

Unlike traditional reform packages that focus on one-time legislative changes, the Reform Express represents an ongoing effort to remove bottlenecks that slow down economic activity. The emphasis is on simplifying rules, reducing overlaps, and making compliance less burdensome for businesses and individuals. This approach reflects a recognition that complex systems, rather than lack of incentives, are often the biggest obstacle to growth.

Deregulation and Compliance Reduction as Growth Tools

A major pillar of the Reform Express is deregulation. The Budget highlights coordinated efforts between the Central Government and State Governments to reduce unnecessary compliance requirements. Simplification of GST processes, rationalisation of Quality Control Orders, and notification of labour codes are cited as key steps in this direction.

The underlying idea is that economic efficiency improves when businesses spend less time navigating regulations and more time focusing on production, innovation, and expansion. By treating compliance reduction as a growth strategy rather than an administrative exercise, the Budget elevates deregulation to a core economic priority.

This focus also signals a change in how reforms are measured. Success is not defined by the number of new rules introduced, but by how effectively existing rules are simplified and implemented.

Reforms Over Schemes: A Deliberate Policy Choice

One of the most striking aspects of the Budget is the limited emphasis on launching new schemes. Instead, the Government has chosen to deepen and improve existing frameworks. This reflects an understanding that the accumulation of schemes over time can create fragmentation, duplication, and administrative inefficiency.

By focusing on reforms rather than new schemes, the Budget seeks to create a more predictable and transparent policy environment. This is particularly important for businesses and investors, who benefit more from stable and efficient systems than from short-term incentives. The message is clear: long-term competitiveness depends on how well institutions function, not on how many schemes are announced each year.

Centre–State Coordination in the Reform Process

The Reform Express also highlights the importance of Centre–State collaboration. Many reforms, especially those related to deregulation and compliance, require coordination across levels of government. The Budget speech notes that the Central Government is working closely with State Governments to align reform efforts and reduce regulatory friction.

This approach recognises that reforms are most effective when they are implemented uniformly and consistently. Improved coordination helps ensure that businesses operating across multiple states face fewer variations in rules and procedures, thereby improving the overall ease of doing business.

Technology as an Enabler of Reform

Another important aspect of the Reform Express is the use of technology to improve governance. The Budget emphasises that cutting-edge technologies, including artificial intelligence, can serve as force multipliers for better administration. Digital systems are increasingly being used to automate processes, reduce discretion, and improve transparency.

By embedding technology into governance frameworks, the Government aims to make reforms durable and scalable. Technology-driven systems reduce dependence on manual processes and help ensure that reforms are implemented consistently across regions and departments.

What the Reform Express Means for Businesses and Professionals

For businesses, the Reform Express signals a move towards a more stable and predictable operating environment. Rather than adapting to frequent new schemes, businesses are expected to adjust to improved systems, clearer regulations, and simplified compliance structures.

For professionals, particularly in finance, law, and compliance, this shift changes the nature of work. The focus moves away from procedural navigation towards interpretation, advisory, and risk management. Understanding reforms, their intent, and their implementation becomes more important than tracking new incentives.

Conclusion: Reform as a Continuous Journey

The Reform Express represents a clear statement of intent in the Union Budget 2026–27. It reflects the Government's belief that sustainable growth depends on the quality of institutions and the efficiency of systems rather than the quantity of schemes.

By prioritising deregulation, compliance reduction, Centre–State coordination, and technology-enabled governance, the Budget positions reform as an ongoing process. This approach may not generate immediate headlines, but it lays the groundwork for a more competitive, resilient, and efficient economy over the long term.

MSMEs at the Centre: Creating Champion Small Businesses

Micro, Small and Medium Enterprises occupy a central position in the Union Budget 2026–27. The Budget speech clearly recognises that MSMEs are not only a source of employment and entrepreneurship, but also a critical pillar of domestic manufacturing, exports, and economic resilience. Rather than treating MSMEs as a sector that merely needs support, the Budget positions them as engines of growth that must be strengthened, scaled, and integrated into global value chains.

The Finance Minister highlights that MSMEs play a decisive role in job creation and formalisation of the economy. At the same time, the Budget acknowledges the structural challenges faced by small businesses, particularly in access to finance, equity capital, compliance capacity, and technology adoption. The approach taken in this Budget is therefore not limited to relief measures, but focused on building stronger, more competitive MSMEs.

A key shift visible in the Budget is the emphasis on creating "champion" MSMEs. The objective is to enable small businesses to grow in size, productivity, and capability, rather than remain fragmented or informal. Measures related to credit support, equity participation, digital platforms, and compliance facilitation are designed to help MSMEs move up the value chain and participate more effectively in India's growth story.

By placing MSMEs at the centre of its economic strategy, the Budget signals that future growth will be driven not only by large corporations, but by a broad base of competitive and resilient small enterprises. This marks an important evolution in policy thinking, where MSMEs are viewed as long-term partners in development rather than beneficiaries of short-term assistance.

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From Survival to Scale: The Champion MSME Approach

A key shift visible in the Budget is the emphasis on creating "champion" MSMEs. The objective is to enable small businesses to grow in size, productivity, and capability, rather than remain fragmented or informal. The Budget signals that long-term economic strength requires MSMEs that can expand operations, adopt technology, and compete both domestically and internationally.

This approach reflects a change in policy thinking. Earlier interventions were often aimed at keeping small businesses afloat. The current focus is on helping them scale up, improve quality, and become part of organised supply chains. The Budget treats scale as essential for productivity gains, higher wages, and export competitiveness.

Improving Access to Credit and Liquidity

Access to timely and affordable finance remains one of the biggest challenges for MSMEs, and the Budget addresses this issue through multiple channels. Credit guarantee mechanisms are strengthened to encourage lending to small businesses, particularly those without strong collateral. These measures are intended to reduce risk for lenders while improving credit flow to productive enterprises.

The Budget also places strong emphasis on digital platforms that improve MSME liquidity. The Trade Receivables Discounting System (TReDS) is highlighted as a key tool to address delayed payments by enabling MSMEs to discount invoices and receive funds quickly. By expanding and strengthening such platforms, the Government aims to improve cash flow management for small businesses and reduce their dependence on informal borrowing.

Equity Support and New Growth Pathways

Beyond debt, the Budget recognises the importance of equity financing for MSME growth. Access to equity allows businesses to invest in technology, expand capacity, and withstand business cycles without excessive leverage. The Budget proposes measures to improve equity support mechanisms, particularly for growth-oriented MSMEs.

This focus on equity reflects an understanding that sustainable scaling requires patient capital, not just short-term loans. By encouraging equity participation and structured funding options, the Budget seeks to create a healthier financial foundation for MSMEs as they transition from small enterprises to larger, more resilient businesses.

Reducing Compliance Burden for Small Businesses

The Budget acknowledges that compliance costs disproportionately affect MSMEs, especially those operating in Tier-II and Tier-III towns. Complex regulations, frequent filings, and limited access to professional support can divert time and resources away from core business activities.

To address this, the Budget links MSME support with broader reform and compliance simplification efforts. Reduction of unnecessary regulatory requirements, improved coordination between Centre and States, and greater use of digital systems are intended to make compliance simpler, faster, and more predictable for small businesses.

The proposal to create a network of Corporate Mitras, supported by professional institutions, complements this objective by providing affordable compliance assistance to MSMEs, particularly in smaller towns.

Technology Adoption and Productivity Enhancement

Technology adoption is another critical pillar of the MSME strategy outlined in the Budget. Digital tools, data-driven platforms, and process automation are seen as essential for improving productivity, quality, and market access. The Budget encourages MSMEs to adopt technology not only to comply with regulations, but to improve competitiveness.

Initiatives related to digital public infrastructure, artificial intelligence, and platform-based services are expected to benefit MSMEs by lowering entry barriers and improving access to markets and finance. By integrating small businesses into the digital economy, the Budget aims to reduce operational inefficiencies and enhance transparency.

MSMEs, Employment, and Exports

The Budget positions MSMEs as a critical link between employment generation and export growth. Small businesses account for a significant share of manufacturing employment and play an important role in labour-intensive sectors. Strengthening MSMEs is therefore directly linked to job creation, particularly for youth and semi-skilled workers.

Export-oriented MSMEs are also highlighted as an area of opportunity. By improving access to finance, quality standards, logistics, and technology, the Budget seeks to enable MSMEs to participate more actively in global value chains. This aligns with the broader objective of increasing India’s share in global trade.

Conclusion: MSMEs as Long-Term Growth Partners

The Union Budget 2026–27 marks a clear shift in how MSMEs are viewed within India’s economic strategy. They are no longer seen merely as beneficiaries of support, but as long-term partners in growth, employment, and competitiveness.

By focusing on scaling, access to finance, equity support, compliance simplification, and technology adoption, the Budget lays the groundwork for a stronger MSME ecosystem. The emphasis on creating champion MSMEs reflects a belief that India’s future growth will be driven not only by large enterprises, but by a wide base of resilient and competitive small businesses.

Corporate Mitras: A New Compliance Support System for MSMEs

One of the quieter but structurally important proposals in the Union Budget 2026–27 is the introduction of a new compliance support framework through the creation of "Corporate Mitras". Unlike headline-grabbing spending announcements, this measure addresses a long-standing gap in India's business ecosystem—affordable and accessible compliance support for small enterprises, especially in Tier-II and Tier-III towns.

The Budget acknowledges a reality that is often overlooked in policy discussions. A large number of MSMEs struggle with statutory compliance not because of unwillingness, but because professional support is either too expensive or not easily available outside major cities. Complex filing requirements, frequent regulatory changes, and limited in-house capacity often push small businesses into unintentional non-compliance.

Against this backdrop, the Government proposes to work with professional institutions such as ICAI, ICSI, and ICMAI to design short-term, modular courses and practical tools. The objective is to develop a cadre of trained para-professionals, referred to as Corporate Mitras, who can assist MSMEs with routine compliance requirements at affordable costs.

This proposal reflects a shift in thinking. Instead of expecting fully qualified professionals to serve every small business, the Budget recognises the need for an intermediate support layer—one that can handle basic compliance tasks efficiently, while allowing qualified professionals to focus on higher-value advisory, audit, and governance roles.

Why the Government Is Creating Corporate Mitras

The creation of Corporate Mitras is rooted in the Government's broader agenda of formalisation and ease of doing business. As more enterprises enter the formal economy, the demand for compliance support has increased sharply. However, the supply of affordable professional assistance has not kept pace, particularly in smaller towns and semi-urban areas.

The Budget speech explicitly highlights Tier-II and Tier-III towns as focus areas for this initiative. By training local para-professionals through structured programmes designed by recognised professional bodies, the Government aims to build compliance capacity closer to where MSMEs operate. This local availability is expected to reduce costs, improve compliance quality, and lower the risk of small businesses falling foul of regulations due to lack of guidance.

Importantly, Corporate Mitras are not positioned as substitutes for Chartered Accountants, Cost Accountants, or Company Secretaries. Instead, they are envisaged as a supporting layer within the compliance ecosystem. Their role is expected to be limited to routine and standardised tasks, operating within frameworks and tools developed under the supervision of professional institutions.

Scope of Work and Boundaries of Corporate Mitras

The Budget is careful in how it defines the role of Corporate Mitras. These para-professionals are intended to support MSMEs with routine and standardised compliance requirements, not complex advisory or certification functions. Their role is envisaged as operational rather than judgment-based, working within clearly defined frameworks and tools designed by professional institutions.

Typical areas where Corporate Mitras are expected to assist include basic statutory filings, maintenance of compliance records, preparation of standard documentation, and first-level support for regulatory requirements. By limiting their scope to such activities, the Government seeks to ensure that quality and accountability are maintained, while also expanding access to compliance support.

This clear boundary is important. It ensures that Corporate Mitras complement, rather than compete with, qualified professionals. Complex matters involving interpretation of law, certification, audit, taxation strategy, or governance oversight remain firmly within the domain of Chartered Accountants, Cost Accountants, and Company Secretaries.

Impact on MSMEs and Compliance Culture

For MSMEs, the introduction of Corporate Mitras has the potential to significantly improve compliance outcomes. Many small businesses currently operate at the edge of formality, not because of deliberate avoidance, but due to lack of understanding and support. Affordable, local compliance assistance can reduce errors, delays, and unintentional defaults.

By making compliance support more accessible in Tier-II and Tier-III towns, the Budget aims to normalise compliance as a routine business activity rather than a periodic burden. Over time, this can strengthen trust between businesses and regulators, reduce disputes, and improve the overall quality of data available within the formal economy.

The initiative also aligns with the Government's broader push towards formalisation. As more MSMEs comply regularly and accurately, they are better positioned to access credit, participate in digital platforms, and integrate into organised supply chains.

Implications for CA, CMA, and CS Professionals

For qualified professionals, the Corporate Mitra initiative signals a structural shift in the compliance ecosystem. Routine, low-value compliance work is likely to move increasingly towards trained para-professionals, especially in smaller towns. This may reduce the volume of basic compliance assignments traditionally handled by professionals.

At the same time, the initiative opens up new opportunities. As compliance becomes more widespread and structured, demand for higher-value services such as advisory, audit, governance support, cost optimisation, and risk management is likely to increase. Professionals may increasingly operate as reviewers, supervisors, and advisors within a broader compliance ecosystem.

Professional institutions such as ICAI, ICSI, and ICMAI also assume a larger responsibility. By designing courses, tools, and accreditation frameworks for Corporate Mitras, they play a central role in maintaining standards and ensuring that the integrity of the profession is protected.

Execution Challenges and Safeguards

While the concept of Corporate Mitras is promising, its success will depend on execution. Clear training standards, defined responsibilities, and robust oversight mechanisms will be critical. Without proper safeguards, there is a risk of inconsistent quality or role overlap.

The Budget's emphasis on professional institutions designing and accrediting courses is therefore significant. It suggests that the Government intends to anchor this initiative within existing professional ecosystems rather than creating an unregulated parallel structure.

Effective monitoring, periodic upskilling, and clear escalation mechanisms to qualified professionals will be essential for maintaining credibility.

Conclusion: Strengthening the Compliance Ecosystem

The Corporate Mitra initiative reflects a pragmatic understanding of India's MSME landscape. By acknowledging the gap between informal accountants and fully qualified professionals, the Budget introduces a middle layer that can improve compliance coverage without diluting professional standards.

If implemented carefully, Corporate Mitras can play a vital role in improving compliance culture, reducing unintentional defaults, and supporting MSMEs in their growth journey. At the same time, the initiative redefines the role of professionals, nudging them towards higher-value, judgment-based services.

In this sense, Corporate Mitras are not just a compliance solution—they are part of a broader effort to modernise India's business ecosystem by aligning capacity, affordability, and accountability.

Manufacturing Push: Where the Government Wants India to Lead

The Union Budget 2026–27 places strong and deliberate emphasis on manufacturing as a central pillar of India's long-term growth strategy. The Budget speech makes it clear that manufacturing is not being viewed merely as a contributor to GDP, but as a strategic sector that influences employment, exports, technological capability, and economic resilience.

Over the years, India has made progress in services-led growth, but the Budget acknowledges that a strong manufacturing base is essential for creating large-scale employment and reducing dependence on imports. In a global environment marked by supply chain disruptions and geopolitical uncertainties, domestic manufacturing capacity is presented as a necessity rather than a choice.

The Budget's manufacturing push is closely linked to the broader objectives of self-reliance and global integration. Rather than promoting isolation, the intent is to make India a reliable and competitive part of global value chains. This approach is reflected in targeted sectoral focus, infrastructure support, and reforms aimed at improving ease of production and cost competitiveness.

Strategic Manufacturing Sectors Identified in the Budget

A notable feature of the Budget is the clear identification of strategic manufacturing sectors where India aims to build leadership. The Budget speech highlights areas such as electronics, semiconductors, biopharmaceuticals, chemicals, capital goods, textiles, and critical minerals. These sectors are chosen not only for their growth potential, but also for their importance to national security, export capability, and technological advancement.

Electronics and semiconductors receive particular attention due to their role in modern industrial ecosystems. Strengthening domestic capacity in these areas is expected to reduce import dependence and support industries ranging from consumer electronics to defence and automotive manufacturing. Similarly, biopharmaceuticals and chemicals are positioned as sectors where India can combine scale with innovation to serve both domestic and global markets.

Capital goods manufacturing is another priority highlighted in the Budget. A strong capital goods sector is essential for infrastructure development, industrial expansion, and productivity improvement across the economy. By focusing on these strategic sectors, the Budget signals a targeted manufacturing strategy rather than a broad, unfocused push.

Infrastructure and Logistics as the Backbone of Manufacturing

The Budget makes it clear that manufacturing growth cannot happen in isolation from infrastructure development. Reliable transport, efficient logistics, and stable energy supply are presented as essential inputs for competitive manufacturing. Continued public investment in roads, railways, ports, and logistics corridors is therefore closely linked to the manufacturing push outlined in the Budget.

The speech highlights that improvements in logistics efficiency reduce costs for manufacturers and improve delivery timelines. This is particularly important for export-oriented industries and time-sensitive supply chains. By strengthening multimodal logistics and freight connectivity, the Budget seeks to make Indian manufacturing more cost-effective and globally competitive.

Infrastructure development is also positioned as a way to attract private investment into manufacturing. Predictable infrastructure availability lowers operational risk and encourages long-term capacity creation, especially in capital-intensive sectors.

Integrating MSMEs into Manufacturing Supply Chains

A key feature of the manufacturing strategy is the integration of MSMEs into larger industrial ecosystems. The Budget recognises that small and medium enterprises form the backbone of manufacturing supply chains, supplying components, services, and intermediate goods to larger firms.

Measures aimed at improving MSME access to finance, technology, and compliance support are therefore directly linked to the manufacturing push. By enabling MSMEs to scale, improve quality, and adopt new technologies, the Budget seeks to strengthen domestic supply chains and reduce reliance on imports.

This approach also supports employment generation. Manufacturing-led growth, supported by MSME participation, creates jobs across skill levels and regions, particularly in semi-urban and industrial clusters.

Technology, Skills, and Quality Standards

The Budget places strong emphasis on technology adoption and skill development as enablers of manufacturing competitiveness. Advanced manufacturing requires not only capital investment, but also skilled manpower capable of operating modern machinery, managing quality systems, and adopting digital tools.

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The speech refers to the role of technology in improving productivity and consistency. Adoption of digital systems, automation, and data-driven processes is encouraged to help manufacturers meet global quality standards. Rationalisation of quality control orders and better alignment with international standards are also highlighted as part of the reform agenda.

Skill development initiatives, particularly those aligned with industry needs, are presented as essential for sustaining manufacturing growth.

By linking skills with emerging manufacturing sectors, the Budget aims to reduce skill mismatches and improve employability.

Export Competitiveness and Global Integration

The manufacturing push in the Budget is closely tied to export growth. The objective is not only to produce more domestically, but to integrate Indian manufacturers into global value chains. Improving cost efficiency, quality, and reliability are seen as critical for achieving this goal.

The Budget emphasises the importance of stable trade policies, efficient logistics, and predictable regulatory frameworks in supporting exports. Manufacturing sectors with strong export potential are encouraged to expand capacity and diversify markets, reducing vulnerability to external shocks.

By positioning India as a reliable manufacturing partner, the Budget aims to strengthen the country's role in global trade while also supporting domestic employment and investment.

Conclusion: Manufacturing as a Strategic Priority

The Union Budget 2026–27 presents manufacturing as a strategic priority rather than a short-term policy focus. By identifying key sectors, strengthening infrastructure, integrating MSMEs, promoting technology adoption, and supporting exports, the Budget lays out a comprehensive framework for manufacturing-led growth.

This approach reflects an understanding that manufacturing capacity is essential for economic resilience, job creation, and long-term competitiveness. The Budget's manufacturing push is therefore not limited to incentives, but embedded within a broader reform and investment strategy.

If implemented effectively, these measures have the potential to transform India into a more competitive manufacturing economy—one that supports inclusive growth while remaining integrated with global markets.

Infrastructure Spending: Why Big Capex Still Matters

Infrastructure continues to be the backbone of the Union Budget 2026–27. Even as the Government pursues fiscal consolidation, it has chosen to maintain a strong focus on capital expenditure, underlining its belief that public investment is essential for sustaining growth, improving productivity, and crowding in private investment.

The Budget speech clearly positions infrastructure spending not as a short-term stimulus, but as a long-term economic strategy. Roads, railways, ports, logistics networks, urban infrastructure, and energy systems are presented as foundational assets that support manufacturing, services, trade, and employment. In an environment of global uncertainty, steady public investment is seen as a stabilising force for the economy.

The Government proposes capital expenditure of ₹12.2 lakh crore for 2026–27, continuing the sharp upward trend of the past decade. This sustained increase reflects a deliberate policy choice to prioritise asset creation over revenue expenditure, even while maintaining control over the fiscal deficit.

Public Capital Expenditure as a Growth Multiplier

The Budget emphasises that public capital expenditure has a strong multiplier effect on economic activity. Investments in infrastructure generate immediate demand through construction and allied industries, while also creating long-term benefits by lowering logistics costs and improving connectivity.

The Finance Minister highlights that high-quality infrastructure enhances competitiveness across sectors. Better roads and railways reduce transit time, ports improve export efficiency, and logistics corridors support integrated supply chains. These improvements directly benefit manufacturing, MSMEs, agriculture, and services, making infrastructure spending a cross-cutting growth enabler.

Another important aspect highlighted in the Budget is the role of public capex in crowding in private investment. Predictable and sustained government spending on infrastructure reduces uncertainty for private investors and encourages long-term participation in infrastructure-linked sectors.

Sector-wise Infrastructure Priorities

The Budget 2026–27 outlines a broad-based approach to infrastructure development, covering transport, logistics, urban systems, and energy. Roads and highways continue to receive priority, reflecting their role in improving last-mile connectivity and reducing logistics costs across regions. Railways are positioned as a critical component of freight movement, with continued focus on capacity expansion, modernisation, and safety.

Ports and shipping infrastructure are also highlighted as essential for trade competitiveness. Improved port efficiency, ship repair facilities, and coastal connectivity are aimed at supporting exports and reducing dependence on foreign logistics services. Together, these transport investments are intended to strengthen India’s position as a reliable node in global supply chains.

Urban Infrastructure and Regional Development

Urban infrastructure receives renewed attention in the Budget, particularly in the context of expanding economic activity beyond major metropolitan centres. The focus on Tier-II and Tier-III cities reflects the Government’s intent to support more balanced regional growth. Investments in water supply, sanitation, housing, and urban transport are presented as necessary to accommodate rising urban populations and economic activity.

The Budget also links urban infrastructure to productivity and quality of life. Well-functioning cities are seen as engines of growth that attract investment, talent, and innovation. By strengthening urban systems, the Government aims to support manufacturing clusters, service hubs, and emerging city economic regions.

Financing Infrastructure and Encouraging Private Participation

While public investment remains the backbone of infrastructure spending, the Budget recognises the importance of private participation in meeting long-term infrastructure needs. Mechanisms such as public-private partnerships, infrastructure investment trusts, and credit enhancement tools are highlighted as ways to mobilise private capital.

The emphasis on stable policy frameworks and predictable funding is intended to reduce risk for private investors. By maintaining a steady pipeline of infrastructure projects and ensuring timely payments, the Government seeks to encourage long-term investment in infrastructure assets.

Infrastructure and Fiscal Sustainability

The Budget places infrastructure spending within a framework of fiscal responsibility. Despite the increase in capital expenditure, the Government remains committed to reducing the fiscal deficit and managing public debt prudently. This reflects a conscious effort to balance development needs with fiscal sustainability.

The focus on asset creation rather than consumption expenditure is presented as a way to ensure that public spending generates long-term economic returns. Over time, improved infrastructure is expected to support higher growth, increased revenues, and better fiscal outcomes.

Conclusion: Infrastructure as a Long-Term Economic Foundation

The Union Budget 2026–27 reaffirms infrastructure spending as a cornerstone of India's economic strategy. By sustaining high levels of capital expenditure, prioritising critical sectors, and encouraging private participation, the Budget seeks to build the physical foundation required for long-term growth.

Rather than treating infrastructure as a cyclical stimulus, the Government positions it as a continuous investment in national capacity. This approach underscores the belief that strong infrastructure is essential for competitiveness, inclusion, and economic resilience in the years ahead.

City Economic Regions and Urban Growth

The Union Budget 2026–27 places renewed emphasis on cities as engines of economic growth. The Budget speech makes it clear that India's future growth will not be driven by a few large metropolitan centres alone, but by a wider network of cities that can support industry, services, and employment. This shift reflects an understanding that urbanisation, if planned and supported properly, can significantly boost productivity and living standards.

The Budget recognises that rapid economic expansion is already pushing growth beyond major metros into Tier-II and Tier-III cities. However, it also acknowledges that without adequate infrastructure, governance capacity, and planning, this expansion can lead to congestion, inefficiency, and uneven development. The concept of City Economic Regions is therefore introduced as a way to manage and guide urban growth more effectively.

City Economic Regions are envisaged as integrated urban clusters where cities and surrounding areas function as unified economic units. By aligning infrastructure, housing, transport, and industrial development across administrative boundaries, the Budget seeks to unlock the economic potential of emerging urban centres while avoiding the pitfalls of unplanned urban sprawl.

Why City Economic Regions Matter

The Budget highlights that economic activity does not follow municipal boundaries. Manufacturing units, service hubs, logistics centres, and residential areas often spread across multiple local jurisdictions. Treating cities in isolation can therefore limit planning effectiveness and create coordination challenges.

By promoting City Economic Regions, the Government aims to improve coordination across urban and peri-urban areas. This approach allows for better integration of transport networks, industrial zones, housing, and public services. It also supports the creation of larger labour markets, making it easier for businesses to access skilled workers and for workers to access employment opportunities.

The focus on City Economic Regions also aligns with the broader objective of balanced regional development.

Strengthening multiple urban centres reduces excessive pressure on metros and helps distribute economic growth more evenly across states and regions.

Infrastructure and Mobility Within City Economic Regions

The Budget 2026–27 places strong emphasis on infrastructure as the foundation of City Economic Regions. Efficient mobility systems are presented as essential for integrating cities with their surrounding areas. Investments in urban transport, regional rail connectivity, and high-capacity road networks are intended to reduce travel time, lower costs, and improve access to jobs and markets.

The Budget highlights the importance of multimodal transport systems that connect residential zones with industrial parks, logistics hubs, and commercial centres. By improving last-mile and inter-city connectivity, City Economic Regions are expected to function as unified labour and consumer markets rather than fragmented urban pockets.

Role of Tier-II and Tier-III Cities in Urban Expansion

A significant focus of the Budget is on strengthening Tier-II and Tier-III cities as drivers of future urban growth. These cities are seen as natural beneficiaries of spillover economic activity from larger metros, offering lower land costs, emerging talent pools, and opportunities for planned development.

The Budget positions City Economic Regions as a way to harness this potential while avoiding the congestion and infrastructure stress faced by major metropolitan areas. By supporting industrial clusters, service hubs, and housing development in and around smaller cities, the Government aims to create more balanced and sustainable urbanisation patterns.

Urban Governance and Financing Challenges

The Budget recognises that successful City Economic Regions require strong urban governance and adequate financing. Coordination across multiple local bodies and state agencies is critical for integrated planning and execution. The speech highlights the need for better planning frameworks and institutional capacity at the city and regional levels.

Financing urban infrastructure is also addressed through a mix of public investment and innovative funding mechanisms. Municipal bonds, structured financing, and private participation are positioned as tools to support long-term urban infrastructure needs while reducing dependence on direct budgetary support.

Linkages With Manufacturing and Services

City Economic Regions are closely linked to the Budget's broader focus on manufacturing and services. Urban clusters provide the physical and institutional environment needed for industrial growth, innovation, and service-sector expansion. Manufacturing parks, logistics hubs, IT corridors, healthcare centres, and education institutions are expected to benefit from integrated urban planning.

By aligning city development with industrial and service strategies, the Budget aims to improve productivity, attract investment, and generate employment across skill levels. City Economic Regions thus act as platforms where infrastructure, industry, and human capital converge.

Conclusion: Cities as Engines of Balanced Growth

The Union Budget 2026–27 positions City Economic Regions as a key instrument for managing India's next phase of urbanisation. By promoting integrated planning, strengthening infrastructure, and empowering Tier-II and Tier-III cities, the Budget seeks to unlock urban growth while maintaining balance and sustainability.

Rather than allowing unplanned expansion, the City Economic Region approach offers a structured pathway for cities to grow as engines of economic activity. If implemented effectively, it can support manufacturing, services, employment, and improved quality of life, making urbanisation a source of strength rather than strain.

Defence, Logistics, and Strategic Infrastructure

National security and economic strength are closely linked in the Union Budget 2026–27. The Budget makes it clear that defence expenditure is no longer viewed purely as a revenue expense, but increasingly as a strategic investment in infrastructure, technology, and long-term capability. In an environment shaped by geopolitical tensions, supply chain disruptions, and rapid technological change, the Government places renewed emphasis on strengthening defence preparedness while also building domestic capacity.

The Budget reflects a shift from short-term provisioning towards long-term capability creation. Defence, logistics, and strategic infrastructure are presented as interdependent pillars that support not only national security, but also industrial development, employment, and technological advancement. This integrated approach is evident in the way capital expenditure, procurement planning, and infrastructure development are discussed across the Budget documents.

Rising Importance of Defence Capital Expenditure

A key signal in the Budget is the increasing emphasis on defence capital expenditure. The source document highlights that defence is one of the major components of Union capital expenditure, alongside railways and roads. The Union has projected defence capital expenditure to grow at an annual rate of around 30 percent over the award period, underlining the priority accorded to modernisation and capability enhancement.

The document notes that total defence expenditure is expected to rise from around 1.4 percent of GDP in the base year to about 1.9 percent of GDP by the final year of the award period, provided capital expenditure growth is sustained. This shift reflects the Government's assessment that achieving multi-domain operational capability requires sustained investment in platforms, infrastructure, and technology, rather than incremental upgrades.

Capital expenditure on defence is positioned as essential for long-term preparedness. Unlike revenue spending, which covers salaries and routine operations, capital spending builds assets that enhance readiness, mobility, and deterrence.

The Budget explicitly recognises the need for structural reforms in long-term planning and procurement to support this increased investment.

Defence Infrastructure as a Strategic Asset

The Budget places defence infrastructure within the broader framework of national infrastructure development. Strategic roads, logistics hubs, communication networks, and border infrastructure are seen as critical enablers of defence capability. The source document includes allocations for defence-related infrastructure such as optical fibre cable–based networks for defence services, highlighting the importance of secure and reliable communication systems.

The Border Roads Development framework also receives attention through allocations to improve connectivity in strategically important regions. Investments in border-area infrastructure serve a dual purpose: they strengthen defence logistics and also support regional development by improving access to remote and sensitive areas.

By integrating defence infrastructure with national infrastructure planning, the Budget signals that security and development objectives are increasingly aligned. Improved roads, railways, and digital networks enhance both civilian economic activity and military mobility.

Logistics, Mobility, and Operational Readiness

Logistics emerges as a central theme linking defence preparedness with economic efficiency. The Budget recognises that modern defence capability depends not only on weapons platforms, but also on the ability to move personnel, equipment, and supplies quickly and reliably.

Investments in railways, roads, ports, and multimodal logistics corridors therefore have direct relevance for defence readiness. Efficient freight corridors and improved port infrastructure support faster deployment and sustainment of forces, while also reducing costs across the broader economy.

The emphasis on logistics efficiency mirrors similar priorities in manufacturing and trade. By strengthening national logistics infrastructure, the Government aims to create systems that serve both civilian and defence needs, improving resilience in times of crisis.

Defence Spending Within Fiscal Discipline

Despite the rising emphasis on defence and strategic infrastructure, the Budget places these priorities within a framework of fiscal responsibility. Defence expenditure growth is linked to long-term planning rather than ad hoc increases. The document underscores that sustained increases in defence capital expenditure will require disciplined procurement processes and structural reforms.

This approach reflects a balance between security imperatives and fiscal sustainability. By focusing on capital investment and long-term capability creation, the Government aims to maximise the impact of defence spending while avoiding unsustainable revenue burdens.

Domestic Defence Manufacturing and Industrial Capacity

An important shift reflected in the Budget is the growing emphasis on domestic defence manufacturing. Defence is no longer treated solely as a procurement-driven sector, but as a key component of India's industrial and technological base. The Budget aligns defence spending with the broader manufacturing push, reinforcing the objective of reducing import dependence while strengthening domestic capability.

The source document highlights that increased defence capital expenditure must be supported by long-term planning and procurement reforms. This implicitly recognises that sustained investment creates opportunities for domestic manufacturers of platforms, components, and sub-systems. Defence manufacturing is therefore linked with capital goods, electronics, precision engineering, and advanced materials—sectors that also contribute to civilian industrial growth.

By focusing on capital investment rather than short-term acquisitions, the Budget signals support for building production ecosystems rather than one-off purchases. This approach encourages industry participation, long-term contracts, and technology absorption within the domestic economy.

Role of MSMEs and Private Sector in Defence Supply Chains

The Budget's defence strategy also creates significant opportunities for MSMEs and private enterprises. Defence supply chains rely heavily on a wide base of suppliers providing components, electronics, mechanical parts, software, and logistics services. Strengthening domestic defence production therefore naturally integrates MSMEs into high-value industrial networks.

The broader MSME support measures outlined in the Budget—credit access, equity support, compliance facilitation, and technology adoption—are directly relevant to defence manufacturing. MSMEs with specialised capabilities can participate in defence supply chains, benefiting from stable demand and higher quality standards.

This integration has wider economic implications. Defence-linked MSMEs often upgrade their technology, quality systems, and processes, which improves competitiveness across civilian markets as well. In this sense, defence spending acts as a catalyst for broader industrial capability development.

Technology, R&D, and Secure Communications Infrastructure

Technology and research play a central role in the Budget's defence and strategic infrastructure narrative. The source document includes provisions for optical fibre cable–based networks for defence services, underscoring the importance of secure, high-capacity communication systems in modern military operations.

Reliable digital infrastructure is critical for command, control, intelligence, and coordination across domains. Investments in defence communications also align with the broader national push for digital infrastructure, cybersecurity, and data resilience. These systems support not only defence operations but also emergency response and disaster management capabilities.

The Budget's emphasis on research and development across energy, telecommunications, and advanced technologies complements defence objectives. Dual-use technologies—those with both civilian and military applications—benefit from integrated R&D efforts, improving returns on public investment.

Strategic Infrastructure Beyond Defence

Strategic infrastructure in the Budget extends beyond defence-specific assets. Energy security, telecom networks, and transport corridors are treated as critical national infrastructure with strategic importance. Allocations for telecom infrastructure, broadband expansion, and optical fibre networks enhance connectivity in remote and border areas, strengthening both civilian access and national security.

Transport infrastructure—particularly roads, railways, and ports—plays a dual role. In addition to supporting trade and economic activity, these assets improve strategic mobility and logistics readiness. The Budget's integrated approach recognises that resilient infrastructure systems are essential during both peacetime and crises.

By embedding strategic considerations into civilian infrastructure planning, the Budget reduces duplication and maximises the utility of public investment.

Governance, Procurement, and Long-Term Planning Challenges

While the Budget outlines ambitious plans for defence and strategic infrastructure, it also acknowledges execution challenges. The source document notes that sustained increases in defence capital expenditure will require serious structural reforms in planning and procurement.

Effective governance is essential to ensure that higher allocations translate into real capability gains. Long procurement cycles, cost overruns, and coordination gaps can dilute the impact of increased spending. The Budget's emphasis on reform continuity suggests that institutional improvements are seen as necessary complements to financial investment.

Transparency, accountability, and long-term planning are therefore critical to the success of the defence and strategic infrastructure agenda. These factors determine whether capital expenditure results in timely delivery and operational readiness.

Conclusion: Defence and Infrastructure as Pillars of National Resilience

The Union Budget 2026–27 positions defence, logistics, and strategic infrastructure as central pillars of national resilience. By increasing defence capital expenditure, strengthening infrastructure, and integrating industrial and technological development, the Budget adopts a long-term view of security and economic strength.

Rather than treating defence spending as a standalone obligation, the Budget embeds it within a broader development strategy—one that supports manufacturing, MSMEs, technology, and regional connectivity. This integrated approach recognises that national security and economic progress are mutually reinforcing.

If executed with discipline and reform-driven governance, the investments outlined in the Budget have the potential to strengthen both India's defence preparedness and its industrial base, ensuring resilience in an increasingly uncertain global environment.

Energy, Climate, and Green Growth Policies

Energy security and climate responsibility emerge as tightly linked priorities in the Union Budget 2026–27. The Budget makes it clear that India's growth ambitions cannot be separated from the need for reliable, affordable, and sustainable energy systems. Rather than treating climate action as a constraint, the Budget positions it as an opportunity to build new industries, strengthen resilience, and reduce long-term economic risk.

The Budget speech reflects a pragmatic approach to green growth. It recognises that India must continue to expand energy access and support industrial growth, while also transitioning towards cleaner and more efficient energy sources. This balance between development and sustainability shapes the Government's energy and climate strategy.

Public investment, research and development, and institutional support form the backbone of this approach. The Budget links energy transition with national objectives such as manufacturing competitiveness, employment generation, and technological capability, signalling that green growth is being embedded into mainstream economic planning.

Energy Security as a Core Economic Priority

The Budget places strong emphasis on energy security, recognising it as a prerequisite for stable growth. Reliable access to power and fuel is essential for manufacturing, services, transport, and household consumption. Volatility in global energy markets has underscored the risks of excessive import dependence, prompting the Government to strengthen domestic energy systems.

Investments in renewable energy, grid infrastructure, and energy storage are positioned as tools to reduce vulnerability to external shocks. At the same time, the Budget continues to support diversification of energy sources, ensuring that the transition towards cleaner energy does not compromise availability or affordability.

Energy security is therefore presented not only as a climate objective, but as a strategic economic necessity. By strengthening domestic capacity and improving efficiency, the Budget aims to protect growth from global disruptions.

Renewable Energy and Institutional Support

The source document reflects continued support for renewable energy through institutional investment and research. Allocations are provided for national-level institutions working in renewable energy domains. Provisions for bodies such as the National Institute of Wind Energy, National Institute of Bio Energy, and National Institute of Solar Energy highlight the Government's focus on research, development, and modernisation of renewable technologies.

These institutions play a critical role in improving efficiency, lowering costs, and supporting large-scale deployment of renewable energy. By funding research and modernisation efforts, the Budget seeks to strengthen India's technological base in clean energy and reduce reliance on imported technology.

Institutional support also helps align renewable energy expansion with grid stability, storage solutions, and integration challenges, which are essential as renewable capacity increases.

Green Hydrogen and Emerging Clean Technologies

The Budget continues to emphasise green hydrogen as a key component of India's long-term energy transition. Green hydrogen is positioned as a strategic fuel that can support decarbonisation in hard-to-abate sectors such as steel, fertilisers, refining, and heavy transport.

While large-scale adoption will take time, the Budget signals intent through continued policy support and research focus. Green hydrogen is also linked to industrial competitiveness, with the potential to create new manufacturing ecosystems and export opportunities over the long term.

In addition to hydrogen, the Budget recognises the role of emerging clean technologies and innovation. Investment in research institutions and technology development is aimed at ensuring that India is not only a consumer of clean technologies, but also a developer and exporter.

Energy Transition and Industrial Growth

A key feature of the Budget's energy strategy is its integration with industrial growth. The transition to cleaner energy is presented as a way to improve efficiency, reduce costs over time, and support sustainable manufacturing. Energy-intensive industries are expected to benefit from more reliable power supply, improved grid infrastructure, and access to cleaner fuels.

The Budget's manufacturing push and energy transition agenda reinforce each other. Domestic production of renewable energy equipment, energy storage systems, and clean technology components contributes to industrial growth while supporting climate goals.

By aligning energy policy with manufacturing and infrastructure development, the Budget avoids treating climate action as a standalone agenda. Instead, it is embedded within the broader economic strategy.

Climate Resilience and Long-Term Sustainability

Beyond mitigation, the Budget also reflects awareness of climate risks and the need for resilience. Investments in energy infrastructure, digital monitoring systems, and data-driven planning contribute to better management of climate-related risks.

Sustainable energy systems are presented as essential for long-term fiscal stability as well. Reduced dependence on imported fuels lowers exposure to price volatility and supports balance-of-payments stability over time.

The Budget's approach suggests that climate and energy policies are being designed with a long-term horizon, recognising that today's investments will shape economic and environmental outcomes for decades.

Energy Infrastructure, Grids, and Storage Systems

A successful energy transition depends not only on generation capacity, but also on robust infrastructure to transmit, store, and distribute power. The Budget 2026–27 recognises this reality and places emphasis on strengthening energy infrastructure, particularly electricity grids and storage systems.

As renewable energy penetration increases, grid stability becomes a critical challenge. The Budget's support for modernisation of energy institutions and infrastructure reflects the need to manage variability in renewable generation. Investments in grid upgrades, digital monitoring, and storage technologies are positioned as essential to ensure uninterrupted power supply to industries, cities, and households.

Energy storage systems play a particularly important role in this transition. While renewables such as solar and wind are central to clean energy goals, storage solutions are required to balance supply and demand.

The Budget's focus on research institutions and clean technology development supports long-term solutions in this area, even as deployment continues to scale gradually.

Role of Private Investment and Financing in Green Growth

The Budget acknowledges that public investment alone cannot meet India's long-term energy and climate goals. Mobilising private capital is therefore a key component of the green growth strategy. Stable policy frameworks, institutional support, and predictable regulation are presented as necessary conditions for attracting private investment into renewable energy, clean technologies, and energy infrastructure.

By embedding green growth within broader economic and industrial strategies, the Budget reduces perceived risk for investors. Clean energy projects are increasingly linked with manufacturing, logistics, and urban development, creating diversified revenue streams and long-term viability.

Financing mechanisms that support infrastructure investment—such as structured financing and long-term capital instruments—are also relevant for energy transition projects. The Budget's emphasis on fiscal discipline and long-term planning further strengthens investor confidence in the sustainability of energy-related investments.

Employment, Skills, and the Green Economy

An important dimension of the Budget's green growth narrative is employment generation. The transition to cleaner energy systems is expected to create jobs across multiple stages of the value chain, including manufacturing, installation, operations, maintenance, research, and services.

The Budget links green growth with skill development and institutional capacity building. Research institutes in renewable energy and clean technologies not only support innovation, but also act as training and knowledge hubs. Over time, this ecosystem is expected to produce a skilled workforce capable of supporting both domestic deployment and international projects.

Green jobs are also more geographically dispersed than traditional industrial employment. Renewable energy projects, bio-energy initiatives, and energy infrastructure development extend into rural and semi-urban areas, supporting balanced regional development while contributing to climate objectives.

Regional and Rural Dimensions of Energy Transition

The Budget reflects an understanding that energy transition must be inclusive and regionally balanced. Renewable energy projects, bio-energy initiatives, and decentralised energy systems have particular relevance for rural and remote areas. These initiatives improve energy access while reducing dependence on centralised fossil fuel systems.

Support for institutions working on bio-energy and wind energy also aligns with regional resource availability. Different parts of the country have varying strengths in solar, wind, and biomass potential, and the Budget's institutional approach allows for region-specific solutions rather than a one-size-fits-all model.

Improved energy access in rural areas also supports agriculture, small businesses, and local industries, reinforcing the link between green growth and inclusive development.

Climate Risk Management and Long-Term Fiscal Impact

Beyond energy generation, the Budget acknowledges the broader economic risks associated with climate change. Climate-related disruptions can affect agriculture, infrastructure, supply chains, and public finances. By investing in sustainable energy systems and resilient infrastructure, the Government aims to reduce long-term fiscal and economic vulnerability.

Lower dependence on imported fossil fuels supports balance-of-payments stability and reduces exposure to global price volatility. Over time, this contributes to fiscal resilience and macroeconomic stability, reinforcing the Budget's broader emphasis on disciplined growth.

The integration of climate considerations into mainstream budgeting reflects a shift from reactive measures to proactive risk management. Energy and climate policies are thus framed not only as environmental choices, but as core components of economic governance.

Policy Coordination and Execution Challenges

While the Budget lays out a comprehensive vision for energy and green growth, execution remains a critical challenge. Coordination across ministries, regulators, and state governments is essential for effective implementation. Grid expansion, renewable deployment, industrial policy, and urban planning must align for the transition to succeed.

The Budget's emphasis on institutional strengthening and long-term planning suggests awareness of these challenges. Clear policy signals, regulatory consistency, and continuous reform are necessary to ensure that investments translate into tangible outcomes.

Managing the pace of transition is also important. The Budget recognises that affordability, reliability, and growth must be protected even as cleaner systems are adopted. This pragmatic approach underpins the overall energy strategy.

Conclusion: Green Growth as an Economic Strategy

The Union Budget 2026–27 positions energy transition and climate action as central elements of India's long-term economic strategy. By focusing on energy security, renewable expansion, institutional support, infrastructure development, and private investment, the Budget embeds green growth within the broader development agenda.

Rather than treating sustainability as a constraint, the Budget frames it as an opportunity to build new industries, create jobs, and strengthen resilience. The integration of energy, climate, and economic policy reflects a mature approach—one that recognises the interdependence of growth, stability, and environmental responsibility.

If implemented effectively, the measures outlined in this Budget have the potential to transform India's energy landscape while supporting inclusive and sustainable economic growth for the decades ahead.

AI, Digital Infrastructure, and New Technologies

The Union Budget 2026–27 positions artificial intelligence and digital infrastructure as foundational elements of India's next phase of economic transformation. The Budget speech makes it clear that digital capability is no longer a supporting function of governance or business, but a core driver of productivity, competitiveness, and service delivery across sectors.

Over the past decade, digital public infrastructure has transformed how citizens interact with the State and how businesses operate. Building on this base, the Budget signals a decisive shift from digital adoption to digital leadership. Artificial intelligence, advanced computing, and data-driven systems are presented as tools that can significantly amplify outcomes in agriculture, manufacturing, healthcare, education, compliance, and public administration.

Rather than treating AI as a standalone technology initiative, the Budget embeds it within a broader framework of institutional capacity, infrastructure development, and economic reform. This integrated approach reflects an understanding that technology delivers impact only when supported by skills, governance frameworks, and scalable infrastructure.

India's AI Vision and Institutional Framework

A central pillar of the Budget's technology strategy is the strengthening of India's artificial intelligence ecosystem through a structured national approach. The Budget refers to the ongoing development of the IndiaAI Mission, which is designed to build capabilities across computing infrastructure, datasets, research, and application development.

The Mission's focus goes beyond innovation labs and pilot projects. It aims to create shared AI infrastructure that can be accessed by startups, researchers, and public institutions. This approach reduces entry barriers and ensures that AI development is not limited to a small set of large firms.

By anchoring AI development within an institutional framework, the Budget recognises that long-term leadership in emerging technologies requires coordination, sustained funding, and governance oversight rather than isolated initiatives.

Digital Public Infrastructure as a Force Multiplier

The Budget highlights digital public infrastructure as one of India's key strengths. Platforms built over the years have enabled scale, interoperability, and cost efficiency in service delivery. The current Budget seeks to extend this success into more advanced domains by integrating AI and analytics into existing digital systems.

Digital infrastructure is presented as a force multiplier for governance. AI-driven systems are expected to improve targeting, reduce leakages, enhance compliance monitoring, and support faster decision-making. In sectors such as taxation, welfare delivery, and regulatory oversight, technology is used to simplify processes while improving accuracy and transparency.

The Budget's emphasis on digital systems also reflects a broader governance philosophy: reducing discretion, minimising friction, and enabling rule-based administration through technology.

AI Applications Across Key Economic Sectors

A notable feature of the Budget is its focus on practical AI applications rather than abstract innovation. The speech refers to the use of AI in agriculture through tools such as multilingual advisory platforms that integrate data on weather, soil, and crops. These systems are intended to support farmers with timely, localised, and actionable guidance.

In manufacturing and industry, AI is positioned as a tool to improve productivity, quality control, and supply chain efficiency. Predictive maintenance, process optimisation, and demand forecasting are areas where AI-driven systems can reduce costs and enhance competitiveness.

The services sector is another major beneficiary. AI applications in healthcare diagnostics, education delivery, logistics planning, and compliance management are expected to improve outcomes while lowering operational costs. By focusing on sector-specific use cases, the Budget ensures that AI adoption translates into measurable economic and social benefits.

AI and Compliance, Governance, and Ease of Doing Business

The Budget places particular emphasis on the role of AI in improving compliance and governance outcomes. Automated systems, data analytics, and AI-assisted scrutiny are expected to reduce manual intervention and speed up processes in areas such as taxation, regulatory filings, and service approvals.

For businesses, this translates into simpler compliance, faster resolution, and greater predictability. For the Government, AI-driven governance improves enforcement quality while reducing administrative burden. This aligns with the broader reform agenda of reducing unnecessary compliance and improving ease of doing business.

The Budget's technology strategy thus supports both efficiency and accountability, reinforcing trust between the State and economic participants.

Building Skills and Human Capital for the Digital Economy

Recognising that technology adoption depends on human capability, the Budget links AI and digital infrastructure with skill development and education. Investments in institutions, training programmes, and research ecosystems are intended to create a workforce that can develop, deploy, and manage advanced technologies.

By supporting education-to-employment pathways in technology-driven sectors, the Budget aims to ensure that digital transformation generates broad-based employment rather than concentrated gains. This emphasis on skills also supports India's ambition to become a global hub for technology services and innovation.

Advanced Computing, Data Infrastructure, and Research Ecosystems

A strong digital economy requires not only applications, but also deep underlying infrastructure. The Budget 2026–27 recognises this by emphasising advanced computing capacity, data availability, and research ecosystems as critical enablers of artificial intelligence and emerging technologies.

The source document highlights the importance of building shared computing infrastructure that can support large-scale AI training and deployment. High-performance computing, cloud-based platforms, and secure data systems are positioned as national assets that reduce dependence on foreign infrastructure and ensure strategic autonomy.

Research institutions and technology centres play a central role in this ecosystem. By supporting advanced research facilities and collaborative platforms, the Budget seeks to bridge the gap between academic research and real-world applications.

This strengthens India's ability to innovate domestically rather than rely solely on imported technologies.

Role of Startups and Private Sector in Technology Adoption

The Budget positions startups and the private sector as key drivers of AI adoption and digital innovation. While public investment and institutional frameworks provide the foundation, private enterprises are expected to translate technology into scalable solutions across sectors.

Startups, in particular, benefit from access to shared AI infrastructure, datasets, and digital public platforms. This lowers entry barriers and allows smaller firms to compete and innovate without prohibitive capital costs. The Budget's broader emphasis on ease of doing business, compliance simplification, and access to finance further supports technology-driven entrepreneurship.

Large enterprises also play a crucial role in adopting AI at scale. Their participation accelerates diffusion of technology across supply chains, MSMEs, and service networks, multiplying the impact of public investment in digital infrastructure.

Data Governance, Ethics, and Responsible AI

As AI adoption expands, the Budget implicitly recognises the importance of data governance and ethical use of technology. AI systems rely heavily on data, making issues of privacy, security, and accountability increasingly important.

The emphasis on digital public infrastructure and institutional oversight reflects an effort to balance innovation with safeguards. Governance frameworks are expected to ensure that AI systems are transparent, auditable, and aligned with public interest objectives.

Responsible use of AI is particularly important in areas such as governance, compliance, and service delivery, where automated decisions can have significant consequences. By embedding AI within structured institutional systems rather than ad hoc deployments, the Budget seeks to manage risks while maximising benefits.

Impact of AI on Productivity and Economic Competitiveness

The Budget presents AI as a powerful tool for improving productivity across the economy. In manufacturing, AI-driven systems can optimise processes, reduce downtime, and improve quality. In agriculture, data-driven advisory platforms support better decision-making and risk management. In services, automation and analytics enhance efficiency and customer experience.

These productivity gains are essential for sustaining growth in a competitive global environment. As labour and resource constraints intensify, technology-driven efficiency becomes a key differentiator. The Budget's technology strategy therefore supports India's ambition to remain competitive in global markets.

By integrating AI into core economic sectors, the Budget aims to shift the economy towards higher value-added activities, supporting long-term income growth and export potential.

Employment, Skills, and the Changing Nature of Work

While AI raises concerns about job displacement, the Budget adopts a balanced perspective. Technology is presented as a tool that changes the nature of work rather than eliminating it altogether. New roles emerge in areas such as data analysis, system management, cybersecurity, and AI deployment.

The Budget's focus on education, training, and institutional capacity building is therefore critical. By preparing the workforce for technology-enabled roles, the Government seeks to ensure that AI-driven growth translates into employment opportunities rather than exclusion.

This approach also aligns with India's demographic profile. A skilled, digitally capable workforce strengthens the country's position as a global provider of technology services and innovation.

Digital Divide and Inclusion Challenges

The Budget recognises that digital transformation must be inclusive to be sustainable. Uneven access to digital infrastructure, skills, and connectivity can widen disparities if not addressed proactively.

Investments in broadband expansion, digital public platforms, and regional institutions help reduce these gaps. The integration of AI tools into multilingual and locally relevant platforms, such as agricultural advisory systems, reflects an effort to ensure accessibility across regions and population groups.

By embedding inclusion into the digital strategy, the Budget aims to ensure that technology benefits are widely shared rather than concentrated.

Execution Risks and Policy Coordination

Implementing a technology-driven transformation at scale presents significant challenges. Coordination across ministries, regulators, state governments, and institutions is essential for success. Fragmented implementation or inconsistent standards can limit impact.

The Budget's emphasis on institutional frameworks, shared infrastructure, and long-term planning reflects awareness of these risks. Clear governance structures, stable policy signals, and continuous reform are necessary to translate intent into outcomes.

Managing cybersecurity risks and protecting critical digital infrastructure also remain ongoing priorities as digital dependence increases.

Conclusion: Technology as the Engine of the Next Growth Phase

The Union Budget 2026–27 places artificial intelligence and digital infrastructure at the heart of India's economic strategy. By combining institutional support, shared infrastructure, private sector participation, and skill development, the Budget seeks to move beyond digital adoption towards digital leadership.

Technology is not treated as an isolated sector, but as a cross-cutting enabler of productivity, governance, and inclusion. This integrated approach reflects a mature understanding of how digital systems shape modern economies.

If implemented effectively, the measures outlined in the Budget have the potential to position India as a global leader in applied AI and digital innovation, driving sustainable growth and competitiveness in the years ahead.

Services Sector and Job Creation

The Union Budget 2026–27 places the services sector at the heart of India's job creation strategy, recognizing that services like IT, tourism, healthcare, design, AVGC (Animation, Visual Effects, Gaming, Comics), and education are pivotal for employment and exports. Rather than relying solely on manufacturing, the Budget signals a pivot to services-led growth as the primary engine for jobs and foreign exchange earnings[1]. This shift is based on a simple rationale: services generate more employment per unit of output than industry, and India's strength in services can be leveraged to absorb its large and growing workforce.

In recent years, the services sector has already become the backbone of the economy, contributing about 60% of GDP and about 30% of overall employment. It is also India's gateway to the world, accounting for a record USD 387.6 billion in exports in FY25 – the highest ever. India is now the world's 7th-largest services exporter, with its share of global services exports rising to 4.3%. The Budget builds on this momentum by placing services at the center of growth and job policies, aiming for India to capture 10% of the global services trade by 2047. In the sections below, we explore how key service industries – from IT to tourism to healthcare and creative industries – are being bolstered to create jobs and boost exports.

Services as the Engine of Employment and Exports

The services sector today is not just an appendage to the economy but its driving force. It provides about 62% of urban employment in India, underscoring its role in absorbing both skilled and semi-skilled workers in cities. It also attracts the bulk of foreign investment (nearly 80% of FDI inflows in recent years) and earns critical foreign exchange, helping stabilize India's external accounts. The Economic Survey 2025–26 highlighted that strong performance in IT-BPM, financial services, tourism, and professional services has made India a magnet for investors and a hub for Global Capability Centres and startups.

The Budget explicitly acknowledges the centrality of services for job creation. Officials note that services generate higher employment per rupee of output than manufacturing, making them "critical for absorbing the workforce". This insight has driven a series of measures to strengthen service industries, modernize their infrastructure, and build a skilled labor pool for them. From tax incentives to skill programs, the policy support is shifting toward enabling services to thrive.

Importantly, the focus is on sustainable, long-term employment rather than short-term job schemes. The Budget avoids announcing arbitrary "job creation numbers" and instead lays out conditions for sustainable employment growth via skills and service sector development. This marks a strategic shift: the government is moving from directly creating jobs to facilitating sectors that create jobs, especially services.

IT and Digital Services: Driving Exports and Innovation

Information Technology (IT) and IT-enabled services (ITeS) remain India's flagship service exports and a major employer of the educated workforce. The Budget reinforces this by rationalising taxes and regulations to bolster India's IT leadership. It proposes to unify and simplify the taxation of IT services – including software development, BPO, KPO, and R&D – under one category with a common safe-harbour framework. This simplification will reduce compliance complexity for hundreds of IT firms and improve their ease of doing business.

The government has set an ambitious target for services exports – a 10% global market share by 2047 – and IT will be a big contributor to this goal. Indian IT companies are already expanding into new fields like AI, blockchain, and product design, moving up the value chain. The Budget's emphasis on digital public infrastructure and the announcements of tax holidays for data centers and cloud services till 2047 will indirectly boost IT services by strengthening the digital ecosystem.

Crucially, India's success in IT has spawned a vibrant startup and innovation ecosystem. The Budget notes India's emergence as a global hub for technology startups, including in areas like artificial intelligence, and the presence of over 21.6 crore demat accounts and 12 crore unique investors which reflects deepening tech-driven financial inclusion. By continuing to invest in digital infrastructure and skills (e.g., an Education-to-Employment committee for tech skill mapping), the government is ensuring the IT sector can keep expanding and creating high-skill jobs.

Tourism and Hospitality: A Job Multiplier

Tourism is another service industry receiving a major fillip, given its strong multiplier effect on jobs across hospitality, transport, and local economies.

The Finance Minister highlighted that tourism has the potential for massive employment generation and foreign exchange earnings. To realize this, the Budget unveiled a comprehensive package for tourism development:

- **National Institute of Hospitality:** A new National Institute of Hospitality will be set up by upgrading the National Council for Hotel Management and Catering Technology, serving as a bridge between academia and industry in hospitality. This will enhance training for hospitality management, improving service quality and employability of graduates.
- **Upskilling Tourist Guides:** A pilot scheme will upskill 10,000 tourist guides at 20 iconic sites through a standardized 12-week training (with IIM collaboration). By professionalizing tourist guides, the government aims to improve visitor experience while creating skilled jobs in smaller towns and heritage sites.
- **Digital Tourism Infrastructure:** A "Destination Digital Knowledge Grid" will be established to digitally document all places of significance – cultural, spiritual, natural. This creates a new ecosystem of jobs for local researchers, historians, content creators and tech professionals who will build digital content and manage tourism platforms. It's an innovative approach to blend technology with tourism, expanding employment in content development and digital services.
- **Experiential and Eco-Tourism:** The Budget provides for developing 15 archaeological sites into vibrant cultural destinations with curated walkways and immersive interpretation centers. It also announces ecologically sustainable tourism trails – mountain trekking routes in the Himalayas and Eastern/Western Ghats, "turtle trails" along coastal nesting sites, and bird-watching trails. These initiatives will spur nature and adventure tourism, generating local jobs in tour operations, conservation, and hospitality. As noted, "India has the potential and opportunity to offer world-class trekking and hiking experiences", and doing so will create livelihoods in remote regions.
- **Niche and Regional Tourism Circuits:** Targeted efforts will strengthen heritage circuits, spiritual tourism hubs, and tourism in the Northeast (with a dedicated Buddhist Circuit scheme for states in the region). By aligning tourism development with infrastructure and connectivity, the Budget seeks to ensure benefits reach across states.

All these measures position tourism as a scalable economic activity that can create jobs at various skill levels. As a labor-intensive sector, tourism can employ youth and women in remote areas, stemming distress migration. The Budget explicitly frames tourism as a tool for non-migrant employment in smaller towns and rural areas. Indeed, plans to train local youth as guides and develop local sites mean people can find work in their own communities, boosting rural incomes and cultural preservation simultaneously.

Even sports tourism and sports ecosystems find a mention – the Khelo India Mission expansion will create structured roles for coaches, support staff, and sports administrators, again acknowledging sports as part of the wider services economy.

Healthcare and Medical Tourism: New Avenues for Employment

- **Allied Health Professionals (AHPs):** The Budget proposes adding 100,000 allied health professionals across 10 disciplines over the next five years. Allied health roles – technicians, therapists, paramedics, etc. – are crucial for a robust healthcare system. By investing in training these AHPs, the government is creating a large cadre of skilled workers who will find jobs in hospitals, diagnostics, and public health, while also improving the quality of care. Additionally, 1.5 lakh caregivers are to be trained in the coming year under programs aligned with the National Skills Qualifications Framework. This caregiver training (covering geriatric and long-term care) not only fills a growing need domestically but also prepares youth for overseas job opportunities in the care economy, as mobility agreements in trade deals open up nursing and caregiver jobs abroad.
- **Regional Medical Hubs for Medical Tourism:** To tap into the booming medical tourism market, the Budget will support states in establishing five Regional Medical Value Tourism Hubs in partnership with private players. These hubs will be integrated healthcare complexes combining advanced hospitals, medical research institutions, AYUSH centers, post-care rehabilitation facilities, and dedicated facilitation for international patients. By clustering world-class treatment with hospitality, these hubs aim to attract foreign patients (particularly from developing countries) seeking quality affordable care. This will create diverse job opportunities for health professionals – not just doctors and nurses, but hospital administrators, translators, patient coordinators, and hospitality staff. Each medical tourist can generate multiple local jobs in hospitals, hotels, and transport. The Finance Minister highlighted that such hubs will provide jobs for a range of health professionals including doctors and AHPs.

- **Expansion of Healthcare Infrastructure:** The Budget also boosts health infrastructure which indirectly creates jobs. It funds new medical colleges (including All India Institutes of Ayurveda) and upgrades of district hospitals and trauma care centers. Infrastructure expansion means more faculty positions, more health workers, and construction jobs in the short run. Over time, a larger healthcare network will absorb the many trained professionals being produced.
- **AYUSH and Traditional Medicine:** By investing in AYUSH (Ayurveda, Yoga, Unani, Siddha, Homeopathy) through new institutes and upgraded pharmacies, the government is also supporting job creation in India's traditional wellness sector. AYUSH hospitals, wellness centers, and product manufacturing employ thousands, and with growing global interest in alternative medicine, this sector can contribute to exports and tourism as well.

Overall, the Budget's approach to healthcare is two-pronged: meet domestic health needs (especially in under-served areas) while leveraging India's strengths to attract global health consumers. This creates a virtuous cycle of investment and job creation – as India's healthcare capacity grows, it can serve more domestic and foreign patients, generating revenue that further expands services and employment.

Creative Economy and AVGC: Tapping the Orange Economy

One of the most forward-looking aspects of the Budget is its focus on the "Orange Economy" – creative industries such as animation, visual effects, gaming, comics, design, and media. These sectors are rapidly growing with digitalization and have immense potential for skilled employment and exports of content. The Budget formally recognizes the AVGC sector as a key area for job growth, noting it is "projected to require 2 million professionals by 2030".

To build this talent pipeline, the government announced a landmark initiative: establishing AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges across India. In partnership with the Indian Institute of Creative Technologies (IICT) in Mumbai, these labs will train students in animation and game design from a young age. This is a massive skills infusion that will prepare a generation of creators for the booming digital entertainment industry.

As Finance Minister Nirmala Sitharaman stated in her speech, "India's AVGC sector is a growing industry, projected to require 2 million professionals by 2030", hence these labs are being set up to meet industry needs. The scheme not only opens new career pathways for students (many in smaller towns where such training was scarce), but also strengthens India's position as a global content production hub.

Alongside AVGC, design services got a boost with a proposal to establish a new National Institute of Design (NID) in eastern India. This acknowledges India's rapidly expanding design industry – spanning product design, fashion, graphics, user experience design, etc. The new NID will churn out skilled designers and spur design innovation, feeding into various industries from textiles to technology. By spreading design education to the east, it also ensures more balanced regional growth in creative skills.

Investments in the creative economy reflect an important realisation: ideas, art, and culture can be powerful economic assets. The Economic Survey 2025–26 noted that creativity-led sectors like media, entertainment, and culture can drive urban employment and even boost tourism. These activities derive value from "ideas, artistic expression and cultural capital rather than physical goods". Harnessing this "soft power" sector not only creates high-value jobs (often for the youth) but also builds cultural exports – films, animation, gaming – that carry Indian influence abroad. The Budget's support for the Orange Economy thus plants seeds for long-term, innovation-driven growth in services.

Education and Skilling: Linking People to Service Jobs

Underpinning all these sectoral initiatives is a strong emphasis on education, skill development, and human capital. The services sector can only expand as fast as the talent supply allows. Recognizing this, the Budget places skill-building interventions alongside industry measures. A few notable steps:

- **Education to Employment Standing Committee:** The Budget proposes a High-Powered "Education to Employment and Enterprise" Standing Committee. This body will map skill gaps in emerging industries, identify high-employment service sub-sectors, and assess how technologies like AI will impact future jobs. By having a dedicated group to align education with market needs, the government aims to ensure the millions of new service jobs can be filled by appropriately skilled Indians. It reflects the understanding that degrees alone are not enough – curricula must evolve to improve employability.
- **Reformed ITR and Skill Programs:** In sectors like tourism and healthcare, specific skill programs (guides training, caregivers training) have been discussed. Beyond those, the Budget also bolsters general skill initiatives.

- For example, Samarth 2.0 for upgrading textile skills was mentioned elsewhere, which feeds into design/fashion services. Expect similar revamps in ITIs and polytechnics to focus on service trades (like hospitality, retail, logistics).
- **Investment in Institutions:** New institutes (hospitality, design, pharmaceutical research etc.) are essentially investments in creating centers of excellence that will produce the specialized workforce required for services. The girls' hostels in every district for STEM students is another enabling measure – encouraging more women to pursue scientific and technical education without safety or accommodation concerns. This will ultimately widen the talent pool for high-skill service industries (IT, biotech, design, etc.) and promote gender inclusion in the workforce.

All these educational measures align with the view that India's demographic dividend can be realized through service jobs if the youth are properly skilled. The country is moving from an era of labor surplus to one of skill surplus, where the competitive advantage will lie in human capital quality. The Budget's thrust on skilling indicates a long-term plan to supply world-class workers to both domestic service industries and the global market. In fact, by emphasizing training in areas like caregiving, the government acknowledges that Indian workers can seize opportunities abroad (for instance, nurses or caregivers in aging societies) – essentially exporting services through personnel.

Conclusion: Services at the Core of India's Next Growth Story

The Union Budget 2026–27 makes it abundantly clear that services are not just supporting sectors but the lead actors in India's growth story. By embedding service-sector initiatives across the Budget – from tourism and AVGC to healthcare and IT – the government is capitalizing on areas where India has both comparative advantage and large job-creating potential. This integrated approach marks a departure from viewing services as ancillary; instead, services are now seen as "the primary job engine" of the economy.

For employment, this focus cannot come sooner. The bulk of India's new livelihoods in the coming decade are expected to come from services – be it a data analyst in an IT firm, a tourist guide in a heritage site, a nurse in a medical hub, or an animator at a gaming studio. The Budget's measures will create millions of such direct and indirect jobs, many of them high-skill, high-paying roles that can uplift incomes. Notably, these jobs often have a strong export or foreign-currency earning component (IT exports, medical tourists, foreign film/gaming clients, etc.), which means services growth also fortifies India's balance of payments.

We are also witnessing a virtuous cycle: success in services brings in FDI and global partnerships, which in turn create more opportunities. For instance, the growth of Global Capability Centres in India (captive R&D and back-office units of MNCs) has attracted investment and positioned India as a hub for innovation in AI and fintech. The Budget's supportive policies will likely accelerate this trend, bringing more global service mandates to India's shores.

In sum, Budget 2026–27 cements the central role of the services sector in driving India's economic transformation. It seeks to move India up the value chain – from assembling goods to designing solutions, from back-office work to knowledge-driven work. If implemented effectively, these initiatives will not only produce immediate employment gains but also solidify the foundation for India to become a $5 trillion economy largely on the strength of its service industries. As services thrive, they will pull up other sectors too (manufacturing and agriculture benefit when services like finance, logistics, and IT are efficient). The road ahead promises an India that is the office, hospital, studio, and laboratory for the world – a global service powerhouse creating prosperity and jobs for millions of its citizens.

Sources: The Economic Survey 2025–26 highlights India's status as the 7th-largest services exporter and notes the sector provides 30% of total employment (and 62% of urban jobs). Economic Times reporting on the Budget confirms the government's strategy of targeting a 10% share of global services exports by 2047 and focusing on high-employment service sub-sectors. The Press Information Bureau release on tourism details plans for medical tourism hubs, a national hospitality institute, and guide training, emphasizing tourism's role in job creation. Another PIB release and NDTV coverage underscore the push for the creative economy, with 15,000 schools to get AVGC labs and a new Design institute, given the sector's projection of 2 million jobs by 2030. The Budget also outlines adding 1 lakh allied health professionals and 1.5 lakh caregivers, and formally recognizes the "orange economy" as a key growth area. These measures collectively illustrate how services are being positioned as the cornerstone of job creation and export expansion in India's budget for 2026–27.

Agriculture, Rural Economy, and Farmer Income

The Union Budget 2026–27 undertakes a comprehensive push to boost farmer incomes and revitalize the rural economy, recognizing that agriculture must move beyond subsistence farming to a diversified, technology-enabled enterprise. India's agricultural landscape is no longer just about food grains – it now encompasses allied sectors like fisheries and animal husbandry, high-value horticulture crops, agri-tech interventions (including AI tools), and rural entrepreneurship, especially led by women. The Budget introduces targeted measures in each of these areas to ensure that farmers have multiple streams of income and the rural economy as a whole becomes more resilient and prosperous.

These initiatives come against a backdrop of strong recent performance in agriculture. The Economic Survey 2025–26 reported record foodgrain output of 3,577 Lakh Metric Tons in 2024-25 and highlighted livestock and fisheries as booming segments – livestock GVA nearly tripled (+195%) since FY15, and fish production grew over 140%. Horticulture, too, has emerged as a key growth driver, now making up 33% of agricultural GVA. This diversification within agriculture has been crucial to raising farm incomes. Building on these trends, Budget 2026–27 deepens support for allied activities, value addition, and new technologies to continue the trajectory of income growth for farmers.

Crucially, the Budget aligns with the government's third "Kartavya" (duty) of Sabka Sath, Sabka Vikas – ensuring every community and region benefits from development. For rural India, this translates into targeted efforts to increase farmer incomes, empower small and marginal farmers, and invigorate the rural economy. Let's delve into the key proposals covering fisheries, animal husbandry, high-value crops, agri-tech, women entrepreneurs, and income diversification.

Diversifying Farmer Incomes through Fisheries and Aquaculture

One of the most significant steps in the Budget is a focus on fisheries and water-based farming as a source of income for rural communities.

Fishing and aquaculture have huge untapped potential in India, especially for coastal and riparian states, and they often involve small producers including many from traditional fishing communities.

The Budget addresses this by providing for the integrated development of 500 farm ponds, reservoirs, and "Amrit Sarovars" (water bodies) across the country. Developing these water bodies will support inland fisheries and aquaculture. This means stocking ponds with fingerlings, promoting fish farming techniques, providing cold-chain and marketing support, etc. By converting village ponds and reservoirs into productive assets for fish rearing, even landless rural folk can earn livelihoods. Such water-focused development is a low-hanging fruit for raising incomes in rain-fed or flood-prone areas.

Moreover, the Finance Minister announced strengthening of the fisheries value chain in coastal areas, coupled with market linkages involving startups, women-led groups, and Fish Farmer Producer Organisations (Fish FPOs). This is a multi-faceted approach: - By organizing fishers into FPOs, fishermen and aquaculture farmers can collectively access better technology, feed, and markets, improving their bargaining power. - Encouraging startups in aquatech can introduce innovations like mobile fish vending apps, IoT-based pond monitoring, or value-added fish products, thus modernizing the sector. - Critically, involving women's self-help groups in fisheries ensures that women (often involved in post-harvest processing like drying fish, making pickles, etc.) are included in the value chain and can directly benefit from growth. The PIB summary explicitly notes enabling market linkages "involving start-ups and women-led groups" in fisheries, highlighting a gender-inclusive strategy.

These efforts should lead to higher incomes for fishers through better prices and reduced waste, and also create ancillary jobs in processing, logistics, and retailing of fish. India has already seen success in fisheries (total fish production reached ~14 million tonnes recently), and the Budget aims to maintain the momentum with forward-looking measures.

Animal Husbandry: From Subsistence to Enterprise

Animal husbandry (dairy, poultry, livestock rearing) is another pillar of rural income being transformed from a supplemental activity into a full-fledged enterprise. The Budget identifies animal husbandry as "one of the key areas for increasing farmers' income" and rolls out a robust support package: - Credit-Linked Subsidy for Entrepreneurship: A new credit-linked subsidy programme will incentivize rural entrepreneurs (especially youth and producer groups) to set up ventures in animal husbandry. This could be a small dairy unit, a poultry farm, or a piggery – the subsidy reduces the capital cost, while credit gives the needed upfront funds.

By treating livestock rearing as a micro-business to be financed and scaled, the government is helping shift it from subsistence to market-oriented production.

- **Modernizing Livestock Enterprises:** The Budget calls for scaling-up and modernisation of livestock enterprises. This means promoting best practices like hybrid breeding, veterinary care, scientific feeding, and mechanization in activities like milking. Modernization leads to higher productivity per animal (e.g. more milk per cow, better weight gain in poultry), which directly increases farmers' income. It also creates service sector jobs in rural areas – veterinarians, artificial insemination technicians, feed suppliers, etc.
- **Integrated Value Chains for Dairy and Meat:** The government will support the creation of integrated value chains focused on livestock, dairy, and poultry. An integrated value chain implies everything from feed production to processing and marketing is linked. For dairy, this could involve village collection centers, chilling plants, processing of milk into products, and retail branding. For poultry and meat, it includes cold storage, abattoirs, and distribution networks. By encouraging integration, farmers get better prices (as middlemen are reduced and efficiency improves) and consumers get quality products. It also reduces wastage and seasonality issues. The end result: more stable and higher earnings for those rearing animals.
- **Livestock Farmer Producer Organisations:** The Budget encourages the formation of Livestock FPOs. Just as crop farmers benefit from FPOs, livestock farmers coming together can achieve economies of scale – bulk buying feed, collective marketing of milk or eggs, etc. It also allows smallholders to access government schemes and technical know-how more easily. The formation of these FPOs will be supported with training and perhaps matching grants.

By supporting animal husbandry in this entrepreneurial way, the Budget is addressing a critical fact: livestock contributes over 30% to agricultural GVA and has been one of the fastest-growing components of agriculture. In many parts of India, especially arid areas, livestock is the mainstay of income. The measures above will help farmers earn more from each animal and reduce risks (like sudden disease outbreaks) through better management.

A side benefit is nutritional – as dairy and eggs become more remunerative, their production increases, improving protein availability in rural diets. But economically, the key takeaway is that animal rearing is being mainstreamed as a high-revenue generator, not just an adjunct to cropping. More rural youth may now view dairy farming or poultry farming as a viable business with government backstop, rather than migrating to cities.

Promoting High-Value Crops and Plantation Products

The Budget makes a clear push towards high-value agriculture – cultivation of crops that fetch high prices, often cash crops or specialty products, which can significantly raise farm income per acre. Finance Minister Sitharaman stressed support for specific high-value crops and commodities across different regions: - In coastal areas, coconut, cocoa, and cashew are identified for support. These plantation crops are export earners and provide raw material for significant industries (coir, chocolate, confectionery). India is notably the world's largest coconut producer, with about 30 million people depending on coconut cultivation. To further boost this sector, the Budget introduces a Coconut Promotion Scheme to increase production and replace old, non-productive palms with new hybrids. This will enhance yields and incomes for coconut farmers, and by improving productivity, it keeps India competitive in global markets.

- Similarly, a dedicated programme for Indian cashew and cocoa is proposed. This programme aims to make India self-reliant in raw cashew and cocoa by 2030 and to turn Indian cashew/cocoa into premium global brands. Measures likely include distributing better planting material (high-yield cashew varieties, disease-resistant cocoa), encouraging processing units (for cashew nuts, for cocoa into chocolate), and possibly marketing campaigns abroad. By focusing on branding and processing, farmers and local processors will capture more value rather than exporting raw produce cheaply. If successful, this could transform livelihoods in states like Kerala, Karnataka, Goa, and Tamil Nadu where these crops grow.
- In hilly and tribal regions, the Budget zeros in on sandalwood and high-value nuts (like walnuts, almonds, pine nuts). India has a legacy of sandalwood (a very high-value timber used in perfumes and handicrafts), but uncontrolled harvesting had diminished its stock. Now, a program will promote cultivation of sandalwood and rejuvenate that ecosystem. This could be lucrative for farmers in parts of South India if proper agroforestry models are developed. For walnuts, almonds, and pine nuts – primarily grown in Himalayan states (Kashmir, Himachal, Uttarakhand, Northeast) – a dedicated programme will support rejuvenating old orchards and expanding cultivation with high-density plants.

- By engaging youth in these areas, the government hopes to both increase income (these nuts fetch very high prices) and involve young entrepreneurs in value-added processing (like walnut oil, almond products). The aim is not only higher farm-gate prices but also to see India become a bigger player in the global dry fruits market, currently dominated by countries like the U.S. (almonds) and Iran/Turkey (walnuts).
- An interesting inclusion is Agarwood in the Northeast (noted as "Agar trees in North East" in the announcement). Agarwood is used for making incense and perfumes (oudh), and it's extremely valuable. By supporting agarwood cultivation, the Budget taps into a niche but high-margin product that can benefit Northeastern farmers and small businesses engaged in agarwood oil extraction.

Overall, these crop-specific interventions mark a shift in agricultural support – from a generalized approach to a tailored one that considers regional advantages. Instead of only rice and wheat, the government is backing crops that can double or triple farmers' income but needed an initial policy push to take off. For example, an average coconut farmer's income can significantly increase if improved hybrids double coconut yield and if there are buyers for value-added coconut products (virgin coconut oil, coir-based materials) at higher prices. By providing schemes and infrastructure, the Budget is trying to unlock these opportunities.

From an exports perspective, these high-value crops can earn foreign exchange. Cashew is already a big export after processing. Indian cocoa could reduce our chocolate industry's reliance on imports. Premium branding of these items could also fetch better global prices.

Agri-Tech and AI: Bharat-VISTAAR for Farmer Advisory

Technology has begun to make inroads into Indian farming – whether through smartphone apps giving mandi prices or drones being used for crop surveys. The 2026–27 Budget takes this further by proposing Bharat-VISTAAR, a multilingual AI-based agricultural advisory tool. VISTAAR stands for "Virtually Integrated System to Access Agricultural Resources" and it will integrate: - All existing AgriStack portals (which likely include soil health card portal, weather info, commodity prices, etc.) - The Indian Council of Agricultural Research (ICAR) database on best practices for different crops - AI systems that can analyze this data and give customized, location-specific advice to farmers.

In essence, Bharat-VISTAAR is envisioned as a digital farm assistant available in local languages, guiding farmers on what to plant, when to sow, how to manage pests, when to harvest, etc., based on realtime data. The Finance Minister said this will "enhance farm productivity, enable better decisions for farmers and reduce risk by providing customised advisory support". This directly addresses one of the big challenges in agriculture: lack of timely information and risk mitigation. Small farmers often suffer due to unpredictable weather or market fluctuations. An AI tool can, for instance, warn a farmer of an approaching pest infestation (from satellite or extension data) and recommend precautions, or suggest the optimal sowing date given weather forecasts.

For farmers' income, the impact of such a tool can be substantial: - By optimizing input use (water, fertilizer) and reducing crop losses, costs go down and yields go up. - By advising on crop choice (say, reminding a farmer of a lucrative horticulture crop suited to their land and market demand), it can encourage diversification into higher-value produce. - Risk reduction (e.g., advising insurance or telling when to harvest early to escape a cyclone) protects incomes from shocks.

The multilingual aspect ensures even farmers in remote areas who may not speak Hindi or English can benefit, thereby bridging the information divide. If executed well, Bharat-VISTAAR could be a game-changer in democratizing agricultural knowledge. It reflects the Budget's broader theme of combining "digital public infrastructure" with traditional sectors to multiply outcomes – as seen in other domains like fintech or health.

Additionally, the Budget allocated ₹150 crore to Bharat-VISTAAR and highlighted it as a means to make digital infrastructure work for farmers, converting data into "higher incomes, lower risk, and greater climate resilience". This succinctly captures why agri-tech is vital: better data usage leads to more income and resilience for the farmer on the ground.

Women-Led Rural Enterprises: From SHGs to "Lakhpati Didis" and SHE-Marts

No rural transformation is complete without empowering the women of the village. Women are the invisible backbone of agriculture and rural crafts – they do a large share of farm work, tend livestock, and run micro-businesses like handicrafts or food processing. Recognizing this, the Budget introduces initiatives specifically targeting women-led enterprises in rural areas, aiming to elevate them from subsistence to prosperity.

A highlight is the new SHE-Mart initiative. As explained in the Budget speech, SHE-Mart stands for "Self-Help Entrepreneur Mart", essentially a platform to help women move from being credit-linked self-help group (SHG) beneficiaries to actual owners of enterprises. These will be community-owned retail outlets at the cluster level, run by women's federations. The idea is to provide marketing channels for products made by SHG women (such as handicrafts, papad pickles, handloom, etc.) beyond their local area. The Finance Minister said, "I propose to help women take the next step from credit-led livelihoods to being owners of enterprises", underscoring a graduation from micro-credit to micro-enterprise. By setting up SHE-Marts, the government will create physical or digital marketplaces where these women can sell collectively, gain better market intelligence, and command better prices.

This program builds on the success of the "Lakhpati Didi" scheme launched in 2023, under which women SHG members aim to earn at least ₹1 lakh per year. As of mid-2025, there were reportedly 1.48 crore women who had become "Lakhpati Didis" through various livelihood missions. Now, SHE-Mart is a complementary step to help these women expand their sales and become true entrepreneurs. It is essentially moving women up the value chain from being producers with tiny scale to businesswomen with storefronts and brands.

Notably, budget allocations reflect this push: The Deendayal Antyodaya Yojana – National Rural Livelihood Mission (DAY-NRLM), which supports SHGs and the Lakhpati Didi initiative, saw an increase in funding. Developmental grants to states under the Rural Development Ministry rose by 54% (from ₹83k crore to ₹1.28 lakh crore), indicating more money will flow into rural income schemes and infrastructure that benefit women and others.

Apart from SHE-Marts, women stand to gain from many other budget measures: - In fisheries, as mentioned, women-led groups are being integrated into new market linkages. - In animal husbandry, many women are dairy farmers; the credit and FPO support will benefit them equally. - The girls' hostel in every district for STEM students (mentioned earlier) empowers rural girls to pursue higher education without worry – eventually enabling them to take higher-paying roles in the rural economy (like agri-scientists, vets, teachers, etc). - Healthcare expansion also creates jobs for women (nursing, ASHA workers, caregivers). For instance, training 1.5 lakh caregivers (largely women) not only addresses a skill gap but gives them a pathway to formal, paid work.

By empowering women economically, the rural economy gains a double dividend: women's incomes typically get invested in children's education, family health and better nutrition, creating long-term social benefits. The Budget's explicit referencing of women (the term "Lakhpati Didi" was coined by the PM and embraced in policy) shows a commitment to inclusive growth. Indeed, industry leaders lauded that "initiatives such as SHE-Marts... place women at the core of the growth story", calling it a deliberate step towards a more inclusive Bharat.

Infrastructure and Support for the Rural Economy

Beyond specific sectors, the Budget also strengthens the broader ecosystem that sustains the rural economy – including rural infrastructure, credit access, and market reforms: - Rural Infrastructure: Capital expenditure support to states (through the 50-year interest-free loans) likely continues for rural roads, housing, irrigation, etc. While a specific number for PM Gram Sadak Yojana or others wasn't highlighted in our sources, it's clear public capex is at an all-time high (₹12.2 lakh crore in FY27), and a chunk of that will benefit rural connectivity, storage, and markets. Improved infrastructure enables farmers to get their produce to market faster and at lower cost, directly affecting incomes.

- **Agricultural Credit and Insurance:** Although not explicitly detailed in our sources, budgets usually increase the agricultural credit target each year. By 2025 it was ₹18+ lakh crore; likely 2026–27 target is higher. Easy and affordable credit is lifeblood for diversification – whether it's to buy a fishing boat, a dairy cow, or a drone for crop spraying. Similarly, expanding crop insurance or livestock insurance would reduce risk. The focus on risk reduction through AI advisory (Bharat-VISTAAR) complements the financial risk coverage by insurance.
- **Market Reforms:** The government continues to promote e-NAM (electronic National Agriculture Market) and other reforms to allow farmers to sell freely. Though the three farm laws of 2020 were repealed, states are being nudged to adopt their own market reforms. Meanwhile, the push for FPOs and cooperatives (like multipurpose cooperative societies for export, announced in 2024) persists. In 2026, there's mention of strengthening marketing for fish and others via FPOs and startups which is part of a market reform by fostering competition and direct sales.
- **Special Regional Focus:** The Budget emphasizes helping backward regions (Purvodaya – Eastern India, and the North-East). Many of the high-value crop initiatives target these regions (e.g., Buddhist circuit tourism in NE, agarwood, walnuts in NE/hills). This is important for balanced rural growth, as states like Bihar, Odisha, UP have lagged in agri income compared to say Punjab or Gujarat.

- The Finance Commission also keeps this equity in mind; indeed the 16th FC recommended continued grants for local bodies focusing on water and sanitation in rural areas, which indirectly improves rural quality of life and productivity.

Ultimately, these supportive measures aim at creating an enabling environment where a farmer or rural entrepreneur has: 1. Multiple income avenues – crop, fish, dairy, craft – so that if one fails, others sustain the family. 2. Value addition and market access – so they earn more from what they produce. 3. Risk mitigation – through insurance, advisories, and better infrastructure to handle droughts/floods or price crashes. 4. Institutional support – via FPOs, cooperatives, credit, and training, so they aren't left to fend alone against market forces.

Towards Doubling (and Tripling) Farmer Income

The grand objective underlying many of these initiatives is to substantially increase farmer incomes, fulfilling a vision to double farmers' income that was earlier set for 2022 (though not fully achieved, it remains a guiding goal). This Budget seems to recalibrate that effort with a more nuanced, multi-sector approach.

By focusing on fisheries, livestock, and high-value crops, the government is targeting areas proven to raise incomes: - A small farmer adding a mini dairy unit can earn a steady daily income from milk. - Cultivating one hectare of mangoes or spices can yield much higher profits than a hectare of wheat, if done with proper support. - Engaging in fish farming in a pond can yield returns comparable to farming several acres of grain. - Women's SHGs starting a food processing micro-enterprise can significantly boost family income beyond farming alone.

The Economic Survey notes that thanks to such diversification and government support (schemes like PM-KISAN income support, expanded MSP procurement, etc.), rural incomes and resilience have improved. The Budget builds on that foundation with more structural interventions.

It's also worth noting the sustainability aspect: encouraging crop diversification to horticulture, tree crops, and agroforestry (sandalwood, almonds) helps improve the environment (better soil health, biodiversity) while protecting farmers from climate vagaries. Livestock can provide continuous income even if crops fail. These align with climate adaptation and the concept of doubling income in a sustainable way, not merely via subsidies.

One can foresee that if these policies are well-implemented: - By 2030, many villages might have "coconut millionaires" in coastal belts, "sandalwood growers" in south India, thriving fish farms in East India, and "lakhpati didis" running successful rural businesses across the nation. - The dependence on just rice and wheat would reduce, easing grain stock burdens and making agriculture more demand-driven. - The rural economy would not just be about farming, but also services (agri-tourism, food processing parks, rural BPOs maybe) as people find diverse work locally.

The ultimate measure will be in farmers' income statistics and rural poverty reduction. The government has signaled success already: it claimed 25 crore people were lifted out of multidimensional poverty in the last decade, largely due to rural development efforts. Continued emphasis on income generation as seen in this Budget should further reduce poverty and narrow the rural-urban divide.

Sources: Press Information Bureau releases detail many of these initiatives. One PIB summary quotes the Finance Minister: "Animal Husbandry will be one of the key areas for increasing farmers' income", followed by specifics of a credit-linked subsidy, modernization of livestock farming, and promotion of livestock FPOs. The same release outlines support for 500 reservoirs and strengthening fisheries value chains with women-led groups and Fish FPOs to boost incomes. To promote high-value agriculture, the PIB note lists new schemes for coconut (Coconut Promotion Scheme), cashew and cocoa (to make India self-reliant and a global brand by 2030), sandalwood, and expansion of walnut/almond cultivation in hill states. The introduction of Bharat-VISTAAR AI tool is highlighted as a means to improve farm productivity and reduce risk with personalized advisories. Meanwhile, reporting by The Print explains the SHE-Marts initiative, noting that it will help women transition from credit-led SHGs to enterprise owners and is part of the push for increasing farmer incomes through productivity and entrepreneurship support. The Budget's allocation increases for rural schemes (NRLM, grants to states) are also cited, indicating a 54% jump in development grants to states under the rural ministry to ₹1.28 lakh crore. These sources collectively show that Budget 2026–27 adopts a multi-pronged strategy – spanning farm, non-farm, and agri-tech – to raise rural incomes and foster a vibrant rural economy.

Financial Sector Reforms: Banking, Bonds, and Capital Markets

The Union Budget 2026–27 unveils a sweeping set of financial sector reforms aimed at strengthening India's banking system, deepening capital markets (especially corporate and municipal bond markets), and ensuring financial stability as the economy grows. These reforms signal the government's intent to modernize financial sector architecture to support India's long-term growth aspirations ("Viksit Bharat" or a developed India by 2047). They address everything from bank governance and NBFC (Non-Banking Financial Company) oversight to innovative market instruments and incentivizing new sources of financing like municipal bonds.

Notably, the Budget comes at a time when India's banking sector is in its best health in decades – with strong balance sheets, low non-performing assets, and robust profitability. Gross NPAs have fallen to just 2.2% (as of Sep 2025) – a historic low, and credit growth is a solid ~14%. This provides a great launching pad to undertake forward-looking reforms "from a position of strength". As the Finance Minister noted, "we are well placed to futuristically evaluate measures needed to continue on the path of reform-led growth of this sector". In other words, now is the time to cement gains and prepare for future challenges.

The financial reforms in Budget 2026–27 can be grouped into a few key themes: banking sector review and governance, NBFC restructuring, corporate bond market development, municipal bond promotion, and broader moves to enhance financial stability and inclusion. Let's explore each of these areas.

Banking Sector: High-Level Committee and Future-Proofing

Perhaps the most significant announcement is the constitution of a High-Level Committee on Banking for "Viksit Bharat" (Developed India). This committee will undertake a comprehensive review of the banking sector's structure, governance, and readiness for future credit needs. Essentially, it's a top-to-bottom examination of how Indian banking should look as the economy potentially triples in size by 2047: - Structure: This could include reviewing the roles of public, private, foreign banks; consolidation vs. expansion; whether new licenses are needed for niche banks, etc. - Governance: Likely focusing on public sector banks (PSBs) – improving board governance, autonomy, use of technology, accountability, etc. Over the last several years, PSBs have seen reforms (e.g. mergers reducing their number, the EASE reform agenda to improve customer service and tech use). The committee might recommend further steps so that Indian banks can be globally competitive. The government explicitly wants at least 1-2 Indian banks to rank in the world's top 20 by size by 2047. Achieving that would need significant growth and perhaps international expansion. - Future readiness: This includes being prepared for new kinds of risks (fintech disruption, cyber risks, climate risk to loan portfolios), as well as having the capacity to meet credit demand from new economy sectors. With India targeting $10 trillion GDP in the next couple decades, banks will need much larger capital bases and efficient operations to intermediate huge amounts of funds safely.

Finance Minister Sitharaman highlighted that this effort will be done "while safeguarding financial stability, inclusion and consumer protection" – indicating that growth should not come at the cost of prudence. The high-level committee essentially institutionalizes planning for the banking sector's evolution, something that hasn't been done in a holistic way since perhaps the Narasimham Committees of the 1990s.

Additionally, public sector bank reforms are set to continue. The Budget mentions "further governance and technology-driven reforms" for PSBs to improve efficiency and competitiveness. This could entail more digitization, AI-based risk management, partnership with fintechs, and even HR reforms to attract and retain talent. The goal is to make PSBs agile and innovative, not just stable but slow. Given PSBs still account for ~60% of India's banking assets, their performance is crucial for the economy.

Another strong indicator of forward momentum is that banks' strengths were lauded: profitability is at historic highs, and coverage of banking services now reaches over 98% of villages. However, one issue flagged was deposit mobilization challenges (SBI's Chairman had sought tax parity between debt and equity investments to help banks attract deposits). The committee might examine such issues too, ensuring banks can raise resources to lend.

In summary, the banking reforms are about consolidating gains and charting a roadmap for the next 20 years of banking. This proactive approach is wise – rather than waiting for another banking crisis or shortage, the government wants to anticipate and act. For stakeholders (customers, investors), this should translate into more robust banks, possibly a more diverse banking landscape new specialist banks or consolidation, depending on recommendations), and continued emphasis on inclusion (like Jan Dhan accounts, which already number 55 crore+).

NBFCs and Development Finance: Restructuring Key Institutions

The Budget also shines a light on Non-Banking Financial Companies (NBFCs), which are crucial for credit delivery in niches like infrastructure, MSMEs, vehicles, etc. Under a "Viksit Bharat" vision, NBFCs are expected to play a complementary role to banks in reaching underserved sectors.

The Finance Minister outlined a vision for NBFCs with "defined targets for credit disbursements and technology adoption". This implies the government wants NBFCs to significantly increase their lending (especially to priority areas) and modernize their operations. Over the last decade, some large NBFCs became almost bank-like in size (e.g., HDFC, Bajaj Finance), while others failed (IL&FS, Dewan Housing) causing systemic concerns. So clearly, a roadmap for NBFCs is needed to ensure they contribute to growth without jeopardizing stability.

A concrete reform in this space is the restructuring of the Power Finance Corporation (PFC) and Rural Electrification Corporation (REC). PFC and REC are government-owned NBFCs (often called DFIs – Development Finance Institutions) specializing in power sector lending. The Budget proposes to restructure them as a first step towards efficient public sector NBFCs. Although details aren't fully spelled out in the summary, restructuring could mean: - Possibly merging PFC and REC (they already function in tandem after PFC acquired REC a few years ago). A merger could streamline operations and reduce costs. - Refocusing their mandate – for example, not just financing conventional power projects but also green energy, grid modernization, etc. The power sector is undergoing change with renewables and distribution reforms, so PFC/REC need to adapt. - Strengthening their balance sheets – maybe government will provide more capital or enable them to tap new funding sources to support India's huge infrastructure needs.

It's notable that the stock market welcomed this news, with REC and PFC shares jumping ~5% on Budget day, indicating investors see value creation potential through restructuring (perhaps efficiencies or a more profitable lending mix).

The mention of NBFCs also ties to the fact that a couple of new DFIs were created recently (like NaBFID for infrastructure). The government may be looking at an integrated approach: use DFIs for long-term infra lending, while ensuring retail and MSME-focused NBFCs are well-regulated and capitalized.

Additionally, a comprehensive review of the Foreign Exchange Management Act (FEMA) non-debt rules was announced. This is related in that it can ease foreign investment flows, including into NBFCs or via external commercial borrowings. Simplifying forex rules will help financial institutions access global capital more easily, supporting credit expansion.

In short, NBFC reforms in this Budget are about strengthening key state-run NBFCs and setting a framework for the sector's growth aligned with national goals. As NBFCs often reach sectors and customers that banks don't (like small truck operators, equipment financing, affordable housing borrowers), their vitality is essential for inclusive credit. But they must be stable – hence the likely tightening of oversight and planning of their growth.

Deepening Corporate Bond Markets: Market-Making and Derivatives

A well-functioning corporate bond market is a hallmark of a mature financial system, as it provides an alternative to bank loans for companies to raise funds, especially for long-term needs. India's corporate bond market, while growing, is still shallow compared to its economic size. The Budget takes a major step by introducing several measures to energize the corporate bond market:

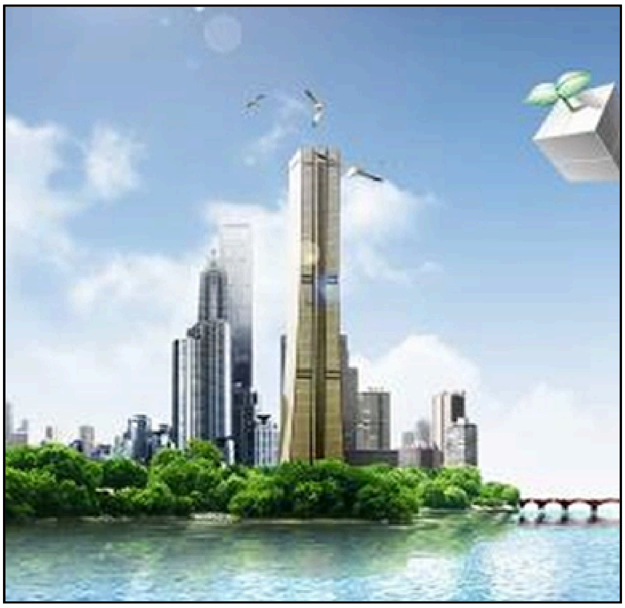
- **Market-Making Framework:** The government will introduce a market-making mechanism for corporate bonds. Market makers are entities (like primary dealers or market intermediaries) that continuously quote buy/sell prices, providing liquidity to the market. By ensuring there's always a buyer or seller for a corporate bond (especially for less-traded bonds), market-making reduces liquidity risk and encourages more investors to participate. The Budget even suggests providing "suitable access to funds" for this – perhaps a backstop facility or credit line that market makers can draw on to perform their role. This is a big move; it effectively acknowledges that the corporate bond market needs structural support akin to the government securities market which has primary dealers.
- **Derivatives on Corporate Bond Indices:** To allow investors to hedge and take positions on the bond market, the Budget will enable derivatives based on corporate bond indices. These could be futures or options on an index of top-rated corporate bonds. Such instruments help in risk management (e.g. insurance companies can hedge interest rate risk on their bond portfolios) and also draw speculators/liquidity providers which tighten spreads. It increases overall market efficiency.

- **Total Return Swaps (TRS) on Corporate Bonds:** A Total Return Swap is a derivative where one party gets the total return (interest + capital gains) of an asset (here, a corporate bond or index) in exchange for a fixed or floating rate payment. By introducing TRS on corporate bonds, the Budget is giving investors another tool to gain exposure or hedge without directly trading the bond. TRS can allow, for instance, foreign investors or funds to assume credit exposure to Indian corporate bonds through a swap with a bank, even if they can't buy the bonds due to limits. It adds flexibility and may increase foreign participation indirectly. Additionally, domestic banks could use TRS to manage their bond holdings and free up balance sheet.

Collectively, these measures aim to increase liquidity, price discovery, and participation in corporate bonds. With market makers, even lower-rated or longer tenor bonds might find buyers. With derivatives, investors can express views on interest rates and credit spreads more easily, which will lead to more accurate pricing of corporate credit risk. Over time, a vibrant corporate bond market will reduce the burden on banks for corporate financing, leaving banks to focus more on smaller borrowers while large firms meet more of their needs via bonds.

It is worth noting that previous budgets and RBI actions have also been working on this – for example, allowing bond ETFs, enabling a repo market in corporate bonds, etc. This Budget's announcements indicate the government wants to push harder, possibly spurred by the need for huge infrastructure financing (corporate bonds can fund infrastructure companies, NBFCs, etc., especially with insurance and pension funds as buyers).

One more subtle reform: the increase in investment limits for foreign portfolio investors (FPI) under the portfolio route from 10% to 24% (aggregate) was mentioned in a news snippet. If this pertains to corporate bonds, it means foreign investors can buy a larger portion of a single company's bonds. Combined with derivatives, this could invite more foreign capital into corporate bonds, improving demand.



Revitalizing Municipal Bonds: Incentives for Cities

In a notable move to boost urban infrastructure financing, the Budget puts the spotlight on municipal bonds – bonds issued by city municipal corporations to fund local projects (water supply, roads, metro transit, etc.). While a few Indian cities have issued muni bonds in recent years (Pune, Ahmedabad, Indore among others), the market is nascent and issues are usually small.

To change this, the Budget proposes an incentive of ₹100 crore for any municipal bond issuance above ₹1,000 crore by a city. This is a clever carrot: - It encourages larger cities to think big and raise significant funds via bonds (₹1,000 crore is roughly $125 million). - The ₹100 crore incentive could be a grant or Viability Gap Funding from the Center as a reward, effectively reducing the cost of capital for the city. For example, if a city raises ₹1,000 crore at 8% interest, ₹100 crore from the Centre is like covering the first year's interest or providing partial credit enhancement.

Additionally, the existing scheme under AMRUT (Atal Mission for Rejuvenation and Urban Transformation) that incentivizes smaller muni bond issues (up to ₹200 crore) will continue for medium and small towns. Under AMRUT, the Centre has been giving 13% of the bond issue as a reward for ULBs (Urban Local Bodies) that successfully float bonds up to that limit. This will still help the smaller municipalities take baby steps into bond markets.

Together, these measures aim to develop a habit and ecosystem for local bodies to tap capital markets. The push for ₹1,000 crore+ issuances suggests focusing on India's larger metro cities initially – places like Mumbai, Delhi, Bengaluru, Chennai, Hyderabad, etc. which have the economic base to service such debt. If even a handful of big cities regularly issue bonds, it opens a new financing avenue for urban infrastructure, reducing reliance on state or central funds. It also imposes more market discipline on city finances, as bond investors demand accountability and credit ratings force transparency.

The Budget's focus on municipal bonds also ties into its theme of empowering states and local governments (as seen in the "federal finance" discussions with Finance Commission recommendations). It's noteworthy that the 100 crore incentive is only for large issuances by larger cities, implying an intention to scale up the size of India's muni bond market significantly.

From a market perspective, more muni bonds provide additional supply of relatively safe, long-term securities that insurers, provident funds, etc. can invest in (since city bonds often get state guarantees or have stable revenue backing). It diversifies the bond market beyond corporate and central/state government bonds.

Ensuring Financial Stability and Inclusion

All these reforms come with a clear emphasis that financial stability is paramount even as innovation is encouraged. India recently underwent an IMF-World Bank Financial Sector Assessment (FSAP) in 2025, which found the system resilient with adequate capital buffers even under stress. The Budget seeks to maintain and enhance this resilience.

Several measures contribute to stability and better financial intermediation: - Higher FPI Limits in Equities (PROI limit): The Budget increased the limit for individual foreign portfolio investors to own up to 10% of a company (versus 5% earlier), and the aggregate limit to 24%. This can deepen capital markets by allowing more foreign investment in Indian equities (and possibly debt). Deeper markets are generally more stable as they can absorb shocks better. It's also a signal of openness, improving investor confidence.

- **Tax incentives for IFSC and digital finance:** The Budget extended tax deductions for units in GIFT City IFSC (International Financial Services Centre) – e.g., a 20-year tax holiday out of 25 years for certain offshore banking units. Encouraging IFSC operations attracts global financial players to India, integrating our markets with the world and potentially bringing in new products and expertise (while also making India a financial hub).

The Budget also allocated ₹2,000 crore to incentivize digital payments (UPI and RuPay) usage, reinforcing the digital finance ecosystem that has fostered inclusion (over 55 crore Jan Dhan accounts and millions using UPI). A strong digital payments network contributes to financial stability by reducing the informal cash economy and increasing transparency, as well as generating data that can improve credit underwriting.

- Continued Financial Inclusion: Schemes like Jan Dhan accounts, PM Mudra Yojana for microcredit, Stand-Up India for SC/ST entrepreneurs, etc., were mentioned in the Economic Survey as deepening inclusion. The Budget likely continues support for these. The high-level banking committee's mandate includes consumer protection and inclusion, meaning the expansion of banking must be equitable.
- Regulatory Simplification: The comprehensive review of FEMA rules and rationalization of various compliance (as hinted for NBFCs and others) simplify doing business, which indirectly boosts stability by allowing focus on core risks rather than procedural burdens.

All these efforts convey that the financial sector reforms are as much about stability and sustainability as about growth. The Budget explicitly notes the need to safeguard stability even as credit is expanded. This is a reassuring stance, especially given global economic uncertainties and the fact that India will increasingly integrate with global financial markets.

Outlook: A Dynamic and Robust Financial System for Growth

The reforms in banking, bond markets, and financial regulations in Budget 2026–27 collectively aim to create a financial system that can support a high-growth, large-scale economy in the coming decades. By strengthening banks and NBFCs, the Budget ensures that the channels for credit flow are wide and sturdy. By developing corporate and municipal bond markets, it provides new avenues for businesses and local governments to raise funds, thereby reducing overreliance on banks and the exchequer. This diversification of financing sources is crucial for funding India's infrastructure ambitions – whether it's $1.5 trillion of infra spending in the next decade or the development of smart cities and renewable energy projects.

For investors (domestic and global), these reforms make India's financial markets more attractive and easier to navigate. Market-making and new instruments in bond markets will improve liquidity and returns, likely drawing more long-term funds (insurance, pension, foreign institutional investors) into Indian bonds. Higher FPI limits and stable tax/regulatory regime signal that India wants foreign capital to participate in its growth story with confidence.

From a policy perspective, what stands out is the strategic, long-term approach: - The government is looking at 2047 for banks (hence the "Banking for Viksit Bharat" theme). - It's considering multi-year glide paths in deficits and maybe similar multi-year roadmaps in financial sector reforms. - It is willing to address nitty-gritty market issues (like lack of bond liquidity) with specific interventions rather than just general statements.

If implemented effectively, these reforms could result in: - Globally competitive Indian banks, possibly with some PSBs among the world's largest, and a healthier credit to GDP ratio for the country (currently ~55-60%, which is lower than many peers). - A thriving bond market where a mid-size firm finds it as feasible to issue a bond as to take a bank loan; where cities regularly raise funds for projects; and where investors can trade corporate debt as easily as equity. This would be transformational, as currently corporate bonds are a tiny fraction of corporate financing. - Greater financial inclusion and depth, with more Indians investing in markets (the surge to 12 crore investors mentioned in the Survey will grow), more small businesses accessing credit through formal channels, and higher financial literacy across the board.

Finally, these reforms underscore an important narrative: India's financial sector is shifting from a phase of cleaning up legacy issues to a phase of proactively enabling future growth. The last few years were about resolving NPAs, merging weak banks, and stabilizing. Now it's about innovation, expansion, and connecting savers to investors efficiently.

The timing is apt, as India stands out as a bright spot in the global economy – maintaining stability at this juncture will cement investor trust, while the reforms ensure the financial sector can amplify the next leg of growth rather than become a bottleneck.

Sources: The Economic Times summarized that Budget 2026 "highlights the growing strength of India's banking sector… and announced a high-level banking committee for Viksit Bharat, NBFC restructuring, and major reforms to corporate and municipal bond markets", underlining the focus areas. Indian Express explained the High-Level Committee on Banking would align the sector with the next growth phase while safeguarding stability and inclusion. It also detailed the restructuring of PFC and REC to achieve scale and efficiency in public NBFCs. Deccan Chronicle reported similarly, emphasizing the market-making, total return swaps, and access to derivatives on corporate bonds, and the ₹100 crore incentive for large municipal bond issuances alongside continued AMRUT support for smaller ones. Indian Express confirmed the municipal bond incentives and that the existing scheme for <₹200 crore issues will continue. These sources collectively highlight the Budget's multi-pronged reforms in banking sector oversight, NBFC strategy, bond market liquidity, and municipal finance – all geared towards a more vibrant and stable financial system.

Federal Finance and Fiscal Discipline

The Union Budget 2026–27 emphasizes strengthening India's federal fiscal framework while maintaining a disciplined approach to government finances. This involves preparing for the 16th Finance Commission (which will set the rules for Centre-State fiscal relations for 2026–31), ensuring states get adequate transfers, adhering to fiscal deficit targets and debt management plans, and balancing the roles of the Union and states in funding development. In essence, it's about how India's two tiers of government share resources and responsibilities, and how they jointly maintain fiscal health.

India's federal system entrusts states with critical responsibilities (like agriculture, healthcare, education, infrastructure at the local level), but the Centre collects and controls a large share of revenues. The Finance Commission (a constitutional body set up every five years) is pivotal in recommending how much of the Union's tax revenue is shared with states and on what principles. With the current 15th Finance Commission's award ending in March 2026, the 16th Finance Commission's recommendations will kick in from FY 2026-27 onwards. Therefore, Budget 2026–27 is the first year of a new federal finance blueprint.

At the same time, the Union government has been on a fiscal consolidation path after the COVID shock, and states too have their deficit limits. The Budget reaffirms commitments like bringing the central fiscal deficit down, capping states' deficits, and reducing debt ratios. Let's break down the key components: the 16th Finance Commission, state transfers, fiscal deficit targets, debt management, and the Centre-State fiscal balance.

The 16th Finance Commission: Setting the Stage for 2026–31

The 16th Finance Commission (FC) is tasked with recommending how central taxes should be divided between the Centre and states (vertical devolution) and how the share for states is distributed among the states (horizontal devolution) for the five-year period 2026–27 to 2030–31. Its report appears to have been finalized around the time of Budget 2026.

One of the headline outcomes is that the 16th FC has kept the states' share in the divisible tax pool unchanged at 41%. This means out of the net proceeds of Union taxes, 41% will be given to states in aggregate, just as under the 15th FC's award. Many states had lobbied for raising it to 42% or even 50%, arguing that states have higher expenditure burdens. However, the Commission noted that states already account for about two-thirds of total public sector (non-debt) revenues in India. In other words, when considering not just central tax devolution but also states' own taxes, the states control a large chunk of public spending. If the Centre's share were to fall too low, it could cripple the Union's ability to fund national programs and defense, etc. The Commission thus rejected states' plea for 50%, reasoning that raising the share further could "limit the Centre's ability to fund national priorities".

That said, keeping 41% ensures continuity – states will keep getting a significant portion of central taxes, amounting to many lakh crores of rupees each year. In FY27 BE (Budget Estimates), the total tax devolution to states has likely increased in absolute terms (with a growing economy and tax base). For example, if the Centre's gross tax revenues are say ₹60 lakh crore, 41% would be about ₹24.6 lakh crore to states.

Horizontal Distribution – Winners and Losers: The Commission has redesigned the formula for how that 41% is split among states, which has led to some states gaining share and others losing relative to the previous formula. Key changes include: - Inclusion of "contribution to national GDP" as a new factor with 10% weight. This rewards states that are larger contributors to the economy (often the more industrialized states). - Increase in weight for population by 2.5 percentage points. This favors states with higher population (which tend to be the northern states like UP, Bihar, Madhya Pradesh, though many northern states also have high population already reflected). - Reduction in weights for area, demographic performance (fertility control), and income distance (inverse of per capita GSDP). The "income distance" criterion had traditionally allocated more funds to poorer states to ensure equity. Reducing its weight means richer states don't lose as much share and poorer states get slightly less than before proportionally. - Removal of the tax effort criterion (which rewarded states with higher tax collection efficiency).

Animal Husbandry: From Subsistence to Enterprise

As a result of these changes, several southern and western states gain, while some northern, poorer states lose share (though not in absolute money, because the pie is growing, but in relative percentage). For instance: - Karnataka is the biggest gainer, with its share rising from 3.64% to 4.13%. This translated into about ₹63,000 crore for Karnataka in FY27, up from ~₹50,800 crore in FY26 – a hefty jump. - Kerala, Gujarat, Haryana also see notable increases in share, reflecting their better socio-economic indicators and contributions to GDP.

Kerala's share rose by 0.45 percentage points, Gujarat's by 0.27, Haryana's by 0.26, etc. - On the other hand, Uttar Pradesh (the largest recipient in absolute terms) saw its share dip from 17.93% to 17.61%. Still, because total divisible revenues grew, UP gets ₹2.69 lakh crore in FY27 vs ₹2.50 lakh crore earlier. - Bihar's share slightly declined (10.05% to 9.94%), Rajasthan (6.02% to 5.92%), and Madhya Pradesh saw the sharpest drop (7.85% to 7.34%). Yet all these states get more in absolute terms year-on-year due to growth, just a smaller slice of the total.

What this reflects is a subtle rebalancing: after years of a tilt towards equity (helping poorer states), the Commission has nudged the formula slightly towards efficiency and output by adding GDP contribution and rewarding states that have done well economically. This could incentivize states to focus on growth and not rely solely on transfers. However, it's a politically sensitive outcome; poorer states often argue they need more support. The Commission's stance likely assumes that direct transfers are not the only way to support those states – the Centre can still give grants for specific purposes.

It's worth noting the Commission also addresses grants to local bodies and disaster funds. They earmarked about ₹7.91 trillion for local bodies (panchayats and urban bodies) for 2026–31, split 60% rural, 40% urban, focusing on services like water, sanitation, and urban infrastructure. This is instead of state-specific grants of previous commissions Additionally, ~₹2.04 trillion is likely set for the State Disaster Response Fund over five years. By allocating significant resources to local bodies, the Commission is pushing decentralization – ensuring money goes to the third tier for local public goods.

The Budget 2026–27 presumably accepts these recommendations (Finance Commission reports are usually tabled in Parliament and the government issues an Action Taken report). One Business Standard piece even titled it "Budget 2026: Sitharaman lays 16th Finance Commission report in Lok Sabha".

To sum up, under the 16th FC: - States collectively keep 41% of Union taxes. - Distribution formula changes mildly in favor of higher-income states (while still compensating lower-income ones significantly). - Large grants for local governments and disaster management are provided, rather than myriad small grants. - Fiscal consolidation path is recommended (more on that below).

Fiscal Deficit Targets: Center and States on a Glide Path

Fiscal discipline is a major theme, and the Budget outlines the path for reducing deficits for both Centre and states in the coming years.

For the Centre, the Finance Minister reaffirmed the commitment to bring the fiscal deficit below 4.5% of GDP by FY25-26. In fact, she achieved 4.4% in FY25-26 (RE), slightly beating the 4.5% target. Now, the aim is to further reduce the deficit to 4.3% of GDP in FY2026-27.

This is a modest reduction of 0.1 percentage point – as Moody's commented, "the smallest pace of reduction since India emerged from the pandemic". Some might view it as too cautious, but given an upcoming election in 2026 and the need to support growth, the government chose a gradual approach.

The fiscal policy statement indicates: - FY27 BE fiscal deficit = ₹16.96 lakh crore, which is 4.3% of projected GDP. - FY26 RE fiscal deficit = 4.4% of GDP. - The revenue deficit is 1.5% of GDP in FY27 BE, same as FY26 RE – meaning improvement is largely on capital side or higher nominal growth effect.

Looking ahead, the 16th FC's guidance (as reported by Angel One and others) suggests a glide path for combined deficits: They recommended the Centre gradually reduce to 3.5% by FY30-31, and states be capped at 3% of GSDP each. Specifically, the FC proposed: - Combined (Centre+States) deficit of 6.5% of GDP during 2026-31. - Centre to go from ~4.2% in FY27 down by 0.2% yearly to ~3.5% by FY31. - States to stick to 3% (excluding borrowings under the 50-year capex loan scheme). - Importantly, the 3.5% Centre target includes an allowance of 0.5% of GDP for the 50-year interest-free capex loans to states. Essentially, Centre's own "pure" deficit would be 3.0%, plus 0.5% on-lent to states which in effect is states' capex. States' 3% limit would exclude those loans so they don't count it in their deficit (preventing double counting).

The Budget speech likely endorsed at least the broad contours of this. The Finance Minister even noted that interest-free capex loans to states would continue (they were ₹1.3 lakh crore in FY26, maybe increased slightly for FY27) and clarified how they're accounted in deficits.

For FY27 specifically: - Centre's 4.3% target is slightly higher than the 4.2% recommended by FC. Possibly the government took a bit more leeway in year one, but aims to catch up later. - States' borrowing limit for FY27 has historically been 3.5% of GSDP (including 0.5% if they achieve certain power sector reforms or capex milestones).

The 16th FC seems to be suggesting a hard 3% (excluding loans) going forward. This might imply the extra 0.5% reform-linked leeway (that was given from 2021-22 to 2025-26) could be curtailed, pushing states to tighter discipline.

Ensuring states keep deficits in check is crucial because while the Centre's deficit draws more attention, states together also borrow heavily. The 15th FC had allowed states 4% then 3.5% then 3% with some leeway each year in its award. The 16th FC now wants a stable 3%. This will require prudent budgeting by states and perhaps some trade-off: they will rely more on the central grants and devolution (which the FC ensured by keeping 41% share).

The Budget also likely updated the statutory fiscal rules (FRBM Act) or gave signals of updating them, to align with the new targets. We know the old FRBM target was 3% for Centre by 2020 (which got derailed by pandemic). Now perhaps a new medium-term anchor might be set around 3.5% by 2030 for Centre.

From the debt angle: The debt-to-GDP ratio of the Centre is estimated at 55.6% in FY27, down from 56.1% in FY26. A declining debt ratio is highlighted as a positive, as it "will gradually free up resources for priority sectors by reducing interest outgo". Indeed, interest payments are one of the largest line items in the central budget (~3.4% of GDP in FY26). Reducing debt slows the growth of interest payments, allowing more expenditure on productive things like capital investment or social programs. Since 2020, India's general government debt (Centre+states) actually fell by about 7 percentage points from its peak, thanks to growth and calibrated deficits. Continuing this trend is important for inter-generational equity and to retain market confidence (credit ratings etc).

Moody's and others appreciated the commitment to consolidation but noted the pace is slow. However, Barclays pointed out the budget assumptions (10% nominal GDP growth, moderate revenue growth) are credible and might even leave room to overachieve if growth surprises positively.

In sum, the fiscal targets section of the Budget says: we've met our 4.5% by FY26 goal, we'll go to 4.3% in FY27, and we remain on track to ~3% by end of decade, all while keeping states to 3% so that combined debt is sustainable. This discipline is noteworthy as many countries have delayed consolidating after the pandemic; India is ensuring it doesn't stray into unsustainable territory.

Centre-State Fiscal Balance: Transfers and Cooperative Fiscal Federalism

Ensuring a balanced fiscal relationship involves not just dividing revenue, but also coordinating on spending priorities and debt management. The Budget touches on multiple aspects that maintain a healthy Centre-State balance:

- **Tax Devolution:** As discussed, 41% share to states continues. The absolute amount of devolution is rising with buoyant taxes (GST, income tax, etc.). For instance, total devolution in FY25 was around ₹10.21 lakh crore; in FY26 it rose to about ₹12.8 lakh crore; FY27 might be even higher (roughly estimated ₹14-15 lakh crore if taxes grow ~10%). Timely release of these funds is emphasized for state cash-flow.
- **Grants and Schemes:** Apart from FC-mandated transfers, the Centre provides various grants: e.g., centrally sponsored scheme funds, finance commission grants for local bodies and disaster, special assistance. In this Budget, notable ones include:
- The continuation of the **50-year interest-free capex loan to states,** with an outlay of (likely) ₹1.5 lakh crore in FY27. This scheme, started in FY21, has been a key tool to encourage states to spend on capital projects. The loan doesn't count as states' debt (for fiscal limits) if used for capex, and is to be repaid to Centre in installments but interest-free. Essentially it's quasi-grant (value of interest waived) but keeps states accountable to use on capex. The 16th FC even built this into the deficit formula.
- **Sector-specific or state-specific grants:** The 15th FC had given some for health, agriculture, etc. The 16th FC prefers fewer, focusing on local bodies. The Budget likely adjusts allocation accordingly, pushing more funds to panchayats and urban local bodies for water supply, sanitation, etc., rather than myriad small scheme grants.
- **Eastern States and Northeast focus**: The Budget speech mentioned focus on Purvodaya (eastern India) and NE as part of Sabka Vikas. This could mean continued financial packages or higher central share in schemes for those states, acknowledging their developmental gaps.

- **Cooperative Federalism in Reforms:** The Centre m often incentivizes states to reform via money. For example, the extra borrowing 0.5% for power sector improvements (like smart metering, DISCOMs viability) has been a tool. The Budget might have updated on results of that (some states improved, others didn't). The municipal bond incentive is another such idea, pushing big city municipal bodies (which are under states) to embrace market financing.

- **Debt Management and Guarantees:** Some fiscally weaker states have high debt ratios (Punjab, Bihar, Kerala, etc.). The Budget and the 16th FC likely flag that states must manage debt prudently. The FC possibly recommended that states maintain a revenue surplus or at least limit revenue deficit, as "states maintaining a revenue balance is essential" to the fiscal structure. If states don't borrow for operating expenditure, it's healthier. The Centre in recent years even stopped the practice of giving states unconditional loans; now they tie it to capex.
- **FRBM Review:** The FRBM Act, which governs fiscal responsibility, may need amendments to incorporate the new goalposts (4.3% now, 3.5% by 2030, etc.). The Budget might have signaled an update or extension of the "escape clause" due to pandemic. The 16th FC likely gave a template for a new FRBM framework. For example, they might recommend targeting a combined debt ratio, or an expenditure rule. There is mention of a combined deficit of 6.5% being appropriate which could hint at a future legal target.

The Centre-State fiscal balance also involves political economy: states often ask for more funds or complain about centrally sponsored schemes being too rigid. In Budget 2026, some rationalization of schemes was expected (15th FC had recommended reducing number of CSS). The government might have consolidated a few or increased flexibility. For instance, agriculture and rural development schemes might be streamlined, giving states more say.

Importantly, the Centre's own fiscal consolidation indirectly helps states, because if the Centre hogs too much of the borrowing headroom, interest rates go up for everyone. By limiting its deficit to 4.3% and going lower, the Centre leaves space for private credit and for states' 3% without crowding out. It also keeps the sovereign yield in check, which affects cost of borrowing for states (states often pay ~50-100 bps over G-sec rates).

As of now, India's general government debt is around mid-80s % of GDP (Centre ~55%, states ~30%). The 15th FC wanted it down to ~75% by FY26 (which was optimistic). The 16th FC's glide path of combined 6.5% deficits aims to bring it down to maybe 70% by FY31. This is still higher than FRBM's original 60%, but given growth needs and global context, it's a pragmatic interim target.

From a Centre-State balance perspective, one can say: - The Centre is ensuring it doesn't squeeze states financially – 41% devolution maintained (in fact, effectively slightly more when you add some grants). - States are expected to shoulder responsibility by adhering to deficits and using funds effectively (especially capex loans). - Both levels are in a partnership to maintain macro stability (as emphasized by coordination in borrowing limits, etc.).

Conclusion: Strengthening Fiscal Federalism with Prudence

The Budget 2026–27 lays the groundwork for the next phase of fiscal federalism in India – one that is collaborative but also accountable. The setting up of the 16th Finance Commission's recommendations in this Budget is a pivotal moment: it balances the needs of high-income and low-income states, incentivizes performance (through the new formula and conditional loans), and secures resources for grassroots governance (via big local body grants).

By committing to fiscal discipline (4.3% deficit for Centre, ~3% for states), the Budget sends a reassuring message to investors, credit rating agencies, and future generations that India will not live beyond its means. The fact that general government debt has been trimmed by over 7 percentage points since the Covid shock is no small achievement – it required restraint and prioritization of growth-enhancing spending over handouts.

Going forward, the real test will be execution: - Will states be able to increase their own revenues to compensate for only modest rises in transfers? (Many states need to improve tax effort – ironically the FC removed the explicit tax effort criterion, but the spirit remains.) - Can the Centre continue to trim deficit in an election year and beyond? (Political will to not announce populist giveaways en masse in Budget 2027 will be crucial.) - How effectively will the massive funds for local bodies be used? (Capacity building at local level must accompany money, else funds may lie unutilized or be spent sub-optimally.) - Will a new debt and fiscal responsibility framework be legislated that both Centre and states adhere to? Possibly a new FRBM with a debt ceiling could be introduced, which would institutionalize these targets.

Encouragingly, the attitude of "all in it together" seems to underpin the Budget. The Finance Minister talked about Sabka Vikas (growth for all) including states and regions left behind. The Special focus on the Northeast and East – through both FC grants and budgetary schemes – is an example of balancing development. At the same time, states like Karnataka, Kerala that performed well economically are rewarded with a bit more funds, which is fair and motivates others.

Finally, maintaining fiscal discipline is itself a form of inter-generational equity in a federal context: it ensures today's deficits don't become tomorrow's burden, which could crowd out resources for states in the future or force emergency cuts. As Christian de Guzman of Moody's noted, the 4.3% target shows continued consolidation albeit at a slow pace, but importantly, India has established a "track record of fiscal consolidation" now. This credibility will serve both Centre and states well – it keeps borrowing costs lower and allows more fiscal space when truly needed (like if another shock hits).

Sources: The Business Standard reports on the 16th Finance Commission confirm that states' share stays at 41% and describe how the formula changes benefit southern/western states while northern states see relative declines. It provides specifics on Karnataka, Kerala, Gujarat, etc. gaining shares and Uttar Pradesh, Bihar, MP losing a bit. The Indian Express Explained piece details the High-Level Committee for banking and mentions restructuring of PFC/REC (a part of Centre's financial management), while also noting banks' improved metrics and coverage of villages, which is part of broader federal considerations (more villages covered means more state inclusion too). The Times of India piece highlights the fiscal deficit targets: 4.3% in FY27 from 4.4%, debt/GDP to 55.6%, and the FM's statement of fulfilling the sub-4.5% by FY26 pledge. Angel One's summary of the 16th FC provides the combined deficit path (6.5% combined, Centre to 3.5%, states 3%) and clarifies the treatment of interest-free loans in deficit calculations. Together, these sources illustrate how the Budget is steering federal finances: adhering to a consolidation glide path, implementing a new revenue-sharing arrangement through the Finance Commission, and fostering a cooperative approach with states on borrowing and development priorities.

New Income Tax Act, 2025: A Major Structural Change

In a landmark reform, the Union Budget 2026–27 announces the implementation of the New Income Tax Act, 2025, effective from April 1, 2026, marking the first comprehensive rewrite of India's direct tax law in over six decades. This is a core development for taxpayers and finance professionals, as it fundamentally overhauls and simplifies the legal framework governing income tax. The new Act replaces the Income Tax Act of 1961 – a law that had become notoriously complex with innumerable amendments, provisos, and archaic language over 65 years. The revamp aims to make tax laws easier to understand, compliance simpler for the average taxpayer, and administration more transparent and efficient.

The Budget highlights that the new Income Tax Act, 2025 (ITA 2025) will come into effect from April 2026 and that simplified Income Tax Rules and Forms will be notified shortly to accompany it. For taxpayers, especially individuals and small businesses, this promises a less cumbersome experience. The Finance Minister explicitly stated that "the forms are redesigned for easy compliance of ordinary citizens". In essence, the reform shifts focus from constant tinkering with rates and exemptions to structural simplification and ease of compliance.

Let's break down the key features and implications of the new Act: how it simplifies the law, what changes (and what doesn't change) for taxpayers, how compliance is made easier, and how it ties into broader goals of reducing litigation and building a trust-based tax system.

Replacing a 60-Year-Old Law: Why a New Act?

The Income Tax Act, 1961 was enacted when the Indian economy and tax base were much smaller and simpler. Over time, it was layered with new provisions – from allowances, deductions, surcharges, cess – turning into a labyrinthine text. By some counts, it had over 700 sections and several hundred rules, plus thousands of judgments interpreting them. This complexity led to compliance burdens and frequent disputes.

The New Income Tax Act, 2025 is a clean-slate rewrite. According to the Budget's highlights: - The number of sections and the volume of text have been reduced by nearly 50% compared to the old law. This means many redundant or repetitive provisions have been eliminated or consolidated. - Language has been clarified – dense, cross-referenced legalese is replaced with simplified and logically organized provisions. The Hindustan Times noted that the new law "aims to replace dense, cross-referenced provisions with a simplified and logically organised statute". This will help even non-experts understand the basics of taxation without constantly needing professional interpretation. - Outdated concepts and exemptions likely have been pruned. For example, the old Act had legacy provisions (like those dealing with estate duty, which was abolished decades ago) and a maze of sector-specific perks. The new Act likely retains essential incentives but in a cleaner form. - Importantly, no change in tax rates or slabs has been made in this structural shift. The Finance Minister chose to keep the law change "revenue neutral" – meaning taxpayers will, in aggregate, pay roughly the same amount of tax as under the old system. This was a conscious decision: instead of giving short-term relief or tweaks (which many expected), she focused on the long-term benefit of a simpler code. As a result, the new Act does not alter the headline tax slabs for FY26–27; for example, the personal income tax slabs under the new and old regimes remain as before, and corporate tax rates remain as is. The logic is that a structural reset is significant enough; any rate cuts can be considered in future budgets separately.

To illustrate the streamlining, consider areas like taxation of charities or capital gains: - Earlier, each type of capital asset (equity, debt, real estate, gold) had different holding periods and indexation rules. The new law might harmonize some of these to reduce confusion (though specific details would need reading the Act). - The taxation of perquisites and exemptions (like LTC, house rent allowance, etc.) could be simplified, perhaps subsumed under standard deduction in some cases. - Numerous provisos that caused ambiguity (leading to litigation) have been cleared up. The Financial Express noted "ambiguities [are] removed to cut down tax disputes and litigation", which should help reduce the huge backlog of tax cases.

Overall, the enactment of ITA 2025 is similar to when other countries have implemented a new tax code – it's about re-codification for clarity, not necessarily making drastic policy changes (those can come incrementally once the base is clean).

Simplified Rules and Forms: Ease of Compliance

A major objective of the new Act is to make tax return filing and compliance easier, especially for the "ordinary" taxpayer.

The government is keenly aware that complexity in forms and procedures often frustrates small taxpayers and leads to errors or non-compliance.

The Budget reveals: - New IT return (ITR) forms have been redesigned and will be notified soon. These forms are expected to be far simpler, likely with intuitive schedules and fewer attachments. The FM assured that "the forms for the purpose are redesigned for easy compliance of ordinary citizens". - Possibly a move towards "question-based ITR forms" (like ITR 1 might just ask basic questions that auto-calculate income, rather than expecting taxpayers to navigate multiple schedules). The government had been working on a single-page simpler ITR form for most individuals – the new Act might facilitate that. - Adequate time will be given to taxpayers to understand the changes. This indicates that FY26-27 (AY2027-28) will be the first year of filing under the new law, and the forms will come well in advance, plus maybe extensive awareness campaigns or user guides. It's crucial because there will be a transition from old to new (e.g., some incomes of FY25-26 might be assessed under old Act, and FY26-27 under new – so tax professionals will handle both in parallel for a year). - There is a specific focus on relief for small and first-time filers, meaning the process will be more guided and forgiving for them.

Another compliance change is the extension of the deadline for filing Revised Returns. The Budget proposes extending the due date for filing a revised return from December 31 to March 31 of the subsequent year (with a nominal late fee). Currently, if you filed your original return by July 31 (individuals) or Oct 31 (audit cases), you have until end of the year to revise any mistakes. Now you would get an extra 3 months till 31st March. This is a welcome change – taxpayers often discover mistakes or receive late information (like a forgotten interest income) after Dec 31. With this extension, they can rectify without going into the "updated return" regime (which has penalties). It gives more breathing room to fix errors and encourages compliance because people know they can correct genuine mistakes.

Additionally, a 6-month window for small taxpayers to disclose foreign assets has been announced. This is an "immunity" or compliance scheme: - It is aimed at individuals like students, tech professionals, or recently moved NRIs who might have inadvertently not disclosed some foreign bank account or asset in past returns. - They can declare these within a 6-month window without harsh penalties, thereby cleaning up past non-compliance issues. - This is part of trust-building – acknowledging that not every nondisclosure is high-value tax evasion; some are due to ignorance of rules by small taxpayers.

Another simplification: TDS refund allowed even after ITR filing deadline. Under current law, if you miss the return filing deadline (say July 31) and file later (belated return), you cannot claim a refund of TDS because technically late returns might not allow it. The new provision says taxpayers can claim credit for TDS and get refunds even if the return is late, without being penalized just for delay.

This is a big relief for salaried folks or retirees who sometimes miss deadlines and then fear losing their refund.

Also, no interest will be charged on penalty amounts during appeal pendency. Previously, if you were hit with a penalty (for underreporting income, etc.) and you appealed, interest would keep accruing on that penalty until appeal outcome. Now, interest on such penalties is paused while the case is before the first appellate authority. This reduces financial stress and is fair since the penalty's validity is under dispute.

All these measures – extended deadlines, easier amendments, rationalized forms – are geared towards a "friendlier" tax system that trusts the taxpayer and helps them comply, rather than catching them out on technicalities. As Hindustan Times succinctly put it, the focus is on "simplifying compliance, providing more certainty and building trust between the taxpayer and the State". That encapsulates the philosophical shift: from an enforcement-heavy approach to a facilitative one (without giving up on deterrence for willful evasion, of course).

What Changes (and Doesn't) for Taxpayers

From a taxpayer's perspective, what are the immediate changes?

No change in tax slabs or rates: As mentioned, the Budget did not change income tax slabs under either regime. So, the basic tax liability calculation remains the same for FY26-27. Many expected perhaps tweaks like raising the highest slab threshold or increasing Section 80C limit, but none of that was done in this Budget.

However, some specific provisions and penalties have changed: - Differentiated Penalty for Under-reporting vs Misreporting: The new Act (or rather the budget amendments) clearly distinguishes between under-reporting due to error/omission and misreporting due to intent to evade. If a discrepancy in income is due to a genuine mistake or oversight, the penalty is 50% of the tax on that under-reported income. If it's deliberate misreporting (e.g., claiming fake deductions, or hiding certain income sources), the penalty is a steep 200% of the tax on that income. This was announced in the Budget and is a stricter stance on willful evasion while being lenient on mistakes. It replaces the earlier flat 50% (under-reporting) and 200% (misreporting) categories but with more clarity of classification.

Essentially it codifies that honest mistakes won't attract the maximum penalty, which is fair and encourages taxpayers to come forward and correct errors (since they know the worst case for an error is 50% penalty, not 200%). It's a deterrent against fraud without over-penalizing the naive.

- **Immunity scheme for misreporting with full tax payment:** A very interesting provision from PIB is that the Budget extends the chance to avoid penalty/prosecution even for misreporting if taxpayer comes forward and pays 100% of the tax on that income as additional tax. This sounds like if one has misreported income earlier, one can volunteer it and pay double tax (100% extra) to avoid penalties and prosecution. It's a bit like an amnesty (though an expensive one by paying twice the tax). Possibly this is part of the transition to the new regime – allowing people to clean slate their past issues. It aligns with the idea of clearing out litigation backlog and starting the new Act on a cleaner note.
- **Foreign asset disclosure window:** as discussed, a 6-month window for small taxpayers to declare foreign assets without stringent penalties. This mostly affects those who had, say, a foreign bank account while on a short work stint abroad or a Robinhood trading account not disclosed, etc. It's a one-time chance for compliance.
- **MAT (Minimum Alternate Tax) reforms:** The Budget gives relief on MAT. It proposes MAT exemption for certain non-residents who are taxed on presumptive basis (for instance, foreign companies whose income is taxed under presumptive schemes or treaty, no MAT now). Also, MAT will be treated as final tax (meaning if you pay MAT you don't carry it forward as credit) which might simplify matters, and MAT rate is cut to 14% from 15% for companies under old regime. This reduces burden and disputes for companies that fall under MAT (often those with book profits but low taxable income due to incentives). Also, as HT noted, companies transitioning to the new simplified corporate tax regime can set off some MAT credit (25% of liability) and from April 2026 MAT becomes a final tax for those in old regime. This again provides certainty and closes out a long-standing irritant.
- **Taxation of certain transactions changed:**
- **Buyback tax rationalization:** The Budget says "Buyback proceeds to be taxed as capital gains for all shareholders, with promoters paying an additional levy". Currently buybacks are taxed via a distribution tax on companies; moving to shareholder taxation aligns with capital gains regime.
- **Securities Transaction Tax (STT) increased on derivatives:** STT on options up from 0.1% to 0.15%, on futures from 0.01% to 0.05%, making speculation slightly costlier.
- **TCS (Tax Collected at Source) relief:** There was controversy about TCS on foreign remittances (LRS) being raised to 20% for tour packages in mid-2023. Budget 2026 reverses that for education and medical remittances, cutting TCS from 5% to 2%, and on overseas tour packages to 2% flat. This is a big relief for middle-class taxpayers who send children abroad or travel – it lowers upfront cash outgo and administrative hassle of claiming TCS refunds. It demonstrates responsiveness to feedback and aligns TCS with reasonable rates.
- **Exemption for accident compensation:** Amounts received from Motor Accident Claims Tribunal awards are made fully tax-exempt. Earlier there was ambiguity or partial exemption. Now victims and families get the full amount without tax, a humane move.

All these changes come with the underlying narrative that this Budget and new Act have "reset" the tax system for the long term. As Financial Express put it, "Budget 2026… marked a structural reset of the income tax system. The big story is simpler laws, easier filing, fewer disputes, and more time to comply — even if direct rate relief remains elusive for now.". Taxpayers might not see a cut in tax rates this year, but they should feel the system is more straightforward and fair.

Towards a Trust-Based, Litigation-Light Tax Regime

The New Income Tax Act 2025 and associated reforms reflect a shift in philosophy: making tax compliance "seamless, painless, and faceless", to borrow the government's own tagline in recent years.

By reducing complexity, the scope for tax disputes also reduces – many disputes arise from ambiguous provisions or multiple interpretations. The government explicitly aimed to curtail litigation: - It converts many minor non-compliances into fees instead of penalties, as HT noted, to avoid adversarial stance on procedural lapses. A BusinessWorld piece similarly said “Budget 2026 deliberately converts many minor non-compliances from penalties to fees, drastically reducing discretionary power. A fee is fixed…”, implying no scope for harassment or heavy-handed action for small delays or mistakes. - Decriminalization: Continuing a trend, Budget 2026 decriminalized more offenses and reduced maximum jail terms for tax offenses, focusing on monetary penalties instead. This is a huge shift from earlier times when even minor lapses (like not depositing TDS timely) carried potential criminal prosecution. Now prosecution is reserved for serious willful evasion and even then courts have more discretion to impose fines instead of jail. - Faceless and automated processes: Though not new in this Budget, the ongoing expansion of faceless assessments and appeals, and introduction of automated rule-based systems (like for lower TDS certificates as mentioned) means less human interface (reducing corruption) and more consistency. - Safe harbours and APAs (Advance Pricing Agreements) for transfer pricing: The Budget makes transfer pricing easier by raising thresholds, consolidating safe harbour rules, and allowing companies to file modified returns after an APA settlement. This will reduce litigation in the notoriously dispute-prone area of related-party pricing.

All these contribute to a tax environment where honest taxpayers feel less intimidated and dishonest ones face targeted strict action. The New IT Act forms the backbone by being clear and concise – it's expected to significantly cut down future disputes because many grey areas would have been clarified in drafting, learning from 60 years of case law on the old Act.

From April 2026, when a taxpayer sits to file under the new Act, ideally: - The language of provisions will be simpler to comprehend (the Act might be accompanied by explanatory notes well in advance). - The ITR form might be smarter – guiding them to the applicable sections and schedules without needing a tax professional for basic cases. - If they make a mistake, they have until March to correct it easily. - If they accidentally miss something, they may pay a small fee or 50% penalty, but not face draconian punishment. - If they willfully cheat, they'll face heavier penalties or perhaps the chance to come clean by paying double tax but avoiding criminal charges.

All told, the New Income Tax Act, 2025 ushers in a new era of tax administration in India – one that is modern, streamlined, and aligned with global best practices of simplicity and certainty. It’s comparable to what the GST did for indirect taxes in terms of overhauling a legacy system (though hopefully with far fewer initial hiccups than GST had). For taxpayers, the benefits will accrue over time through fewer headaches and possibly, as compliance improves, the government may find room in future budgets to lower tax rates or give more direct relief.

Sources: The Press Information Bureau bulletin clearly states “New Income Tax Act, 2025 to come into effect from April 2026, simplified Income Tax Rules and Forms to be notified shortly”. Financial Express enumerated the top announcements: the new Act replacing the 1961 law from April 1, 2026, with sections and text reduced by ~50%, ambiguities removed, and ITR forms redesigned. It also listed specific taxpayer-centric changes: 200% penalty for misreporting vs 50% for errors, revised return deadline extended to Mar 31, TDS refunds allowed for late filers, no interest on penalties during appeal, foreign asset disclosure scheme, MAT rate cut to 14%, TCS on education/medical abroad cut to 2%, tour TCS to 2%, and so on. Hindustan Times emphasized the broader narrative: “the budget focuses on simplifying compliance, providing more certainty and building trust”, highlighting the new Act’s role in that, and detailed how many offences are being decriminalized or turned to fees. This confluence of sources confirms that the Budget’s tax reforms are indeed a structural overhaul aimed at a simpler law, easier compliance, rationalized penalties, and a shift to a taxpayer-friendly regime.

Penalties, Prosecution, and Compliance Reforms

Budget 2026–27 introduces significant reforms to the regime of tax penalties, prosecution provisions, and overall compliance procedures, marking a shift towards a more rational and trust-based tax administration. These changes are designed to reduce unnecessary litigation, encourage voluntary compliance, and focus enforcement on willful defaulters rather than entangling honest taxpayers in procedural penalities.

For years, India's tax system has been criticized for its heavy-handed approach on minor lapses – numerous provisions allowed the tax department to levy penalties or even launch criminal prosecution for fairly small compliance failures. This not only instilled fear and distrust among taxpayers, but also burdened courts with litigation, as assessees fought penalties they saw as unfair. The Budget's reforms address these pain points through rationalisation of penalties (with clearer differentiation between good-faith errors and deliberate evasion), introduction of immunity and settlement schemes, streamlined processes for revised/updated returns, and further decriminalisation of tax offenses.

Collectively, these measures aim to transform the tax authority-taxpayer relationship from one of adversaries to one of partners in compliance. Let's examine the key reforms in penalties, prosecution, and compliance:

Rationalising Penalties: Fairness and Proportionality

One of the most taxpayer-friendly moves is the overhaul of the penalty framework to ensure penalties are commensurate with the offense and not arbitrarily harsh. The Budget proposes to reduce the multiplicity of proceedings for assessment and penalty – meaning processes will be merged or simplified so that a taxpayer isn't dragged through separate long-drawn procedures for the same issue.

Key changes include: - Clear Distinction Between Under-reporting and Misreporting: Under the old law, if income was under-reported, a penalty of 50% of tax could apply, and 200% if it was misreporting (with intent). However, misreporting was often difficult to distinguish from under-reporting, leading to discretion and disputes.

Now, the Budget explicitly differentiates and provides that penalty for under-reported income due to errors/omissions will be 50% of tax, whereas deliberate misreporting will attract 200%. This clarifies the law and ensures genuine mistakes are not punished as severely as intentional fraud. For example, if a taxpayer mistakenly left out a bank interest of ₹50,000 in income (tax maybe ₹15,000), penalty would be ₹7,500 if it's viewed as an error. But if someone hid ₹10 lakh of income by falsifying accounts (tax ~₹3 lakh), and it's misreporting, penalty would be ₹6 lakh. This proportional approach is fairer and encourages honest taxpayers to rectify errors without fear of draconian punishment. It's effectively codifying the principle of mens rea (guilty mind) in penalty imposition.

- **Fixed-fee Replacements for Some Penalties:** The government recognized that many "penalties" for lapses like late filing, late TDS deposit, etc., were acting more as fees but with discretionary leeway for officers. The Budget converts many such instances into fixed fees. For example, the late filing fee (Section 234F) continues as a fixed amount (₹1000 or ₹5000), rather than any discretionary penalty. Also, the budget suggests that many procedural defaults will now incur a late fee instead of a penalty that can escalate or invite prosecution. The rationale: "excessive penal consequences can discourage voluntary compliance rather than strengthen it". By charging a reasonable fee for a delay, taxpayers are nudged to comply without feeling unduly punished.
- **Capping Penalties and Removing Overlaps:** The tax law had situations where multiple penalties could apply on the same shortfall (for e.g., a concealment penalty and a penalty for misreporting foreign asset). The Budget rationalisation likely removes overlapping provisions so that a taxpayer isn't penalized twice for one lapse. It may also cap the total penalty to a percentage of tax or income to prevent absurd outcomes (like theoretically, under some sections, penalties cumulated to more than the income concealed).

The Press Information Bureau explicitly notes: "extend the provisions for immunity from penalty and prosecution in cases of under-reporting to misreporting as well, if taxpayer pays 100% of tax amount as additional tax". This means even if one is caught misreporting income, they can avoid penalty by coming clean and paying double tax (100% extra). This is essentially an amnesty for misreporting – albeit expensive, it allows a taxpayer to regularize an evasion without further legal consequences. It reduces litigation because rather than fighting in court to avoid 200% penalty and possible prosecution, a taxpayer might opt to pay 100% and settle. From government's perspective, they get the due tax plus an equivalent amount as deterrence, but save on enforcement resources.

Reducing Prosecution and Embracing Trust

Tax laws had become quite stringent with criminal provisions even for minor offenses (like failure to file TDS returns, cash transaction violations, etc.). Budget 2026 continues the drive to decriminalize and rationalize prosecutions: - Decriminalization of Minor Offenses: The Budget removes several technical or procedural defaults from the ambit of criminal prosecution altogether. For instance, late filing of returns or non-filing used to theoretically carry jail in extreme cases – these are likely dropped to just fines. The FM indicated "several technical and procedural lapses have been removed from the ambit of criminal prosecution altogether". This encourages taxpayers to come into compliance rather than hide out of fear of jail. It aligns with earlier steps (like decriminalizing GST minor errors and Companies Act lapses).

- Reduced Jail Terms and More Alternatives: Where prosecution remains (like willful attempt to evade tax beyond a threshold), the maximum imprisonment terms are being cut down. Also, courts are given greater discretion to impose monetary penalties in lieu of imprisonment. This is significant. Suppose someone is found guilty of a tax offense – earlier the judge had to give at least say 3 months jail. Now maybe the minimum is removed and judge can choose to just levy a hefty fine if circumstances warrant. This not only humanizes the law (prison should be last resort for financial crimes in most cases) but also reduces burden on the prison system.

- Focus on Serious Evaders: By toning down prosecution for small issues, the tax department can focus its prosecution efforts on truly egregious evaders – those who, say, run shell companies, or have large black income. The trust-based approach means the default assumption is taxpayers are honest unless proven otherwise. This also resonates with moves like faceless assessments and not revisiting past assessments arbitrarily (the Vivad se Vishwas last year closed many old disputes).

The overarching aim is to create an environment where compliance is rewarded and non-compliance is corrected, rather than one where every mistake is met with suspicion and punishment.

This aligns with the notion of "taxpayer as a partner, not an adversary". We see this in: - The Income Tax Department's shift to sending gentle reminders and nudges (through emails and SMS about discrepancies) rather than immediate notices. - Schemes like "Honoring the Honest" where timely filers got certificates. - The reduced scrutiny – e.g., accepting more returns under summary assessment without a detailed inquiry, trusting the declarations if they pass risk filters.

In fact, the Hindustan Times piece title encapsulated it: "Income-tax and customs reforms aimed at easing the compliance burden" – explicitly stating the measures are to reduce procedural and administrative burden on taxpayers.

Encouraging Voluntary Compliance: Immunity and Updated Return Schemes

A centerpiece of the compliance reforms is providing avenues for taxpayers to come forward and voluntarily correct their mistakes or pay dues, instead of the department having to chase them.

We've already discussed two such avenues: - Foreign Asset Disclosure Scheme (six-month window) – an immunity program for small taxpayers to declare previously undisclosed foreign assets without heavy penalty. This is an example of trust: giving people a chance to comply retroactively. It might collect some additional tax, but more importantly, it brings people into full compliance so future filings are accurate. - Immunity for Misreporting with full tax payment – this essentially extends the concept of the Updated Return (introduced in Budget 2022). The updated return regime allows taxpayers to file a new return within 2 years of the original year, with payment of additional tax (10-30%). Now, the immunity for misreporting seems to say: even if you were caught (or before being caught), you can pay 100% extra tax and avoid penalty/prosecution. This is steep, but for some it beats the uncertainty of litigation. It cleans up disputes quickly.

The Updated Return mechanism itself is worth noting as part of compliance reforms: Already in effect since last year, it allows taxpayers to file an update within 24 months if they missed reporting some income, by paying 25% or 50% extra tax (depending on how late) as a sort of penalty. This scheme was designed to reduce litigation by letting people self-correct. The Budget likely retained or fine-tuned it. Indeed, the extension of revised return deadline to March 31 (discussed earlier) and updated return scheme together form a continuum: up to March, small fee or no penalty; after that up to 2 years, you pay extra tax but no questions asked beyond that.

Extension of Revised Return Deadline – shifting from Dec 31 to Mar 31 – is directly a compliance booster. It signals that the department wants you to get it right, and is willing to give you time. This reduces penalty cases because if a taxpayer can correct by Mar 31, then by the time assessment comes, the return is already accurate, avoiding under-reporting penalties entirely.

Another reform: - Automated, rule-based processes: e.g., obtaining lower or nil TDS certificates online. Currently, to reduce TDS (tax deduction) rates on certain payments (like contractors with low profit margin), you apply to an assessing officer. This can be slow and discretionary. The Budget announces a new automated system for this, eliminating the need to "personally approach the officer". This saves taxpayers time and ensures consistency. It also prevents potential corruption (no negotiation with officer when an algorithm decides based on rules). This encourages compliance because people can easily get relief that they are entitled to, rather than resort to workarounds.

- **Rationalising TDS and TCS:** The Budget addresses issues of too many TDS/TCS rates and onerous rules. It "rationalises several rates and thresholds to reduce cash-flow strain and burden on individuals and small biz". Example: raising the threshold for TDS on bank interest for seniors, or reducing TCS on certain remittances (which they did). Simplified TDS means fewer inadvertent defaults by deductors and less confusion for deductees, improving overall compliance.

Litigation Reduction: Settlements and Technology

The cumulative effect of these reforms is expected to be a sharp reduction in new litigation and an acceleration in closing old disputes: - Vivad se Vishwas mechanisms: While not explicitly in the snippet, previous budgets had Vivad se Vishwas I (dispute resolution scheme) and Vivad se Vishwas II (a scheme in this Budget for contractual disputes with government). A similar approach could be applied to tax disputes – maybe a version for small tax disputes to settle by paying principal and some interest. In fact, the extension of immunity to misreporting by paying 100% tax is akin to a perpetual settlement window. - Advance Rulings and APAs: The Budget pushes Advance Pricing Agreements (APAs) in transfer pricing by allowing associated entities to file modified returns after an APA is concluded. This means if you sign an APA for certain years, you can retroactively apply that and settle those years' returns accordingly. It reduces future disputes for those years. The Budget also extended the scope of safe harbour (standard margins accepted for certain transactions) and raised thresholds, which will reduce minor transfer pricing adjustments that lead to litigation. - Faceless and Tech-driven Adjudication: With faceless assessment and now faceless appeals in place, discretionary or biased additions (which often led to court cases) should decline. Plus, the anonymity and random assignment ensures more uniform application of law. This, combined with simpler law (from new IT Act) and clearer penalty rules, should logically lead to fewer contestable issues.

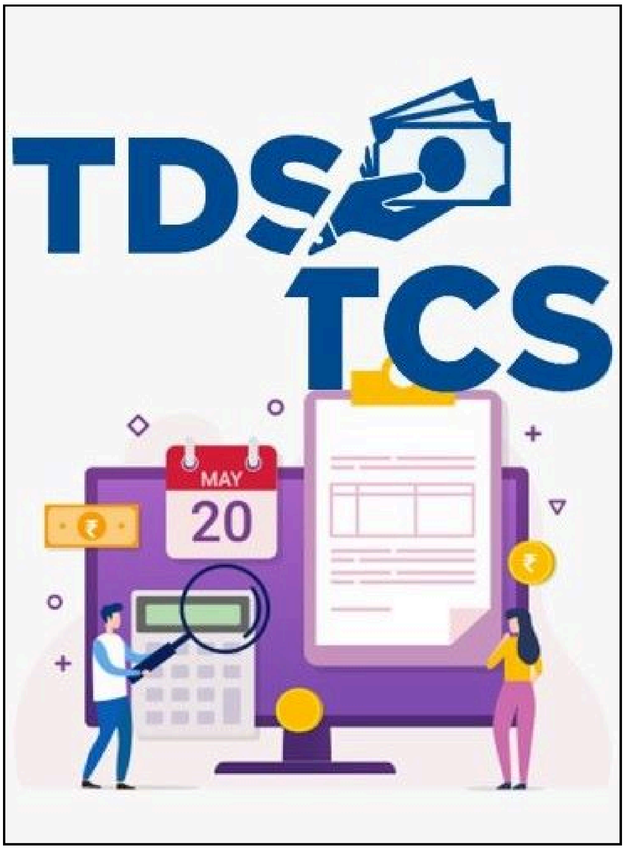
- **Infrastructure for tribunals/courts:** Not directly mentioned in the snippet, but often budgets allocate funds to bolster tax tribunals, digitize records, etc., to fast-track existing cases. The government's intent is clearly to clear the backlog (which was thousands of crores stuck in appeals). A metric of success: The 2025 Economic Survey noted direct tax collections jumped partly due to resolution of past disputes (through VSV scheme) and better compliance.

- Reducing litigation means releasing locked revenues and also sparing taxpayers from years of uncertainty.

The mindset change is captured well in BusinessWorld's observation: "Budget 2026 quietly redefines India's tax culture through compliance reform… converting minor non-compliances from penalties to fees, drastically reducing discretionary power". That says it all: reduce discretion (so no arbitrary actions), reduce severity for minor issues (so taxpayers don't live in fear), and reduce complexity (so people don't err inadvertently).

This fosters a culture where: - Taxpayers are more likely to comply voluntarily, since the system is less adversarial and mistakes aren't fatal. - The tax authority can focus on major evaders, since they aren't bogged down chasing everyone for everything. - There's a mutual trust – for instance, the FM mentioned trust-based customs reforms too (like extended duty deferment for compliant importers), showing the philosophy extends across tax domains.

In conclusion, the reforms in penalties, prosecution, and compliance are a vital complement to the New Income Tax Act. The new law provides simplicity and clarity; these reforms provide the gentle touch and fairness in enforcement. Together, they aim to usher in what PM Modi called a "transparent, efficient, and accountable" tax structure that is also compassionate. Fewer Indians will hopefully experience the dread of a tax notice, and more will proactively pay their due taxes, viewing it as a civic duty rather than an ordeal to avoid. Over time, this can improve tax morale (willingness to pay) and widen the tax base, as people see the system as just and easy.



Sources: Hindustan Times emphasizes reducing procedural burden and notes extension of return revision timelines, automated processes for lower TDS certificates, rationalizing TDS/TCS, and turning penalties to fixed fees. It highlights decriminalization and reduced imprisonment provisions, showing the softer compliance approach. Press Information Bureau finds mention of "multiplicity of proceedings to be reduced to rationalise penalty and prosecution" and that immunity from penalty/prosecution on underreported income is extended to misreporting if 100% extra tax paid – a big carrot for voluntary disclosure. Financial Express lists 200% vs 50% penalty framework, revised return deadline to March 31, no interest on penalties during appeal, and foreign asset 6-month window as key compliance relaxations. These sources confirm that Budget 2026–27 took concrete steps to make tax compliance simpler and enforcement less punitive, aiming to reduce litigation and build trust in the tax system.

What This Budget Means for Finance Professionals

The Union Budget 2026–27 not only outlines policy directions for the economy, but also heralds a shift in the role of finance professionals – including Chartered Accountants (CAs), Cost & Management Accountants (CMAs), Company Secretaries (CS), and financial consultants/advisors. As the Budget introduces simplification of tax laws, digitization of compliance, and a greater emphasis on risk management and advisory, finance professionals will find their traditional compliance-focused responsibilities evolving towards more strategic and value-added roles.

In essence, this Budget signals that the era of labor-intensive compliance work is receding, and a new era is emerging where finance professionals act as strategic partners to businesses and clients. The reforms in tax administration, financial sector, and corporate laws mean that many routine tasks will be automated or simplified, freeing professionals to focus on advisory services, financial planning, and risk management.

Let's break down how specific Budget measures and trends impact finance professionals, and how their roles are expected to shift from compliance to advisory and risk management:

Simplified Compliance = Less Routine Work, More Advisory

With the introduction of the New Income Tax Act, 2025 and simplified rules/forms, the drudgery of navigating convoluted tax provisions and forms will reduce significantly. For CAs and tax practitioners: - Preparation of tax returns for individuals and small businesses will become more of a commodity service (with pre-filled data, user-friendly forms, and even taxpayer doing it themselves in many cases). This means CAs may get fewer clients simply for filling out returns or claiming routine deductions – those tasks become easier for clients to handle or done by software. - Interpretation of law – because the new law is more lucid and about half the size of the old one – will involve less time parsing through confusing language or reconciling conflicting provisions. Basic tax queries will be straightforward, possibly even answered by AI tools or government FAQs.

This pushes CAs/Tax advisors toward advisory roles: - Instead of spending time on form-filling and compliance ticking boxes, they can spend time on tax planning and strategic advice. For instance, helping clients make decisions under the new tax regime: e.g., choosing between the old vs new tax regime (which remains relevant), planning long-term investments for minimal tax (like how to use the updated capital gains rules in their favor), advising businesses on optimal structures given lower corporate tax options. - As compliance gets automated, demand for higher-order services grows. Clients will look to professionals for guidance on business expansion, investment decisions, and risk mitigation rather than just ensuring last year's returns are filed.

Furthermore, digitization of compliance (e.g., faceless assessments, e-invoicing under GST, online MCA filings) reduces direct interface but increases need for system understanding: - Finance professionals will become interpreters of digital notices/data for clients – explaining what an automated notice means and how to respond. They'll ensure clients' systems (ERP, accounting software) produce compliant data to feed into government systems. - But they'll spend far less time physically visiting tax offices or filing physical forms. That time can now be used for client consulting and analysis.

The Evolving Role of the CA: From Auditor to Advisor

Traditionally, CAs have been seen as auditors and compliance certifiers – ensuring books are accurate, returns filed, laws followed. While that remains crucial (especially for public interest entities), technology is altering that landscape: - Audit automation and AI: Routine audit tasks like vouching, ledger scrutiny, variance analysis are increasingly being done by software with AI capabilities. This means the audit role for CAs will shift to interpreting exceptions flagged by systems, exercising professional judgment on complex issues (like revenue recognition or fair value assessments), and providing insights rather than just detection of errors. The Budget's push for using advanced tech (e.g., mention of AI in compliance monitoring, and encouragement of data centres and AI ecosystem) implies corporate audits will also incorporate these. - CAs will be expected to add value beyond the audit report. As one accounting thought leader phrase goes, moving "from hindsight to foresight". So instead of just opining on historical financials, auditors/finance professionals will be asked: "what do these numbers mean for the future?", "where can we cut costs or improve efficiency?"

The Budget encourages financial discipline and transparency (with the new Act, stricter corporate bond disclosure norms, etc.), which means companies might not need a CA to "manage" accounts as much as to strategically manage finances. This shift is in line with global trends where CPAs/CAs become strategic partners: - Strategic Financial Management: The Budget's reforms in capital markets (like enabling easier bond issuance) mean companies will explore raising funds via bonds or new instruments. They will rely on finance professionals to advise on the optimal capital mix, compliance with SEBI regulations, and credit ratings. For instance, a CFO might consult a CA or CMA on whether to raise capital via a municipal bond (with the new incentive) or go for bank loans. - Risk Management: With more derivatives allowed (e.g., bond index futures), companies need robust risk management. Finance professionals will help design hedging strategies for interest or currency risk. The Budget specifically mentions need for risk management in banking and other sectors – indicating professionals in finance must upskill in risk analytics and advisory.

Company Secretaries and Compliance Officers: From Checklists to Governance Advisory

Company Secretaries (CS) traditionally handle corporate law compliance, board meetings, filings with Registrar of Companies, etc. The Budget – by simplifying laws and digitizing processes (the MCA portal, etc.) – reduces some routine workload: - Many forms under Companies Act have been streamlined recently (MCA V3). So CS spend less time on paperwork and more on ensuring substantive compliance. - The focus shifts to corporate governance and strategic compliance. For example, with the Budget's emphasis on ease of doing business and trust-based governance, a CS's role becomes to ensure the company upholds high governance standards, not just ticks boxes. They may advise the board on adopting voluntary best practices, ESG (Environmental, Social, Governance) reporting (especially as India moves towards sustainable finance).

The Budget's financial sector reforms (like improved governance of banks via a committee) signal that governance and compliance is being taken to a principles-based approach rather than rules-based. CS and compliance officers will need to interpret the spirit of regulations and guide management accordingly: - Advising on Board

composition, Audit committee effectiveness, internal controls – moving beyond maintaining statutory registers to actively shaping company policies for compliance risk mitigation. - Ethics and Whistleblowing frameworks – regulators are encouraging these. A CS may champion these internally, adding value by reducing risk of scandals.

CMAs: Emphasis on Cost Efficiency and Strategic Planning

Cost and Management Accountants (CMAs) are specialized in cost control, pricing, and management accounting. The Budget's emphasis on efficiency in public expenditure (large capex, but also keeping deficits in check) and competitiveness means CMAs have opportunities: - In manufacturing and public projects, CMAs can lead cost audits and efficiency improvements. For PSU projects funded by public money, ensuring cost-effectiveness is vital (e.g., a CMA might be involved in evaluating costs of infrastructure projects under the ₹12.2 lakh crore capex push). - Private companies facing global competition benefit from CMAs to strategize on cost reduction, product pricing (especially with PLI schemes, etc., where cost structure determines viability). - With services becoming dominant, CMAs can pivot to performance management in service industries (like hospitals, IT companies) – using their skills in unit costing, budgeting to improve profitability.

The Budget also hints at performance-linked incentives (like for textiles clusters), which often require cost certification or efficiency demonstration. CMAs could be at the forefront of helping companies qualify for and maximize these incentives by optimizing operations.

Consultants and Advisors: Focus on Strategy, Risk and Digital

Financial consultants of all stripes will see demand moving toward: - Strategic financial planning: With the Budget not giving major tax breaks, individuals and businesses will look to optimize within the existing structure – e.g., how to invest given unchanged slabs but new avenues (like higher 80C or NPS maybe remained same, but TCS changes affect how they pay for foreign education). Advisors will craft personalized strategies (retirement planning, estate planning) which go beyond filing forms. - International tax and mobility:

Budget made foreign asset compliance easier (window to disclose, NRI tax clarifications possibly, etc.). More Indian professionals are working abroad and vice versa (the FM mentioned measures for "non-resident experts and foreign service providers" in tax). This means tax consultants must be well-versed in cross-border taxation to advise expats or foreign firms operating in India. - Risk and compliance consulting: Many medium businesses can't maintain in-house experts for all compliance. With changes like new IT Act, they'll need consultants to transition and to build robust internal compliance systems that satisfy the new trust-based approach. For example, ensuring their accounting software maps correctly to new tax form requirements, or data retention policies align with new faceless audit demands. - Digital finance and fintech: The Budget's push for digital infrastructure (UPI, data centers, AI missions) means an expanding fintech landscape. Finance professionals who specialize in fintech or systems will help companies adopt new tech (like implementing AI in audit, blockchain in supply chain finance, etc.). They may also consult on crypto or digital assets once regulated – an area likely to evolve soon. - ESG and Integrated Reporting: Not explicitly in Budget, but globally trending and likely to see future policy. Finance professionals will increasingly need to measure and report not just financial metrics but environmental and social ones. Consultants can carve niche advising firms on sustainable finance (like issuing green bonds – which ties to budget impetus on climate tech, e.g., ₹20k cr for CCUS might lead to issuance of green bonds which need assurance by CAs or ESG consultants).

Shift from Compliance to Advisory: A Mindset Change

The underlying theme is that finance professionals must pivot their mindset: - From "preparing statements" to "interpreting statements and influencing decisions". - From being compliance police to being business partners who help navigate an increasingly complex but also enabling environment.

For example, a CA in industry (like a CFO) is no longer just the number-cruncher ensuring tax and financial reporting compliance. Thanks to reforms, compliance takes less of his time. Instead: - She can focus on capital allocation decisions – e.g., with corporate bond market reforms, should the company refinance its debt via bonds?

How to leverage lower safe harbour for IT companies for transfer pricing to expand R&D? - She must manage stakeholder communications more – investors will ask how the new tax law affects future earnings, or how fiscal deficit paths might impact interest rates the firm pays. Finance professionals need to broaden into economics and strategy to answer these.

On the risk management front: - The Budget and 16th FC enforce strict debt targets for government. Private sector too faces rising interest rate risk globally. Financial risk management (currency, interest, commodity hedging) becomes a valued skill.

Professionals adept in these areas will be in high demand as companies try to protect margins in volatile markets.

One concrete sign: The Economic Survey noted capital market participation has surged to 12 crore investors with 25% being women. This democratization of investing means a lot of retail investors need advisory on portfolio management, retirement planning. Finance professionals (CFP, wealth managers) will see a growing client base hungry for quality advisory, as the burden of provision shifts from state (pensions etc. are mostly self-managed now via NPS/mutual funds).

Continuous Learning and Upskilling

The new roles and opportunities come with a caveat: finance professionals must continuously upskill to remain relevant: - Technology: Embrace data analytics, AI tools for auditing or fraud detection, become proficient with new software (tax filing utilities, ERP systems, visualization tools). A CA who can code or at least manage an RPA (robotic process automation) project is gold to an employer now. - Regulation changes: Thoroughly understand the New Income Tax Act, the changes in Companies Act (like recent decriminalization there too), SEBI regulations on bonds etc., GST updates, and global trends (like BEPS and global minimum tax, which will eventually come to India). The Budget might not have mentioned global tax this time, but it's on the horizon. - Soft skills: As they move to advisory, communication, presentation, negotiation skills become crucial.

Explaining a risk or strategy to a board in layman's terms is a different skill than ensuring a form is correctly filled. Finance professionals will become the translators between numbers and strategy.

Industry bodies recognize this shift. For instance, ICAI (the CA institute) in its pre-budget recommendations emphasized measures for lower litigation, ease of compliance, which were largely adopted. Now ICAI and others are equipping members via courses on AI in finance, global taxation, etc. The ICAS (Scotland CA body) wrote about "Making Tax Digital" by 2026 where routine compliance is all digital, meaning accountants focus on advising clients how to use digital records for business insights – very pertinent to India too as GST e-invoices, etc. become universal.

In conclusion, Budget 2026–27 creates an environment where finance professionals can transcend their traditional back-office image and become key players in driving business value: - By leveraging simpler rules and better tech, they ensure compliance is a given (a baseline service). - They then distinguish themselves by offering insights – whether it's how a new tax rule can be optimally used, how a company can raise cheaper capital, or how to manage financial risks in a turbulent economy. - They will also act as ethical guardians and risk managers, crucial in a trust-based system. Since regulators are trusting businesses more (through self-compliance and less intrusive scrutiny), finance professionals must uphold that trust by ensuring their companies/clients truly comply and manage risks, otherwise the whole system's credibility falls. So their responsibility in governance actually increases.

This transition might not happen overnight. There will be an adjustment period as the last generation of complex filings gives way to the new system. But the writing on the wall is clear – those in the finance field must adapt or risk being left behind by automation and changing expectations. The best will find themselves not buried in paperwork, but seated at the strategy table.

Sources: The Economic Times observed the Budget pivots policy toward services and skilling, implying professionals need to pivot as well to focus on employability and sector expertise. Thought leadership pieces (like from accounting bodies) discuss the shift "from compliance to advisory" as a global trend for CPAs/CAs. BusinessWorld noted "Budget 2026… converting compliance from heavy penalties to simplified fees… trust-based regime", which means professionals will spend less time firefighting penalties and more on guiding voluntary compliance. The Hindustan Times explicitly mentions the focus on simplifying compliance and building trust – a scenario in which finance professionals' role naturally evolves to advisors and risk managers to uphold that trust. Overall, the changes introduced by Budget 2026–27 will accelerate the ongoing transformation of the finance profession in India, pushing practitioners to elevate their value proposition from mere compliance to strategic partnership.

Union Budget 2026: Consolidating Reforms and Fine-Tuning India's New Tax Regime

Union Budget 2026 assumes significance not merely as another annual fiscal exercise, but as a critical milestone in India's ongoing tax reform journey. Presented as the ninth consecutive budget by the same Finance Minister reinforces the narrative of political continuity and policy stability. Such continuity has enabled the government to move beyond incremental changes and focus on structural reforms that demand consistency and long-term vision.

To appreciate the importance of Budget 2026, it is essential to view it in the context of Budget 2025, which was widely acknowledged as a historic turning point for Indian taxpayers. Budget 2025 delivered an unprecedented bonanza to middle-class taxpayers through substantial enhancement of income-tax slabs and broad-based relief across taxpayer categories. More importantly, it laid the foundation for the most comprehensive direct tax reform in decades by announcing the replacement of the Income-tax Act, 1961 with the **New Income-tax Act**, 2025. During the year 2025, the Income-tax Bill, 2025 underwent an extensive legislative process involving stakeholder consultations, technical evaluation, and parliamentary debate. The Bill was ultimately passed by both Houses of Parliament and made effective from **1 April 2026**, marking the beginning of a new, simplified, and modern tax framework.

Against this backdrop, **Union Budget 2026 was largely expected to focus on fine-tuning and operationalizing the new law,** rather than introducing sweeping structural changes. The budget largely lived up to these expectations. A noticeable effort was made toward further simplification of provisions, removal of ambiguities, and alignment of procedural aspects with the spirit of the new Income-tax Act. These measures aim to reduce interpretational disputes and enhance ease of compliance for taxpayers.

Another key theme of Budget 2026 is the government's continued emphasis on litigation reduction and tax certainty. By refining provisions, streamlining processes, and reinforcing a trust-based approach to taxation, the budget seeks to curb avoidable disputes and improve the overall relationship between taxpayers and the tax administration. This is particularly important in strengthening India's image as a predictable and investor-friendly jurisdiction.

A significant area of focus in Budget 2026 has been transfer pricing litigation, which has historically been a major source of prolonged disputes for multinational enterprises. The budget introduced multiple measures aimed at dispute prevention, early resolution, and rationalization of transfer pricing adjustments. These steps signal a clear intent to move away from adversarial tax administration toward a more collaborative and certainty-driven approach.

Another important focus of direct tax reforms reflects the Government's long-term vision of developing India as a global digital and financial hub under the Viksit Bharat framework. The Budget underscores this vision by extending targeted tax incentives to data center businesses, recognizing them as a strategic pillar of India's digital economy.

In parallel, the Budget further extends the tax holiday and concessional tax regime for units operating in GIFT IFSC, reinforcing its role as India's international financial gateway. These measures aim to enhance the global competitiveness of GIFT City by attracting foreign capital, fund management activities, offshore banking, insurance, and fintech operations into India. The continuation of tax incentives also provides stability and confidence to long-term investors, encouraging the migration of financial services that were traditionally located in overseas jurisdictions.

Collectively, these direct tax measures reflect a coherent policy strategy—leveraging fiscal incentives to drive infrastructure creation, deepen financial markets, attract global investment, and accelerate economic transformation. By aligning tax policy with the broader goal of Viksit Bharat, the Government is using the tax system not merely as a revenue tool, but as an instrument for sustainable and inclusive economic development.

The key direct tax proposals are summarized below:-

1. Rate of taxation:

a) No changes proposed to the headline corporate tax rate.

b) Minimum Alternate Tax (MAT) for companies:

- No MAT to foreign companies which opt into presumptive taxation
- MAT rate reduced to 14% of book profits in the old regime
- MAT to be made as final tax in the old regime and consequently, no new MAT credit to be allowed to be carried forward
- Set-off of MAT credit to be allowed only in new regime to the extent of 25% of the tax liability in the new regime

2. Return of income:

a) No change in the due date to file original return or other forms as applicable to a corporate assessee. However, individual assessees, having non audit business or professional income, as well as certain partners and trusts, will now be permitted to file their returns by 31 August (as against existing 31 July).

b) The time limit for filing a revised return of income has been extended to 12 months from the end of the relevant financial year, as compared to the existing limit of 9 months. A fee INR 1,000 or INR 5,000, as applicable, shall be payable where such revised return is filed beyond the existing 9 month period from the end of the financial year.

c) Updated return:

- Proposal to allow filing of an updated return in cases where loss was determined in the original return. The loss cannot increase in the updated return.
- Proposal to permit filing of an updated return of income even after the initiation of reassessment proceedings, provided such return is filed within the period specified in reassessment notice. Incremental income to be subjected to an additional tax of 10%.

3. Changes in buy back tax provisions:

a) Proposal to tax the consideration received on buy-back of securities as Capital Gain instead of Dividends.

b) Promoters are required to pay additional tax, over and above the regular capital gains tax.

4. Income exemption on compulsory acquisition of land:

a) The provisions of section 11 read with Schedule III of the Income-tax Act, 2025 provides for exemption of certain incomes.

It inter alia provides exemption to an individual or a HUF on any income arising from the transfer of agricultural land subject to the conditions specified therein.

b) In order to align the provisions of the Act with the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act), amendments have been proposed to Schedule III so as to provide exemption on any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after the 1st April 2026, under the RFCTLARR Act.

5. Allowing Expenditure on Prospecting of Critical Minerals as Deduction:

a) It is proposed to expand the scope of Schedule XII of the Act, which lists minerals eligible for deduction of expenditure incurred on prospecting and exploration under section 51 of the Act. The amendment includes "critical minerals" in this list.

6. Rationalization of TDS/ TCS provisions:

a) 'Supply of manpower' to be brought within the ambit of 'work' thereby attracting TDS at 1%/ 2% as applicable

b) The Finance Bill proposes rationalization of various TCS rates as prescribed below:

b) Particulars	Current rate	Proposed rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore	1%	2%
Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees for purposes of education or medical treatment	5%	2%
Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	5%/20%	2%

c) Existing provisions of the new Act provides an option to the assessee to file an application before the tax authorities for obtaining lower/ nil TDS/ TCS certificate. Proposal to enable electronic application to the prescribed authority and decision to issue/ reject to be issued digitally in certain cases.

7. Promotion of data centre business and contract manufacturing

a) Tax holiday until 31 Mar 2047 for foreign companies that earn income by providing cloud services to customers by using data centre services from India.

Cloud services to Indian customers to be provided only through an Indian reseller entity.

b) Proposal to exempt the income of a foreign company arising from the provision of capital goods, equipment or tooling to an Indian contract manufacturer located in a customs bonded area (under section 65 of the Customs Act, 1962), where such manufacturer produces goods on behalf of the foreign company. The exemption is proposed to be available up to tax year 2030 31.

8. Transfer Pricing:

a) Announcements relating to rationalization of Safe Harbor provisions for IT Sector (detailed rules and guidelines are awaited):

- Wide range of services proposed to be clubbed under the category of IT Services with a safe harbor margin of 15.5%
- Threshold for eligibility to apply Safe Harbor increased from current INR 300 crore to INR 2,000 crore
- Transfer Pricing safe harbor of 15% on cost in case the company providing data centre services from India is an associated enterprise
- Approval under rule-based automatic process without need of any examination of application
- Once approved, safe harbor continues for a period of 5 years at the choice of the taxpayer

b) Amendments to the Advance Pricing Agreement (APA):

- Fast-tracked Unilateral APA process for IT services targeted for completion within two years (detailed rules and guidelines are awaited).
- The Associated Enterprises of the entity entering into APA also allowed to file modified returns

9. Penalty, prosecution and litigation management:

a) Proposal to reduce the pre deposit requirement from 20% to 10% for appeal cases (detailed rules and guidelines are awaited)

b) Decriminalisation / grading of offences: Existing provisions attract rigorous imprisonment upto 7 years for several offences. It is proposed to:

- Shift to simple imprisonment, cap max at 2 years (3 years for repeat)
- Graded by tax amount; only fine where amounts are small (≤ INR 10 lakh).
- Full decriminalisation of some technical lapses (e.g., non production in specific contexts).

c) Conversion of 'Penalty' into 'Fee' for technical failures

- Failure to obtain tax audit report (Form 3CA/3CD): INR 75,000 for delay upto 1 month and INR 150,000 thereafter
- Failure to obtain TP report (Form 3CEB): INR 50,000 for delay upto 1 month and INR 100,000 thereafter
- Failure to furnish the SFT: Fee of INR 200 for every day of delay with an upper limit of INR 100,000 (no limit in the existing provisions)

d) Proposal to impose penalty for under reporting of income concurrently with the assessment proceedings, with such penalty forming part of the demand raised. However, interest for non payment of the penalty shall be levied only after the disposal of the first appeal proceedings [CIT(A)/ ITAT]

e) Rationalisation of provisions related to unexplained income/ asset/ expense:

- Reduction in tax rate to 30% from existing 60%
- No separate penalty for such income and the penalty to be levied in accordance with the regular provisions of penalty

f) Immunity from penalty to be extended for cases involving mis-reporting of income as well with payment of additional tax (100%/ 120%)

g) Clarificatory amendments on certain procedural matters concerning assessment and reassessment proceedings

- Pre re-assessment notices to be issued by Jurisdictional AO and thereafter, the re-assessment proceedings to be conducted by the National Faceless Assessment Centre and its units in a faceless manner.
- Assessments not to be invalidated merely on the grounds of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner.

- Statutory time line to issue the final assessment order excludes time provided for proceedings before the Dispute Resolution Panel, where applicable

10. Under the existing provisions, a deduction for employees' contribution to welfare funds (such as PF, ESI, etc.) is allowable only if the contribution is deposited within the due dates prescribed under the respective welfare legislations. The proposal now seeks to allow such deduction where the payment is made on or before the due date for filing the return of income.

11. No deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds. Previously deduction of interest expense to the extent of 20% of gross dividend/ income was permitted.

12. The tax holiday for IFSC units is proposed to be extended from 10 years to 20 years, with a concessional 15% tax rate applicable on business income after the deduction period.

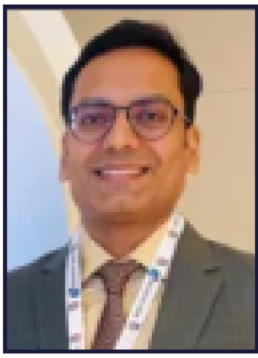
13. In respect of units that start operations on or after 1 April 2026, this benefit shall be available only if it is not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India.

14. Proposal to introduce Disclosure Scheme for 'Foreign Assets of Small Taxpayers' which will provide a time-bound voluntary declaration window for small/ legacy/ inadvertent cases with a tax/ fee and limited immunity.

Concluding Remarks

The Union Budget and particularly direct tax proposals reflect a comprehensive approach by the Government in identifying and addressing the key pain points faced by taxpayers. The wide-ranging measures announced are expected to significantly enhance tax certainty and further strengthen the ease of doing business in India. Notably, the proposals demonstrate that the Government has undertaken a deep and granular review of virtually every aspect of the tax framework, signaling a conscious and calibrated effort towards overhauling the tax law in a holistic manner.

In conclusion, Union Budget 2026 may not be remembered for headline-grabbing announcements, but it plays a crucial role in consolidating and fine-tuning the reforms introduced in the previous year. By strengthening simplification, reducing litigation, enhancing tax certainty, and addressing complex areas such as transfer pricing, the budget reinforces India's transition to a stable, transparent, and growth-oriented tax regime under the new Income-tax Act.



CMA Parmod Agarwal

DGM Finance - GAIL INDIA

Why Budget 2026 Tightens the Derivatives Market Amid Rising Global Uncertainty?

The Union Budget for 2026 comes at a significant time of change for India's capital markets. While the benchmark indices remain resilient and robust, the underlying market structure faces two primary challenges: increasing volatility in the derivatives (F&O) segment and ongoing outflows from foreign institutional investors (FIIs). These dual pressures have led policymakers to reevaluate the balance between liquidity, speculation, and systemic stability. In this context, the government's decision to raise the Securities Transaction Tax (STT) on equity derivatives represents a strategic shift in market priorities.

A Market Split Between Stability and Speculation

In recent years, India's equity markets have shown remarkable resilience despite global challenges, including aggressive monetary tightening in developed economies, geopolitical disruptions, and fluctuations in capital flows. This stability has been primarily supported by strong participation from domestic institutions, particularly mutual funds, insurance companies, and pension funds. Monthly systematic investment plan (SIP) inflows and robust long-term domestic savings have effectively countered foreign selling.

However, beneath this seemingly stable surface, a growing concern looms: the rapid growth of derivatives trading. The volume of futures and options has expanded significantly, outpacing the growth of the underlying cash market. While derivatives are useful for price discovery and risk management, their excessive use—especially by short-term, high-frequency traders—has led to increased intraday volatility without meaningfully contributing to capital formation.

Policymakers are becoming increasingly cautious about this imbalance. When derivatives activities dominate market turnover, price signals can become distorted, liquidity may become fragile, and retail investors could face disproportionate risks. It is in this context that the measures outlined in Budget 2026, including the significant increase in STT, should be understood.

What Budget 2026 Changed

The Union Budget 2026–27 introduced a significant increase in the Securities Transaction Tax on equity derivatives:

- **STT on equity futures** was raised from **0.02% to 0.05%** of the traded value.
- **STT on options premium** was increased from **0.10% to 0.15%.**
- **STT on the exercise of options** was raised from **0.125% to 0.15%.**

These revisions materially raise transaction costs for frequent traders and high-turnover strategies, particularly in the F&O segment. For long-term investors and genuine hedgers, the impact is limited. For speculative, high-frequency participants, however, the economics of excessive trading change meaningfully.

Securities Transaction Tax on equity derivatives

Instrument	Current STT rate	Proposed STT (Budget 2026–27)
Equity Futures	0.02%	0.05%
Options Premium	0.10%	0.15%
Exercise of Options	0.13%	0.15%

Source: Union Budget 2026–27, Government of India

The Government's Rationale: Beyond Revenue

While STT is a source of revenue, the government has made it clear—through budget documents and official clarifications—that the intent of this hike goes far beyond fiscal considerations.

Three key objectives stand out.

First, the government aims to **discourage excessive speculative trading.** Derivatives volumes have grown to levels that far exceed the scale of the underlying cash market, raising concerns about market quality and investor protection.

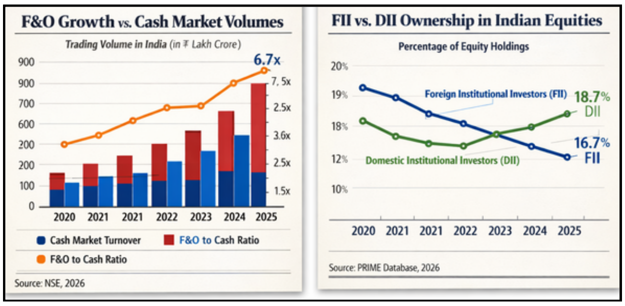
Second, the move seeks to **reduce systemic risk and volatility.** High-frequency trading of futures and options can exacerbate market volatility, particularly during global crises, leading to sharp intraday price movements that erode investor confidence.

Third, the policy is designed to **curb non-productive trading activity**—short-term bets that generate volume but add little to long-term capital formation. The government believes that capital markets should ultimately promote economic growth rather than just trading turnover.

The Income Tax Department has noted that F&O trading volumes have surged to levels significantly exceeding GDP, making a case for corrective action.

FII Outflows and the Limits of Tax Incentives

An important, though implicit, backdrop to the STT hike is the trend in foreign capital flows. FIIs have been net sellers of Indian equities in recent years, withdrawing substantial capital amid rising global interest rates and better risk-adjusted returns in developed markets. This trend has persisted despite India's strong macro fundamentals.



In such an environment, policymakers face a difficult choice. Offering broad tax reliefs to attract or retain foreign capital may appear tempting, but it carries risks. Short-term investors could use tax incentives to book profits and repatriate funds, inadvertently accelerating capital flight rather than promoting stable investment.

Budget 2026 reflects an understanding of this trade-off. Rather than competing for volatile, short-term flows, the government has prioritised market stability and domestic capital formation. The STT hike aligns with this philosophy by discouraging speculative behaviour without undermining long-term investment attractiveness.

Domestic Institutions as the New Market Anchor

A crucial enabler of this policy confidence is the growing role of domestic institutional investors. Over recent years, DIIs have steadily increased their ownership share in Indian equities, supported by rising household financialisation, disciplined SIP flows, and regulatory encouragement for long-term savings.

This domestic capital has played a stabilising role, absorbing foreign selling and reducing the market's dependence on unpredictable global flows. With a stronger domestic base, policymakers now have greater room to take structural decisions—even if they temporarily dampen trading volumes or provoke short-term market reactions.

Market Reaction: Short-Term Pain, Long-Term Intent

Unsurprisingly, markets reacted negatively to the STT announcement. Benchmark indices corrected on Budget day, and brokerage stocks faced sharp selling amid concerns over reduced derivatives activity and lower trading revenues.

Such reactions reflect the market's sensitivity to transaction costs and liquidity conditions.

However, short-term volatility does not negate the long-term intent of the policy. From a structural standpoint, the STT hike represents a shift from volume-driven market growth to quality-driven participation. It underscores the government's willingness to accept temporary discomfort in pursuit of long-term stability.

A Shift in Capital-Market Philosophy

In a global environment marked by volatile capital flows, elevated interest rates in developed economies, and persistent geopolitical uncertainty, Budget 2026 signals a clear evolution in India's capital-market philosophy. The focus is no longer on maximising turnover or attracting transient capital at any cost. Instead, the emphasis is on **disciplined participation, effective risk management, and sustainable market development.**

Building a Resilient Financial Ecosystem

Budget 2026 marks a transition from reactive market management to proactive risk control. The increase in STT on derivatives is not an isolated tax measure but part of a broader strategy to align India's capital markets with the country's long-term economic objectives. As domestic institutions continue to anchor the market and global uncertainties persist, this policy stance lays the groundwork for a **more resilient, self-sustaining, and globally credible financial ecosystem.**

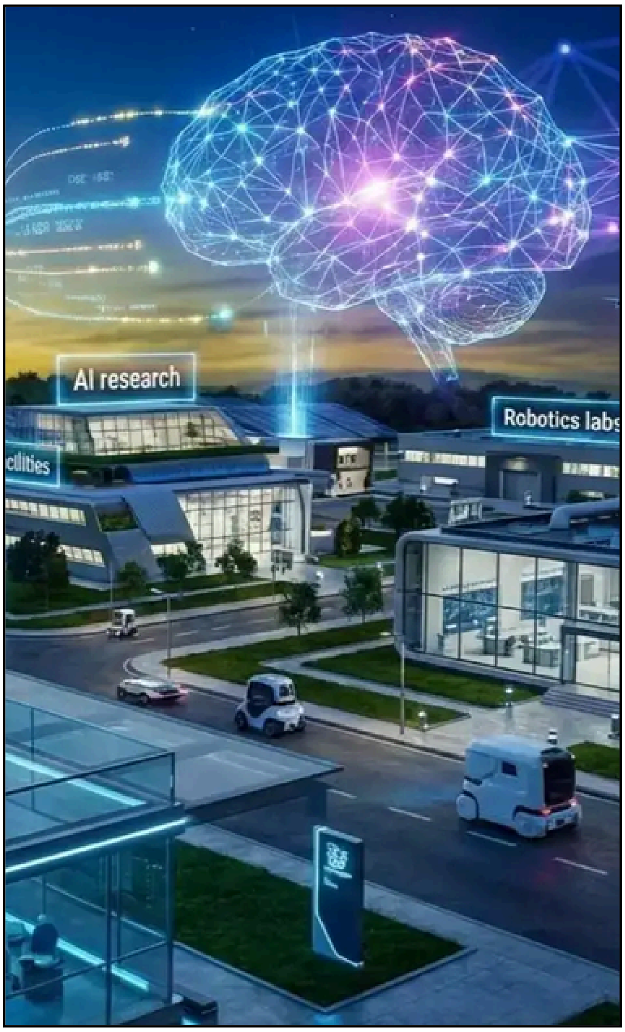
India's capital markets are evolving—and Budget 2026 makes it clear that the future belongs not to speculative excess, but to disciplined, long-term capital.

Concluding Outlook: Navigating Market Stability Post-Budget 2026:

Following Budget 2026–27, India's capital markets may enter a phase of adjustment. The increase in the Securities Transaction Tax (STT) on derivatives is expected to reduce speculative activity, especially in the high-volume futures and options (F&O) segment. This change is likely to impact market behavior in the short term. Given the significant rise in derivatives trading in recent years, this policy adjustment may temporarily slow down momentum-driven rallies and lead to a period of consolidation.

In the short term, the market may experience a slight correction as participants adjust their positions and speculative flows stabilize. Over the next three months, a sideways-to-stable trend is anticipated, supported by the growing influence of domestic institutions, long-term investors, and fundamentally strong market conditions.

For investors, the key message is to remain patient and disciplined. While short-term volatility may persist, the gradual shift from foreign-led to domestically driven market participation provides a stabilizing foundation. Adopting strategies such as systematic investment plans (SIPs) and selective accumulation during market corrections can help navigate volatility effectively and build long-term wealth.



Disclaimer:

The information contained in this document is for general purposes only and should not be considered investment advice. It is compiled from reliable sources, including publicly available data from various websites, newspapers, and internally developed data. The views expressed are opinions and should not be considered guidelines, recommendations, or professional advice.

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Analysis of Notifications & Circulars - January 2026

Income Tax, GST, Central Excise, Custom Duty, DGFT, SEBI, MCA, IBBI, RBI
(Click the Link for Notification/ Circular as issued)

A. Income Tax

Rajalakshmi University Trust, Chennai notified under section 35(1)(ii) for Scientific Research: The notification notifies Rajalakshmi University Trust, Chennai, for 'Scientific Research' under the category of 'University, college or other institution' for the purposes section 35(1)(ii) of the Income-tax Act, read with rules 5C and 5E of the Income-tax Rules. This section allows for deduction equal to one and half times while computing taxes for expenses relating to scientific research.

(Link: Income Tax Notification 16/2026 Dated 30/01/2026)

Exemptions to State Legal Service Authority Union Territory, Chandigarh: State Legal Service Authority Union Territory, Chandigarh, an Authority constituted by the Administrator, Union Territory, Chandigarh under the Legal Services Authorities Act, 1987, has been notified under section 10(46) for exemption on its income arising from amount received as Grants from High Court and Central Authority, Grants from Central and State Government, Under court orders, Fees and interest on bank deposits.

(Link: Income Tax Notification 15/2026 Dated 28/01/2026)

Sikshya O Anusandhan, Bhubaneswar, Odisha notified under section 35(1)(ii) for Scientific Research: The notification notifies 'Sikshya O Anusandhan', Bhubaneswar, Odisha for 'Scientific Research' under the category of 'University, college or other institution' for the purposes section 35(1)(ii) of the Income-tax Act, read with rules 5C and 5E of the Income-tax Rules. This section allows for deduction equal to one and half times while computing taxes for expenses relating to scientific research.

(Link: Income Tax Notification 14/2026 Dated 27/01/2026)

Exemptions to Tamil Nadu e-Governance Agency: Tamil Nadu e-Governance Agency, an agency formed by the State Government of Tamil Nadu, has been notified under section 10(46) for exemption on its income arising from amount received as Contributions/ Grants from Government, Service charges, Dividend, Revenue sharing, Any other income and interest on bank deposits.

(Link: Income Tax Notification 13/2026 Dated 21/01/2026)

Exemptions to Dadra and Nagar Haveli Building and Other Construction Workers Welfare Board: Dadra and Nagar Haveli Building and Other Construction Workers Welfare Board, a Board constituted by the Government of West Bengal, has been notified under section 10(46) for exemption on its income arising from amount received as Cess collected under Building Workers Welfare Cess Act, Registration fees and interest on bank deposits.

(Link: Income Tax Notification 12/2026 Dated 21/01/2026)

Exemptions to Karnataka State Rural Livelihood Promotion Society: Karnataka State Rural Livelihood Promotion Society, a body constituted by the Government of Karnataka, has been notified under section 10(46) for exemption on its income arising from amount received as Grants from Central and State Government and interest on bank deposits.

(Link: Income Tax Notification 11/2026 Dated 21/01/2026)

Exemption to Agra Development Authority: Agra Development Authority, an authority constituted under the Uttar Pradesh Urban Planning and Development Act 1973, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Income Tax Act.

(Link: Income Tax Notification 10/2026 Dated 19/01/2026)

Exemptions to Barnala Improvement Trust: Barnala Improvement Trust, an authority constituted under the Punjab Town Improvement Act 1922, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Income Tax Act.

(Link: Income Tax Notification 09/2026 Dated 19/01/2026)

Exemptions to Aligarh Development Authority: Aligarh Development Authority, an authority constituted under the Uttar Pradesh Urban Planning and Development Act 1973, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Income Tax Act.

(Link: Income Tax Notification 08/2026 Dated 19/01/2026)

Exemptions to West Bengal Building and Other Construction Workers Welfare Board: West Bengal Building and Other Construction Workers Welfare Board, a Board constituted by the Government of West Bengal, has been notified under section 10(46) for exemption on its income arising from amount received as Cess collected under Building Workers Welfare Cess Act, Registration fees, Subscriptions, Grants and loan from Government and interest on bank deposits.

(Link: Income Tax Notification 07/2026 Dated 14/01/2026)

Exemptions notified for Core Settlement Guarantee Fund under section 10(23EE): The Core Settlement Guarantee Fund has been notified for exemption under Section 10(23EE) of the Income Tax Act. The Fund has been set up by AMC Repo Clearing Limited, a recognised clearing corporation, in respect of specified income. The benefit is subject to continued compliance with statutory conditions, including filing of return of income under Section 139(4C) and the requirement that AMC Repo Clearing Limited must remain recognised as a clearing corporation by Securities and Exchange Board of India.

(Link: Income Tax Notification 06/2026 Dated 08/01/2026)

Exemptions to Gorakhpur Industrial Development Authority: Gorakhpur Industrial Development Authority, an authority constituted under the Uttar Pradesh Industrial Area Development Act 1976, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Act.

(Link: Income Tax Notification 05/2026 Dated 06/01/2026)

Exemptions to Kota Development Authority: Kota Development Authority, an authority constituted under the Kota Development Authority Act 2023, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Act.

(Link: Income Tax Notification 04/2026 Dated 06/01/2026)

Exemptions to Mussoorie Dehradun Development Authority: Mussoorie Dehradun Development Authority, an authority constituted under the Uttar Pradesh Urban Planning Development Act 1973 and as regulated under the Uttarakhand Urban and Country Planning Development (Amendment) Act 2013, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Act.

(Link: Income Tax Notification 03/2026 Dated 06/01/2026)

Exemptions to Joint Electricity Regulatory Commission: Joint Electricity Regulatory Commission (for The State of Goa and Union Territories except Delhi), an authority constituted under the Electricity Act 2003, has been notified under section 10(46A) for exemption on its income, provided the authority continues to operate for specified purpose under section 10(46A)(a) of Act.

(Link: Income Tax Notification 02/2026 Dated 06/01/2026)

Inbar Holding RSC Limited notified as the specified person for exemptions under section 10(23FE): The pension fund, namely, Inbar Holding RSC Limited has been notified as the specified person for exemptions under section 10(23FE) in respect of the eligible investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st March, 2030. It also prescribe the conditions and compliances for eligibility of tax exemption under said clause.

(Link: Income Tax Notification 01/2026 Dated 05/01/2026)

SC, Mauritius DTAA does not come to rescue, Tiger Global is liable to Tax: Case of Authority of Advance Ruling vs Tiger Global International Holdings, SC Judgement Dated 15th January 2026. The apex court held that the exemption under Article 13(4) of the Double Taxation Avoidance Agreement cannot be claimed where the transfer of unlisted equity shares is carried out pursuant to an arrangement impermissible under Indian law.

The Court noted that the transfer of unlisted equity shares by Tiger Global was not an isolated commercial transaction but formed part of a composite arrangement culminating in Walmart's acquisition of Flipkart. The Court observed that the factual findings on record established that the manner in which the transfer was structured and executed rendered the arrangement impermissible under Indian law.

(Link: SC Judgement Dated 15/01/2026)

SC Dismisses Revenue appeal on income tax Reassessment Notices, applies Rajeev Bansal Ruling: Case of ITO vs Bharat Jayantilal Soni, SC Judgement Dated 9th January 2026. The apex court dismissed the SLP, affirming that income tax reassessment notices under Sections 148A(d) and 148 of the Income Tax Act were rightly quashed by the High Court. The decision reinforces that reassessment proceedings initiated without following proper legal procedures, as outlined in recent SC judgments, are invalid.

(Link: SC Judgement Dated 06/01/2026)

HC, Live Telecast Rights not Royalty due to absence of Enduring Benefit: Case of CIT (International Taxation) vs Sri Lanka Cricket, HC Delhi Judgement Dated 15th January 2026. HC held that Royalty requires enduring rights, payments for live telecast of cricket matches without recording or reuse rights are not taxable as royalty. Thus payments received for live telecast of cricket matches, where the rights are limited only to live transmission and do not confer any enduring benefit cannot be taxed as royalty under the Income Tax Act.

(Link: HC Delhi Judgement Dated 15/01/2026)

HC, Nil Withholding Certificates (TDS) for payment to non-residents under Income Tax: Case of Nord Angila Education Limited vs DCIT, HC Delhi Judgement Dated 14th January 2026. The petitioner applied for a Nil Withholding Certificate under Section 197, asserting that the consideration received was not chargeable to tax in India. ITAT in the petitioner's own case, had already examined the very same services and held that they do not constitute fees for technical services under the India–UK DTAA. The Assessing Officer rejected the petitioner's application for NIL TDS and directed deduction of tax at 15%, merely stating that determination of income at this stage was premature and that withholding was necessary to protect the interests of the Revenue.

The court held this approach to be legally impermissible. Rule 28AA mandates that the Assessing Officer must determine the existing and estimated tax liability after taking into account tax payable on the estimated income.

(Link: HC Delhi Judgement Dated 14/01/2026)

HC, Virtual Service PE not valid ground to deny Nil Withholding Certificate: Case of Ernst and Young LLP vs ACIT, HC Delhi Judgement Dated 14th January 2026. HC ruled that the concept of a "virtual service PE" is not contemplated by the Income Tax Act or the relevant Double Taxation Avoidance Agreements (DTAA). The court held that without physical presence or rendering services within India, a Virtual Service PE cannot be established, overturning tax demands on professional service fees.

(Link: HC Delhi Judgement Dated 14/01/2026)

HC Slams arbitrary income tax Reopening, Rs 1 Lakh cost per Case: Case of Radhika Roy vs DCIT, HC Delhi Judgement Dated 19th January 2026. HC quashed income tax reassessment notices issued to NDTV regarding 2016 proceedings on interest-free loans. It ruled that the petitioners did not fail to disclose material facts, making reassessment attempt invalid. HC termed repeated, 'harassment' notices as legally unsustainable, lacking jurisdiction, and imposed a Rs 2 lakh fine on Income Tax Department.

(Link: HC Delhi Judgement Dated 14/01/2026)

HC allows Consignment Wise BRC accepted for section 80HHC deduction Claims: Case of DD International Pvt Ltd vs CIT, HC P&H Judgement Dated 8th January 2026. HC clarified that consignment-wise Bank Realisation Certificates (BRC) are sufficient for exporters to prove their eligibility to avail deductions under Section 80HHC of the Income Tax Act pertaining to profits from export.

(Link: HC P&H Judgement Dated 08/01/2026)

HC, World Cup Sponsorship payment split into Ad Spend and Royalty: Case of LG Electronics India Pvt Ltd vs DIT (International), HC Delhi Judgement Dated 24th December 2025. HC held that one third of the ICC sponsorship fee paid by LG Electronics to a Singapore based entity related to the right to use the ICC trademark and was taxable as royalty, and that tax was required to be deducted at source at the rate of 15% under the India-Singapore Double Taxation Avoidance Agreement.

(Link: HC Delhi Judgement Dated 24/12/2025)

HC, Ignorance of Tax Law not a genuine ground for Late Return Condonation: Case of Manjit Singh Dhaliwal vs CIT International Taxation, HC Delhi Judgement Dated 23rd December 2025. HC upheld the rejection of application to condone delay in filing his Income Tax Return, ruling that mere ignorance of complex Indian tax laws or COVID-related travel issues don't constitute "extraordinary circumstances" for condonation.

(Link: HC Delhi Judgement Dated 23/12/2025)

HC, Outsourcing solutions to Indian subsidiary doesn't result in creation of PE: Case of CIT (International) vs EXL Service.Com, HC Delhi Judgement Dated 17th December 2025. HC held that outsourcing solutions including transaction processing services and Internet/voice-based customer care services for its clients to subsidiary in India does not result in creation of Permanent Establishment (PE) in India under India-USA DTAA.

(Link: HC Delhi Judgement Dated 17/12/2025)

HC Set aside TDS Demand for Employee due to Non-Deposit by Employer: Case of Tarun Sabharwal vs ITO, HC Delhi Judgement Dated 8th December 2025. The case dealt with the issue of recovery of tax demand from an employee in cases where tax was deducted at source (TDS) by the employer but not deposited with the Government. The court noted that as per CBDT Circular dated 21st September 2023, tax demand in such circumstances cannot be recovered from the employee. The court held that recovery cannot be enforced against the employee.

(Link: HC Delhi Judgement Dated 08/12/2025)

B. GST

GSTN, Advisory on Interest Collection and Related Enhancements in GSTR3B: The advisory relates to interest computation, tax liability reporting, and input tax credit utilization. The key change is the revised interest calculation in Table 5.1, where the portal now factors in the minimum balance available in the Electronic Cash Ledger (ECL) from the return due date until the date of tax payment, in line with Rule 88B(1) of the CGST Rules. The system will auto-compute and auto-populate this interest, which cannot be reduced by taxpayers but may be increased through self-assessment. Also, a new auto-populated Tax Liability Breakup Table will reflect supplies of earlier periods reported later through GSTR-1 or IFF, aligning interest liability with Section 50 of CGST Act. The portal will also enable more flexible cross-utilization of ITC after IGST credit is exhausted, allowing payment of IGST liability using CGST/ SGST credits in any sequence.

(Link: GSTN Advisory Dated 30/01/2026, Tutorial)

GSTN Advisory on Retail Sale Price (RSP) based valuation of notified Tobacco Goods: Under Notifications 19/2025 and 20/2025, valuation for specified tobacco and related products is no longer linked to actual transaction value but is derived from the RSP printed on the package. GST must be computed using the prescribed RSP based formula, resulting in a deemed taxable value and tax amount that may differ from commercial consideration. Since existing e- Invoice, e-Way Bill, and GSTR-1/1A/IFF systems follow a transaction-value validation, taxpayers are advised to report the net sale value as "taxable value," compute tax strictly as per the RSP formula, and report the total invoice value as net sale value plus tax.

(Link: GSTN Advisory Dated 23/01/2026, Tutorial)

GSTN Advisory on Filing Opt-In Declaration for Specified Premises: The GSTN advisory informs that opt-in declarations for declaring hotel accommodation premises as 'specified premises', under notification 05/2025 (Rate), are now available online on the GST Portal. Declarations are submitted via EVC, allow up to 10 premises per filing, generate premise-wise reference numbers, and remain valid for subsequent years unless opted out. It also requires re-filing electronically for FY 2026–27 where FY 2025–26 declarations were earlier submitted manually.

(Link: GSTN Advisory Dated 29/12/2025)

GSTAT Clarifies Certification Rules and softens Appeal Scrutiny: The office order ease procedural hurdles during the initial rollout of the GSTAT online appeal portal. The registries has been directed to adopt a lenient approach while scrutinising appeal filings for six months. During this period, registries are instructed to raise only substantive defects that affect the merits of a case, and not defects of form that are merely technical or procedural. It clarifies that digitally generated documents from the GSTN system do not require certification, while scanned copies of physical documents attached to appeals must be duly signed.

(Link: GSTAT Office Order Dated 20/01/2026)

AAAR, ITC Denied on Electrical Works for factory expansion as Immovable Property: Case of Shibaura Machine India Private Limited, AAAR Tamil Nadu Ruling Dated 18th December 2025. The appellate authority upheld the AAR ruling that the taxes under GST paid on the electrical installation work carried out for expansion of factory for manufacturing activity is not eligible for availment of Input Tax Credit (ITC) by the applicant, as it is blocked under Sections 17(5)(c) and 17(5)(d) of the CGST Act.

(Link: AAAR Tamil Nadu Ruling Dated 18/12/2025)

AAAR Rejects ITC Claim, Firefighting & Sanitary Installations not eligible as 'Plant & Machinery': Case of Shibaura Machine India Private Limited, AAAR Tamil Nadu Ruling Dated 18th December 2025. The appellate authority upheld the AAR ruling that the taxes under GST paid on firefighting systems, and sanitary works during factory expansion, is not eligible for availment of Input Tax Credit (ITC).

These were deemed 'immovable property' rather than 'plant and machinery', making them blocked credits under Section 17(5) of the CGST Act.

(Link: AAAR Tamil Nadu Ruling Dated 18/12/2025)

AAAR, Interactive Flat Panel Displays taxed at 28% as 'Monitors' under HSN 85285900: Case of Acer India Private Limited, AAAR Tamil Nadu Ruling Dated 8th December 2025. The applicant in the course of its business, undertakes supply of various models of 'Acer' Interactive Flat Panels within India either after importing them as finished goods or getting them manufactured on contract basis through third parties. The appellate authority upheld the AAR ruling that various models of ACER Interactive flat Panels with additional features are still classifiable under 85285900 (Monitors and Projectors, not incorporating television reception apparatus). The applicable rate of GST is 28%.

(Link: AAAR Tamil Nadu Ruling Dated 08/12/2025)

AAR, ITC Allowed on Food & Beverages as Part of Event Management Package: Case of Citius Holidays Private Limited, AAR West Bengal Ruling Dated 16th January 2026. AAR held that the applicant is eligible to avail Input Tax Credit (ITC) on food and beverage services under Section 17(5) in event management and tourism services. It should be noted that in case the applicant is using this food as an element of composite supply of event management services, invoice of the applicant issued to his customer must charge the rate of tax applicable to the principal supply and the applicant can avail ITC in respect of food as one of the elements of taxable composite supply of event management.

(Link: AAR West Bengal Ruling Dated 16/01/2026)

AAR, CKD E-Rickshaw treated as Finished Vehicle when Essential Parts Present: Case of Navya Electric Vehicles Private Limited, AAR West Bengal Ruling Dated 16th January 2026. AAR held that the supply of a complete set of components of an electric three-wheeler vehicle (e-rickshaw) in a Completely Knocked Down (CKD) form, should be classified as the finished vehicle itself, if it includes motor and any three of the other four major components (other than motor) viz. transmissions, axles, chassis and controller in proportionate number for the assembly of the finished vehicle. GST is applicable at 5% under HSN code 87038040 and serial 441 of Schedule I of Notification 11/2017. It should be classified as a set of parts if the supply does not include either motor or any two of the other four major components. In that case, the supply will be regarded as that of components of e-rickshaw and is taxed at 18%.

(Link: AAR West Bengal Ruling Dated 16/01/2026)

AAR, Medicated Toilet Soap kept outside 5% GST Slab due to Distinct Therapeutic Use: Case of East African (India) Overseas, AAR Uttarakhand Ruling Dated 6th January 2026. AAR ruled that medicated toilet soap manufactured by the applicant is classifiable under tariff item 34011110 and continues to attract GST at 18%. The concessional 5% rate introduced by Notification No. 9/2025 (Rate) applies only to non-medicated toilet soaps and does not extend to medicated variants.

(Link: AAR Uttarakhand Ruling Dated 06/01/2026)

AAR, GST payable on Foreign Patent filing costs due to import of Legal Services: Case of Medtrainai Technologies Private Limited, AAR West Bengal Ruling Dated 24th December 2025. AAR ruled that the company is required to pay GST towards reimbursement of expenses a Japanese patent attorney has incurred towards filing a patent in the Japanese Patent Office. The company is filing the patent in favour of one of the directors. The company is not planning to do business in Japan. As per Entry no. 2 of the Notification No. 13/2017 (Rate) dated 28th June 2017, tax is liable to be paid on a reverse charge basis.

(Link: AAR WB Ruling Dated 24/12/2025)

AAR Allows ITC on Repairs, Refurbishment, Common Expenses and Capital Goods for Second-Hand Vehicle Dealers: Case of Goexotic Plus91 Motors Private Limited, AAR Kerala Ruling Dated 11th December 2025. The applicant is in the business of buying and selling second-hand motor vehicles and deals mainly in used luxury cars procured from both registered and unregistered persons. Small processing activities such as repair, refitting and replacement of spare parts are done to enhance the resale value of the vehicles, without changing their essential character before resale. The Authority held that Notification 8/2018 (Rate) restricts the availment of input tax credit only in respect of the purchase of old or used motor vehicles on which the benefit of margin-based taxation is claimed. The restriction does not extend to other inward supplies such as spare parts, repairs, refurbishment services, rent, advertising, professional services or capital goods used in the course or furtherance of business.

(Link: AAR Kerala Ruling Dated 11/12/2025)

AAR, GST Not Applicable on Centage Charges Collected for PMC Services to Government Bodies: Case of Steel Industrials Kerala Ltd, AAR Kerala Ruling Dated 8th December 2025. AAR noted that as per Entry 3 of Notification 12/2017(Rate) dated 28th June 2017, exemption is available where the supply qualifies as pure services, is rendered to Government or local authorities, and relates to functions entrusted under Articles 243G or 243W of the Constitution. The applicant's PMC services involved no supply of goods and were provided to Government departments and Panchayats in connection with constitutionally assigned functions. Thus, AAR ruled that GST is not applicable on centage charges collected for such pure PMC services and the same are exempt under the said notification.

(Link: AAR Kerala Ruling Dated 08/12/2025)

HC, GST Not payable on Statutory Fees collected by Electricity Regulators: Case of Punjab State Electricity Regulatory Commission vs Union of India, HC P&H Judgement Dated 15th January 2026. HC concluded that the regulatory functions discharged by the Commission are statutory obligations, not activities undertaken 'in the course or furtherance of business', and thus the fees (such as petition fee, ARR processing fee, and license fee) collected do not constitute 'consideration' for a taxable supply of services under the CGST Act.

(Link: HC P&H Judgement Dated 15/01/2026)

HC, Performance Incentives not taxable due to absence of service to Media Houses: Case of PC CGST vs Nexus Alliance Advertising and Marketing Pvt Ltd, HC Delhi Judgement Dated 5th December 2025. HC held that performance incentives received by an advertising agency from media houses were not liable to service tax.

(Link: HC Delhi Judgement Dated 05/12/2025)

C. Central Excise

Amendments to Excise Rules to Redefine Packing Machine Speed Calculation: The notification amends the Chewing Tobacco, Jarda Scented Tobacco and Gutkha Packing Machines (Capacity Determination and Collection of Duty) Rules 2026. It introduce a specific explanation in Rule 5 defining 'maximum rated speed' of packing machines through a mathematical formula based on motor RPM, overall gear ratio, and the number of funnels or cups, depending on machine type. Rule 6 is aligned to distinguish between horizontal machines using funnels and vertical machines using cups. The consequential changes have also been made to Forms CE DEC-01 and CE CCE-01, substituting references to 'tracks' with 'cups' or 'cup or funnel', and others.

(Link: Central Excise Notification 01/2026 (NT) Dated 31/01/2026)

FAQs on Machine-Based levy in case of Chewing Tobacco, Jarda Scented Tobacco & Gutkha: The FAQs explain that duty rates have been notified separately and that a capacity-based levy applies only to manufacturers producing these goods in pouches using packing machines. Duty is determined on a deemed production basis linked to the maximum rated capacity and retail sale price, not actual output. Mandatory declarations in Form CE DEC-01, technical certification by a Chartered Engineer, monthly filings, and CCTV installation are prescribed. The jurisdictional excise authority will verify declarations through physical inspection and determine annual capacity.

(Link: Central Excise FAQs FinMin PIB Release Dated 01/01/2026)

D. Custom Duty

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 31st January 2026. The tariff value for crude palm oil is set at USD 1066 per metric ton, while gold and silver have tariff values of USD 1740 per 10 grams and USD 3830 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 11/2026 (NT) Dated 30/01/2026)

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 30th January 2026. The tariff value for crude palm oil is set at USD 1075 per metric ton, while gold and silver have tariff values of USD 1709 per 10 grams and USD 3545 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 10/2026 (NT) Dated 29/01/2026)

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 28th January 2026. The tariff value for crude palm oil is set at USD 1075 per metric ton, while gold and silver have tariff values of USD 1567 per 10 grams and USD 3545 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 09/2026 (NT) Dated 27/01/2026)

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 23rd January 2026.

The tariff value for crude palm oil is set at USD 1075 per metric ton, while gold and silver have tariff values of USD 1567 per 10 grams and USD 2950 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 08/2026 (NT) Dated 22/01/2026)

Amendments to Postal Export (Electronic Declaration and Processing) Regulations: The amendment substitutes the existing prescribed forms under the Regulations with revised forms. It clarifies that the changes are procedural in nature and relate specifically to the formats used for electronic declaration and processing of postal exports.

(Link: Customs Notification 07/2026 (NT) Dated 15/01/2026)

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 16th January 2026. The tariff value for crude palm oil is set at USD 1075 per metric ton, while gold and silver have tariff values of USD 1483 per 10 grams and USD 2950 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 06/2026 (NT) Dated 15/01/2026)

Electronic Postal Exports included in Customs Export Framework: The notification extend export facilitation provisions to exports made by post through electronic processing. The amendments expressly include electronic entries made under section 84 of the Customs Act, for postal exports alongside shipping bills and bills of export presented under section 50. It clarify that eligibility and benefits apply once the proper officer permits clearance and loading of goods under section 51 or section 84, as relevant. A new condition requires that such exports be undertaken through foreign post offices that allow electronic presentation and processing of entries on the customs automated system.

(Link: Customs Notification 05/2026 (NT) Dated 15/01/2026)

Electronic Entries for Postal Exports Recognised Under Customs Rules: The notification amending earlier notification 24/2023(NT) dated 1st April 2023 to align export facilitation provisions with electronic processing for exports by post under section 84 of the Customs Act. The amendments expand references to bills of export and shipping bills to expressly include electronic entries made under section 84 for postal exports processed through the customs automated system. It specifies that such exports must be routed through foreign post offices that allow electronic presentation and processing of entries.

(Link: Customs Notification 04/2026 (NT) Dated 15/01/2026)

Drawback Rules updated to recognise Postal Export Entries: The Customs and Central Excise Duties Drawback Rules, have been amended, to streamline drawback claims for exports made by post. The key changes include expanding references to "bill of export or shipping bill" to also cover section 84 entries for postal exports, revising headings and scope of rules dealing with postal exports, and aligning procedures across rules 8, 12, 13, and 14. The provisions deem electronic entries made under section 84 for exports by post as valid drawback claims from the date the Electronic Data Interchange receives the entry after the proper officer permits clearance and loading.

(Link: Customs Notification 03/2026 (NT) Dated 15/01/2026)

Bhogapuram notified as Customs Handling Point in Andhra Pradesh: The notification amends earlier notification 61/94 (NT) dated 21st November 1994, and a new entry has been inserted for the State of Andhra Pradesh, adding Bhogapuram as an authorised location for customs operations. It has been notified for the unloading of imported goods and the loading of export goods, or any specified class of such goods.

(Link: Customs Notification 02/2026 (NT) Dated 14/01/2026)

Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver: CBDT notified the Tariff Values of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver, which shall come into force w.e.f. 14th January 2026. The tariff value for crude palm oil is set at USD 1077 per metric ton, while gold and silver have tariff values of USD 1485 per 10 grams and USD 2724 per kilogram, respectively. The tariff value for areca nuts is fixed at USD 7679 per metric ton.

(Link: Customs Notification 01/2026 (NT) Dated 13/01/2026)

Anti-Dumping Duty extended on Normal Butanol Imports from European Union, Malaysia, Singapore, South Africa, and USA: The notification amends earlier notification 21/2021 (ADD) dated 12th April 2021, and extends the validity of the existing anti-dumping duty on imports of 'Normal Butanol or N-Butyl Alcohol', originating in or exported from the European Union, Malaysia, Singapore, South Africa, and the United States of America till 12th July 2026. It aims to ensure that the duty remains operative during sunset review proceedings.

(Link: Customs Notification 02/2026 (ADD) Dated 08/01/2026)

Anti-Dumping Duty extended on 'Flexible Slab stock Polyol of molecular weight 3000-4000' imported from Saudi Arabia and UAE: The notification amends earlier notification 20/2021 (ADD) dated 5th April 2021, and extends the validity of the existing anti-dumping duty on imports of 'Flexible Slab stock Polyol of molecular weight 3000-4000' rom Saudi Arabia and UAE till 17th June 2026. It aims to ensure that the duty remains operative during sunset review proceedings.

(Link: Customs Notification 01/2026 (ADD) Dated 02/01/2026)

Extending export benefits for exports made through Postal mode: Refer Circular No. 25/2022 dated 9th December 2022 regarding the electronic processing of commercial postal exports through PBE Automated System. Owing to the earlier lack of integration between the PBE Automated system and ICES, exporters were unable to avail export benefits under the said system. The required integration has now been established, thereby enabling seamless processing and the electronic provision of export benefits.

(Link: Customs Circular 01/2026 Dated 15/01/2026)

Cross Recessed Screws (Quality Control) Order: Ministry of Steel, vide Order dated 13th January 2026 has informed that Cross Recessed Screws (Quality Control) Order, 2025 was issued by Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, with effective date of implementation as specified. Subsequently, work related to Iron and Steel products falling under Chapter 72 (4 HSN Codes) and Chapter 73 (250 HSN Codes) has been transferred by DPIIT to Ministry of Steel. In view of representations, the consignments having inward entry date between 1st November 2025 to 12th January 2026 have been exempted from quality control order. The officers under your jurisdiction be sensitised accordingly..

(Link: Customs Instructions 01/2026 Dated 17/01/2026)

SC, Aluminium Shelves classifiable as Structures because they lack Mechanical Function: Case of Commissioner of Customs (Import) vs Welkin Foods, SC Judgement Dated 6th January 2026. The apex court ruled that 'Aluminium Shelves/Racks' used for mushroom cultivation must be classified as 'Aluminium Structures' (attracting 10% duty) rather than 'Parts of Agricultural Machinery' (attracting Nil duty).

(Link: SC Judgement Dated 06/01/2026)

HC, Textile Committee Cess invalid as Dyeing is Not 'Manufacture': Case of Varun Fabs Limited vs Union of India, HC P&H Judgement Dated 24th December 2025. HC held that independent dyeing and processing units are not considered manufacturers under textile law, thus quashing the imposition of Textile Committee Cess.

(Link: HC P&H Judgement Dated 24/12/2025)

E. Directorate General of Foreign Trade (DGFT)

Minimum Import Price (MIP) Introduced for Penicillin, Amoxicillin and 6-APA: DGFT has amended import policy for Penicillins and its salts, Amoxicillin and its salts, and 6-APA under Chapter 29. While the import policy for these items continues to remain 'Free', new MIP based restrictions have been introduced. Imports of Penicillin G-potassium with CIF value below Rs 2,216 per kg, Amoxicillin Trihydrate below Rs 2,733 per kg, and 6-APA below Rs 3,405 per kg are now classified as 'Restricted'. However, the MIP conditions do not apply to imports by 100% Export Oriented Units, units in Special Economic Zones, or imports under the Advance Authorisation Scheme, provided the imported inputs are not sold into the Domestic Tariff Area.

(Link: DGFT Notification 56/2026 Dated 29/01/2026)

Wheat Flour exports permitted up to 5 Lakh MT: The notification maintains the existing prohibition on exports of wheat or meslin flour, including atta, maida, semolina (rava/sirgi), wholemeal atta, and resultant atta. However, it introduces a limited relaxation by permitting exports of up to 5 lakh metric tonnes (LMT) of such products. This allowance is subject to obtaining a specific export authorisation and compliance with operational modalities to be notified separately through a public notice.

(Link: DGFT Notification 55/2026 Dated 16/01/2026)

Second Round of Gold TRQ Allocation for India–UAE CEPA: The procedure has been notified for the second round of allocation of Gold Tariff Rate Quota (TRQ) pursuant to the India–UAE Comprehensive Economic Partnership Agreement (CEPA) for FY 2025- 26. DGFT has invited fresh bids through an e-auction on the MSTC portal for a restricted quantity of 80 metric tonnes. The notice follows directions of the Delhi High Court requiring an expeditious review of TRQ allocations and a broader, more inclusive allocation policy, particularly for first-time applicants and entities without large historical turnover. The specific caps are prescribed for MSMEs and other units, while allowing participation by first-round allottees beyond their earlier allocations. Successful bidders will receive TRQ authorisations valid for six months.

(Link: DGFT Public Notice 45/2026 Dated 23/01/2026)

Modalities for Export of Wheat Flour and Related Products: The public notice prescribe modalities for the export of wheat flour and related products. Export authorisations must be applied for online within specified monthly windows, and will be valid for six months. Eligibility is restricted to manufacturer exporters, merchant exporters with valid manufacturing tie-ups, and EOUs/SEZ/Advance Authorisation holders, subject to strict documentation, minimum quantity thresholds of 2,500 MT, and compliance declarations ensuring use of domestic wheat and no diversion from PDS stocks. Authorisations are non-transferable, misdeclarations attract a three-year bar, and exporters must submit landing certificates within 30 days of shipment to remain compliant.

(Link: DGFT Public Notice 44/2026 Dated 16/01/2026)

Enlistment under Appendix 2E of FTP, Agency Authorised to issue Certificate of Origin (Non-Preferential): The Public Notice enlist India & Arab Countries Chamber of Commerce, Industry & Agriculture under Appendix 2E of the FTP 2023. It is now authorised to issue non-preferential Certificates of Origin, which are required for certifying the country of origin of exported goods.

(Link: DGFT Public Notice 43/2026 Dated 09/01/2026)

DFGT amends e-BRC Format to add GST Details: The Public Notice amends Appendix 2U of the Handbook of Procedures, relating to the issuance of the Electronic Bank Realisation Certificate (e-BRC). The amendment introduces three new mandatory fields, i.e. GSTIN, GST Invoice Number, and GST Invoice Date, and modifies existing field structures to align address details with GST identification requirements.

(Link: DGFT Public Notice 42/2026 Dated 09/01/2026)

Interest Subvention Support for Pre and Post Shipment Export Credit under NIRYAT PROTSAHAN: DGFT has amended the operational guidelines for Interest Subvention Support on pre- and post-shipment export credit under the Export Promotion Mission – Niryat Protsahan. It align eligibility with the RBI consolidated credit directions, clarify that support applies to the interest cost actually borne by eligible MSME exporters, and ring-fence applicability to facilities sanctioned on or after 2nd January 2026. The exclusions bar deemed exports and accounts turning non performing before completing the export cycle. Revised rates apply prospectively, while exporters graduating out of MSME status retain eligibility for three years as per Ministry of MSME norms.

(Link: DGFT Trade Notice 22/2026 Dated 16/01/2026)

Launch of Collateral Support for Export Credit under Export Promotion Mission (EPM): DGFT has announced the launch of Collateral Support for Export Credit under the Export Promotion Mission (EPM) – Niryat Protsahan. The scheme aims to improve access to formal export credit for MSME exporters, especially those facing difficulty in providing collateral. Implemented on a pilot basis through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the facility provides credit guarantee coverage of up to 85% for Micro and Small exporters and 65% for Medium exporters, with a maximum guarantee limit of Rs 10 crore per exporter for FY 2025–26.

(Link: DGFT Trade Notice 21/2026 Dated 02/01/2026)

Launch of Interest Subvention for Pre- and Post-Shipment Export Credit: DGFT has launched an Interest Subvention scheme for Pre- and Post-Shipment Export Credit under the Export Promotion Mission (EPM) – Niryat Protsahan. The scheme offers an interest subvention of 2.75% per annum, applicable to pre- and post-shipment export credit, with a maximum benefit of Rs 50 lakh per financial year per exporter. The subvention is available only for eligible MSME manufacturer and merchant exporters under a notified list of HSN six-digit tariff lines, following RBI guidelines on export credit.

(Link: DGFT Trade Notice 20/2026 Dated 02/01/2026)

SC, Unpublished notification invalid, MIP applies only from Gazette Publication Date: Case of Viraj Impex Pvt Ltd vs Union of India, SC Judgement Dated 21st January 2026. The apex court held that subordinate legislation becomes enforceable only after Gazette publication. Since the notification was published on 11th February 2016, the MIP could not apply to imports under letters of credit opened before that date.

(Link: SC Judgement Dated 21/01/2026)

F. Securities and Exchange Board of India (SEBI)

Amendments to SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations: A notable change is the enhancement of the threshold for classification as an High Value Debt Listed Entities (HVDLEs) from outstanding non-convertible debt of Rs 1,000 crore to Rs 5,000 crore, thereby reducing compliance burden for mid-sized issuers. The amendments rationalise and streamline corporate governance norms, clarify applicability timelines, and exclude entities that fall below the revised threshold from continuing HVDLE- specific obligations. Investor service timelines are tightened by mandating credit of securities in demat form within 30 days, while dematerialisation requirements for transfers, transmission, and transposition are reinforced. The regulations also refine provisions on unclaimed amounts, board composition, director appointments, related party transactions, secretarial audit, and periodic governance reporting.

(Link: SEBI Notification Dated 20/01/2026)

Amendments to SEBI Issue & Listing of Non-Convertible Securities Regulations: A new definition of 'retail individual investor' has been inserted, limiting such status to individuals applying or bidding for debt securities up to Rs 2 lakh. Also, a proviso has been added to Regulation 31 allowing issuers to offer incentives, such as additional interest or a discount on issue price, to specified categories including senior citizens, women, serving and retired defence personnel, widows and widowers of defence personnel, retail individual investors, and other categories as notified. Crucially, the regulation clarifies that these incentives are restricted to the initial allottee and will not apply if the securities are subsequently transferred or transmitted.

(Link: SEBI Notification Dated 20/01/2026)

SEBI Mutual Funds Regulations 2026: The SEBI (Mutual Funds) Regulations 2026 replaces the existing framework with a comprehensive, principle-based regime. These overhaul registration, eligibility, governance, and net worth norms for sponsors, trustees, asset management companies, and custodians, while strengthening trustee oversight, conflict-of-interest controls, disclosures, valuation standards, and investor grievance mechanisms. A new regime for Specialized Investment Funds is introduced with higher risk disclosures and minimum investment thresholds, alongside a differentiated "Mutual Fund Lite" framework tailored for passive products with proportionate compliance. Detailed provisions govern scheme launch, advertisements, listing, winding up, investments, borrowing limits, NAV computation, payouts, stress testing, and market abuse deterrence.

(Link: SEBI Notification Dated 14/01/2026)

Amendments to SEBI Credit Rating Agencies Regulations: The amendment broadens and clarifies the scope of activities that credit rating agencies (CRAs) may undertake by expressly allowing them to carry out other activities specified by the Board and to rate financial instruments that fall under the purview of other financial sector regulators or authorities, as specified by SEBI. The revised explanation makes it clear that such ratings must strictly comply with the relevant rating guidelines issued by the concerned regulator or authority and will remain under that regulator supervisory jurisdiction.

(Link: SEBI Notification Dated 13/01/2026)

SEBI Stock Brokers Regulations 2026: The regulations consolidate rules on registration, eligibility, net worth, deposits, fees, and operational permissions across market segments, while clarifying when separate registrations are not required. It impose comprehensive general and enhanced obligations, including client fund and securities protection, robust risk management, cybersecurity resilience, grievance redressal, record-keeping for eight years, and strict codes of conduct. It introduces institutional mechanisms to prevent, detect, and report fraud or market abuse, including surveillance systems, mule-account detection, whistle-blower protections, and periodic reporting. It enables regulatory sandbox relaxations to foster innovation and also specifies underwriting permissions.

(Link: SEBI Notification Dated 07/01/2026)

Master Circular for compliance with the SEBI Listing Obligations and Disclosure Requirements Regulations: The updated Master Circular related to compliance with SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations by listed companies. It supersedes the earlier versions, to reflect provisions currently in force.

(Link: SEBI Master Circular Dated 30/01/2026)

Master Circular for Framework on Social Stock Exchange (SSE): The Master Circular consolidate the entire regulatory framework governing the Social Stock Exchange (SSE) with the objective of providing stakeholders a single, comprehensive reference point. SEBI has expressly protected past actions, applications, rights, obligations, liabilities, penalties, and proceedings undertaken under the rescinded circulars, deeming them valid and enforceable under the corresponding provisions of the Master Circular.

(Link: SEBI Master Circular Dated 19/01/2026)

Doing away with requirement of issuance of Letter of Confirmation (LOC) and to effect direct credit of securities in dematerialisation account: SEBI has eliminated the requirement of issuing a Letter of Confirmation (LOC) and enabled direct credit of securities into investors' demat accounts, for issue of duplicate certificates, transmission, transposition, unclaimed suspense accounts and corporate actions. Under the new framework, investors must already hold a demat account and submit a duly attested, recent Client Master List along with prescribed forms. Registrars, issuer companies and depositories are required to complete verification and credit securities directly into the demat account within 30 days.

(Link: SEBI Circular Dated 30/01/2026)

Special Window for Transfer and Dematerialisation of Physical Securities: SEBI has opened a special, time-bound window to facilitate transfer and dematerialisation of physical securities that were sold or purchased prior to 1st April 2019. The window will remain open for one year till 4th February 2027, and also covers cases where earlier transfer requests were rejected, returned, or not attended due to deficiencies. Eligible transfers must be supported by original certificates and executed transfer deeds, and the securities will be credited only in demat form with a mandatory one-year lock-in. The framework excludes disputed cases and securities already transferred to the IEPF.

(Link: SEBI Circular Dated 30/01/2026)

Introduction of Closing Auction Session (CAS) in the Equity Cash Segment and certain modifications in the Pre-Open Auction Session: SEBI mandates introduction of a Closing Auction Session (CAS) in the equity cash segment, from 3rd August 2026, initially applicable to securities with listed derivatives and preserving VWAP-based closing for others. CAS is prescribed as a 20-minute separate session (3:15-3:35 pm) with specified sub-periods, random order-entry close, allowable order types (limit and market), equilibrium-price matching rules, +/-3% price band from a VWAP/LTP-based reference price, carry-forward of CTS limit orders (subject to modification rules), order-level margining, dissemination requirements and existing cash-market risk controls. The Pre-Open Auction Session framework is aligned with CAS mechanics (timings, order priority, dissemination). Stock Exchanges and Clearing Corporations must jointly formulate SOPs within 30 days.

(Link: SEBI Circular Dated 16/01/2026)

Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework for FPIs and FVCIs: SEBI introduced the Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework, to simplify onboarding and ongoing compliance for low-risk, well-regulated foreign investors such as sovereign entities, regulated retail mutual funds, insurance companies, and pension funds from identified jurisdictions.

The key relaxations include a longer registration validity of 10 years (instead of three), KYC review periodicity extended to 10 years, and streamlined renewal requirements. SWAGAT-FI investors are also granted unified accounting and investment access across FPI, FVCI, and other foreign investment routes.

(Link: SEBI Circular Dated 16/01/2026)

Simplification of requirements for grant of accreditation to Investors in AIFs: The revised norms of accreditation framework, allow Alternative Investment Fund (AIF) managers, pending receipt of an accreditation certificate, to execute contribution agreements and initiate operational processes based on their assessment of investor eligibility, subject to safeguards. Investor commitments made during this interim period cannot be counted towards the scheme's corpus, and funds can be accepted only after accreditation is formally granted. SEBI has also eased net worth documentation requirements by removing the mandatory submission of a detailed net worth break-up annexed to the certificate. The circular further requires trustees, sponsors, or managers to ensure compliance with these provisions in the Compliance Test Report.

(Link: SEBI Circular Dated 09/01/2026)

Review of Framework to address the 'technical glitches' in Stock Brokers Electronic Trading Systems: The revised framework exclude smaller brokers, exempt glitches outside brokers' trading architecture or with negligible trading impact, and simplify reporting through extended timelines and a common reporting platform. Reporting time for glitches has been increased to two hours, and brokers must submit preliminary and root cause analysis reports within specified timelines. It rationalises technology requirements such as capacity planning, software testing, disaster recovery, and business continuity based on broker size and technology dependency. Financial disincentives have also been rationalised, excluding minor glitches or those affecting only one trading mode.

(Link: SEBI Circular Dated 09/01/2026)

Compliance reporting formats for Specialized Investment Funds (SIF): The circular standardize compliance reporting formats for Specialized Investment Funds (SIFs) to ensure uniformity and clarity. It mandates modifications to two key reports, i.e. the Compliance Test Report (CTR) and the Half-Yearly Trustee Report (HYTR).

The CTR format is amended to include an additional Part IV covering detailed compliance checks specific to SIF regulations, investment restrictions, disclosures, risk bands, and operational norms. The HYTR format is also expanded by inserting Clause 72A, requiring trustees to certify compliance with governance, risk management, fees, disclosures, and investor protection requirements for SIFs.

(Link: SEBI Circular Dated 08/01/2026)

Distributor Incentive Rollout deferred due to Operational Challenges: SEBI had prescribed a framework, through a circular dated 27th November 2025, to incentivize distributors for mobilizing investments from two specific categories, i.e. new individual investors from B-30 cities and new women individual investors from both T-30 and B-30 cities. The revised effective date has been extended to 1st March 2026.

(Link: SEBI Circular Dated 07/01/2026)

Specification of the consequential requirements with respect to SEBI Merchant Bankers Regulations: The amendment notified on 5th December 2025 include redefining the principal officer role, revising application and registration procedures, introducing minimum net worth and liquid net worth requirements for Category I and II merchant bankers, and mandating minimum revenue generation. It prohibits merchant bankers from managing their own issues or issues where key personnel hold significant shares. The consequential requirements for compliance has been specified.

(Link: SEBI Circular Dated 02/01/2026)

G. Ministry of Corporate Affairs (MCA)

Government revises Part-Time appointments to NFRA: The amendment substitute the existing list of part-time members with a new set of senior officials drawn from key financial and regulatory institutions. The revised composition includes a Joint Secretary from the Ministry of Corporate Affairs, the Deputy Comptroller and Auditor General of India, the Chief Financial Officer of the Reserve Bank of India, and an Executive Director of the Securities and Exchange Board of India.

(Link: MCA Notification Dated 13/01/2026)

Incorrect E-Form Filing attracts penalty even if Later Rectified: The adjudication arose from the filing of Form AOC-4 containing incorrect particulars, where the company mistakenly selected an incorrect status regarding whether it was an OPC or Small Company. Although the error was admitted as inadvertent and a request was made to mark the form as defective, the Adjudicating Officer held that such rectification does not nullify the completed contravention. Emphasising that MCA filings are public records relied upon by regulators and stakeholders, the order held that responsibility for correctness squarely rests on the authorised signatory. Consequently, penalties of ₹10,000 each were imposed on the company and the signatory officer, with directions to rectify the filing within the stipulated time.

(Link: MCA ROC Kolkata Order Dated 16/01/2026)

H. Insolvency and Bankruptcy Board of India (IBBI)

Amendments to IBBI Liquidation Process Regulations: The amendment provides for mandatory electronic filing of all liquidation Forms on the IBBI platform. The Forms must include all required enclosures and adhere strictly to updated timelines for each form.

(Link: IBBI Notification Dated 02/01/2026)

Launch of Revised Forms for the Liquidation Process: The revision follows amendments to the Liquidation Process Regulations vide notification dated 2nd January 2026 and aims to reduce compliance burden by eliminating duplication, rationalising data fields, and enabling auto-population of information already available on the IBBI portal. Four revised forms i.e. LIQ-1 to LIQ-4 now cover the entire liquidation lifecycle, from commencement and public announcement to dissolution or closure, each with clearly defined timelines.

(Link: IBBI Circular Dated 05/01/2026)

SC, NCLT cannot decide Trademark Title disputes dehors Insolvency Process: Case of Gloster Limited vs Gloster Cables Limited, SC Judgement Dated 22nd January 2026. The apex court held that while exercising jurisdiction under Section 60(5) of IBC, the Adjudicating Authority cannot declare title over a trademark where such declaration does not arise out of or relate to the insolvency resolution process and would amount to modifying an approved resolution plan. The Court held that on the facts of the present case, the issue of title to trademark 'Gloster' did not arise out of or relate to insolvency resolution process.

The dispute was essentially one of trademark ownership between two competing entities and could not be summarily adjudicated under Section 60(5).

(Link: SC Judgement Dated 22/01/2026)

SC, Homebuyers Society denied Locus Standi to intervene in IBC Section 7 Appeal: Case of Elegna Coop Housing Society vs Edelweiss ARC Limited, SC Judgement Dated 15th January 2026. The apex court held that a society or Resident Welfare Association, not being a creditor in its own right and not recognised as an authorised representative of allottees under the IBC, has no locus standi to intervene in proceedings arising out of a petition under section 7 of IBC.

(Link: SC Judgement Dated 15/01/2026)

SC, Execution cannot impose Personal Liability without Prior Adjudication: Case of Ansal Crown Heights Flat Buyers Association vs Ansal Crown Infrabuild Pvt Ltd, SC Judgement Dated 12th January 2026. The apex court held that once a moratorium is declared, execution proceedings must stop. It also clarified that directors or promoters cannot be made personally liable when no order was passed against them.

(Link: SC Judgement Dated 12/01/2026)

SC, Resolution Plan does not extinguish third-party rights unless Debt Paid: Case of UV Asset Reconstruction Company Ltd vs Electrosteel Castings Limited, SC Judgement Dated 6th January 2026. The apex court held that Clause 2.2 of the Deed of Undertaking did not constitute a guarantee under Section 126 of the Indian Contract Act, as it only obliged ECL to arrange funds for compliance with financial covenants, not to discharge ESL's debt. It also ruled that approval of ESL's resolution plan did not extinguish debt against third-party security providers like ECL, as the plan explicitly preserved creditors rights against them.

(Link: SC Judgement Dated 06/01/2026)

NCLAT, CST Act does not create statutory charge, unpaid CST dues are Unsecured Debt: Case of State Tax Officer vs Nitin Narang, NCLAT Delhi Judgement Dated 7th January 2026. The appellate tribunal held that provisions of section 9(2) of the Central Sales Tax (CST) Act does not create statutory charge on the assets of the Corporate Debtor. Thus, unpaid CST dues are unsecured debt.

(Link: NCLAT Delhi Judgement Dated 07/01/2026)

NCLAT, Shareholders have locus standi to file appeal under section 61 of IBC: Case of Balkishan Shrikisan Baldawa vs Agri-Tech (India) Limited, NCLAT Delhi Judgement Dated 15th December 2025. The appellate tribunal held that shareholders have locus standi to file appeal under section 61 of the Insolvency and Bankruptcy Code and hence the appeal is maintainable. Section 61 of IBC governs appeals against orders from the Adjudicating Authority (NCLT) to the NCLAT.

(Link: NCLAT Delhi Judgement Dated 15/12/2025)

NCLAT, Contribution to assets of corporate debtor upheld as business of Corporate Debtor carried to Defraud Creditors: Case of Swapan Kumar Saha vs Ashok Kumar Agarwal, NCLAT Delhi Judgement Dated 6th November 2025. The appellate tribunal upholds order of NCLT directing contribution to the assets of corporate debtor since it is clearly established that business of corporate debtor was carried on with intent to defraud creditors of corporate debtor.

(Link: NCLAT Delhi Judgement Dated 06/11/2025)

NCLAT, Advance to Corporate Debtor for sharing profit in real estate project does not qualify as Financial Debt: Case of Meck Pharmaceuticals and Chemicals Pvt Ltd vs Accurate Infrabuild Pvt Ltd, NCLAT Delhi Judgement Dated 29th October 2025. The appellate tribunal held that amount advance to Corporate Debtor with view to share profit in real estate project does not qualify as financial debt under section 5(8) of the Insolvency and Bankruptcy Code.

(Link: NCLAT Delhi Judgement Dated 29/10/2025)

NCLAT, CIRP by Financial Creditors admission upheld as multiple instalment defaults cross IBC Threshold: Case of Karan Bhatia vs Tata Capital Financial Ltd, NCLAT Delhi Judgement Dated 27th October 2025. The appellate tribunal held that when multiple instalment defaults occur, the threshold limit is met if the total default amount exceeds Rs 1 crore, even if a specific date of default mentioned in the petition was for a lower amount. It upheld admission of a Section 7 (CIRP by Financial Creditors) IBC application.

(Link: NCLAT Delhi Judgement Dated 27/10/2025)

NCLAT, Balance sheet entries are reliable evidence of existence of Financial Debt: Case of Subhash Chander Chauhan vs Kaliber Associates Pvt Ltd, NCLAT Delhi Judgement Dated 17th October 2025. The appellate tribunal held that balance sheet entries are reliable evidence of existence of financial debt. Accordingly, since debt and default against Corporate Debtor established, admission of application for CIRP by Financial Creditors under section 7 of IBC justified.

(Link: NCLAT Delhi Judgement Dated 17/10/2025)

NCLAT, No bar on asset transfer in CIRP even if there was unregistered 'Agreement to Sell': Case of Late Babu Lal vs Jasrati Education Solutions Limited, NCLAT Delhi Judgement Dated 15th October 2025.

The appellate tribunal held that an unregistered Agreement to Sell (A2S) does not prevent recognition of asset transfer in the context of Corporate Insolvency Resolution Process (CIRP).

(Link: NCLAT Delhi Judgement Dated 15/10/2025)

IBBI Suspended Registered Valuer Organisation (RVO) for granting Provisional Membership to Ineligible Valuer: The proceedings arose from alleged enrolment of an ineligible individual as a valuer member in the Securities or Financial Assets class on a so- called "provisional" basis, collection of fees, permission to undergo mandatory training, and forwarding of the application to IBBI despite non-fulfilment of statutory eligibility criteria. The Authority held that the rules do not permit provisional or conditional enrolment and that only individuals meeting prescribed qualifications can be admitted and recommended. The RVO's reliance on equivalence certificates, precedents, and FAQs was rejected as misplaced. IBBI suspended the RVO's recognition for two years.

(Link: IBBI Order Dated 22/01/2026)

IBBI Penalises IP R Thamodharan for allowing suspended directors to run operations without Approval: The IP delegated day to day management and overall operations of the corporate debtor to a director of suspended board without prior approval or subsequent ratification by Committee of Creditors. The DC found that such delegation violated statutory duties requiring the IRP/RP to assume control, preserve assets, and manage operations. The Committee also held that the IRP/RP failed to comply with GST laws by not obtaining a fresh GST registration for the corporate debtor during CIRP and by allowing the suspended management to file returns, contrary to statutory obligations and CBIC guidance. The DC suspended the registration for a period of one year.

(Link: IBBI Order Dated 13/01/2026)

IBBI, Registration of IP Girish Krishna Hingorani, cancelled for filing Personal Insolvency without Guarantee Deed: The Disciplinary Committee (DC) held that an application under Section 94 of the IBC was filed without conducting basic due diligence, as no personal guarantee deed existed or was annexed, despite this being a mandatory requirement. The application was filed just days before scheduled possession of secured assets under SARFAESI proceedings, resulting in an interim moratorium that stalled recovery. The DC cancelled his registration.

(Link: IBBI Order Dated 08/01/2026)

I. Reserve Bank of India (RBI)

FEMA Export and Import of Goods and Services Regulations 2026: RBI has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations 2026, replacing the 2015 export regulations and consolidating the framework for both exports and imports of goods and services. The regulations, to come into force on 1st October 2026. These prescribe detailed rules on declarations, receipt and payment mechanisms, timelines for realisation and repatriation of export proceeds, and payment for imports. They introduce uniform Export Declaration Form (EDF) requirements for goods and services, empower Authorised Dealers to monitor, extend timelines, allow reductions, set-offs, and third-party payments, and mandate strict reporting through EDPMS, IDPMS and FETERS. They also lay down conditions for advance payments, unrealised exports, merchanting trade transactions, project exports, INR trade settlement, and internal policies of Authorised Dealers.

(Link: RBI FEMA Notification Dated 13/01/2026)

Foreign Exchange Management (Guarantees) Regulations 2026: These regulations supersede the 2000 regulations to regulate guarantees involving residents and non-residents. These prohibit persons resident in India from being parties to guarantees involving non-residents except as permitted, while specifying exemptions for guarantees by overseas or IFSC branches of authorised dealer banks, certain irrevocable payment commitments, and guarantees issued under overseas investment regulations. Residents may act as surety or principal debtor subject to conditions that the underlying transaction is permitted and borrowing and lending eligibility norms are met, with defined exceptions.

Residents may also obtain guarantees as creditors, subject to safeguards where both debtor and surety are non-residents. It requires quarterly reporting obligations through a prescribed form and assigns reporting responsibility based on party roles.

(Link: RBI FEMA Notification Dated 06/01/2026)

RBI issues Integrated Ombudsman Scheme 2026: RBI issued the revised Integrated Ombudsman Scheme that will come into effect from 1st July 2026. It is expected to strengthen the Reserve Bank Ombudsman framework and bring about further efficiency in resolution of complaints. Complaints of customers of Regulated Entities (REs) relating to deficiency in service, received through e-mail and physical form, including postal and hand-delivered complaints, will be addressed and sent to the Centralised Receipt and Processing Centre of the Reserve Bank. While considering the complaints, RBI Ombudsman/RBI Deputy Ombudsman will take into account, the principles of banking law and practice, as also the directions, instructions, guidelines or regulations issued by the REs and such other factors as may be relevant.

(Link: RBI Press Release Dated 16/01/2026, Scheme)

RBI Internal Ombudsman Directions 2026: RBI has issued the Master Directions specific to each category of regulated entity. The directions significantly strengthen internal grievance redressal and ensure fairness before customer complaints are rejected. It mandate appointment of an independent Internal Ombudsman (IO) with fixed tenure, and safeguards against conflicts of interest. All partially resolved or wholly rejected complaints must be automatically escalated to the IO within prescribed timelines through a fully automated complaints system, culminating in a reasoned decision within 30 days. The IO may recommend compensation, conduct root-cause analysis, and suggest policy changes, while not directly handling complaints from customers. Any override of the IO's decision requires approval and reporting.

(Link: Press Release RBI Master Directions Dated 14/01/2026)

(Link: Commercial Banks RBI Master Directions 381/2026 Dated 14/01/2026)

(Link: Small Finance Banks RBI Master Directions 382/2026 Dated 14/01/2026)

(Link: Payments Banks RBI Master Directions 383/2026 Dated 14/01/2026)

(Link: NBFC RBI Master Directions 384/2026 Dated 14/01/2026)

(Link: Non-Bank PPI Issuers RBI Master Directions 385/2026 Dated 14/01/2026)

(Link: Credit Information Companies RBI Master Directions 386/2026 Dated 14/01/2026)

Amendments to RBI Cash Reserve Ratio and Statutory Liquidity Ratio Directions: The amendments align the existing framework with recent legislative and regulatory changes. These broaden coverage by explicitly including "other development financial institutions" within the relevant provisions, rationalise reporting by deleting specific phrasing under 'Cash in hand', and update statutory forms to reflect the expanded list of development financial institutions. The amendments revise Annexures to replace terminology, remove temporal qualifiers, and introduce a new reporting item for amounts placed with the RBI under the Standing Deposit Facility Scheme.

(Link: Commercial Banks - RBI Circular 197/2026 Dated 22/01/2026)

(Link: Small Finance Banks - RBI Circular 198/2026 Dated 22/01/2026)

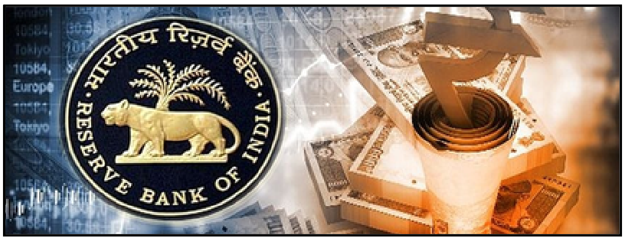
(Link: Payments Banks - RBI Circular 199/2026 Dated 22/01/2026)

(Link: Regional Rural Banks - RBI Circular 200/2026 Dated 22/01/2026)

(Link: Local Area Banks - RBI Circular 201/2026 Dated 22/01/2026)

(Link: Urban Coop Banks - RBI Circular 202/2026 Dated 22/01/2026)

(Link: Rural Coop Banks - RBI Circular 203/2026 Dated 22/01/2026)



Amendments to RBI Priority Sector Lending – Targets and Classification Directions: The amendments update the methodology for computing Adjusted Net Bank Credit and off-balance sheet exposures, revise PSL targets, particularly reducing the overall target for Small Finance Banks, and clarify treatment of export credit, microfinance, housing, healthcare, securitisation, co-lending, on- lending, IBPCs and PSLCs. The new provisions permit reliance on external auditors' certifications for determining PSL eligibility of underlying assets, while imposing caps and reporting safeguards to prevent double counting of benefits. These also introduce eligibility for bank lending to the National Co-operative Development Corporation for on-lending, prescribe revised reporting timelines, rationalise service charge norms, and update population-based classifications and district lists.

(Link: RBI Circular 196/2026 Dated 19/01/2026)

Interest Subvention for Pre and Post Shipment Export Credit under EPM: The circular provide operational guidance for implementing the Government of India's Interest Subvention Scheme for pre and postshipment export credit under the Export Promotion Mission (EPM) Niryat Prothsahan, introduced on a pilot basis. Lending institutions are directed to extend the interest subvention strictly in line with the operational instructions issued by DGFT. They are required to ensure that the benefit is provided only for eligible export credit and that all claims are submitted as per the prescribed procedures.

(Link: RBI Circular 195/2026 Dated 19/01/2026)

Export and Import of Goods and Services: RBI has issued the Foreign Exchange Management (Export and Import of Goods and Services) Regulations 2026, after a comprehensive review of the existing FEMA framework, To be, effective from 1st October 2026. Authorised dealers are directed to ensure strict compliance with FEMA, related rules and regulations, and the prevailing Foreign Trade Policy while handling export, import, and merchanting trade transactions. All references to the RBI must be routed through the PRAVAAH portal, and any doubtful transactions are to be reported to the Directorate of Enforcement.

(Link: RBI Circular 194/2026 Dated 16/01/2026)

Modified Interest Subvention Scheme for Short Term Loans for Agriculture through Kisan Credit Card (KCC): The circular informs about continuation of the Modified Interest Subvention Scheme (MISS) for short-term agriculture and allied activity loans availed through the Kisan Credit Card (KCC) for the financial year 2025–26. Under the scheme, farmers are eligible for short-term crop loans and allied activity loans up to an overall limit of Rs 3 lakh at a concessional interest rate of 7% per annum, supported by an interest subvention of 1.5% to lending institutions. Farmers who repay promptly will receive an additional 3% incentive, effectively reducing their interest burden to 4% per annum. It clarifies sub-limits for allied activities, priority to crop loans, benefits for warehouse receipt financing, and relief measures for loans restructured due to natural calamities.

(Link: RBI Circular 193/2026 Dated 13/01/2026)

Foreign Exchange Management (Guarantees) Regulations 2026: The circular mandates that banks facilitate guarantees involving non-residents strictly in accordance with the new regulations and ensure compliance with related regulatory instructions. It introduces comprehensive reporting of all guarantees i.e. issued, modified, or invoked, through a prescribed GRN format, with detailed reporting procedures to be notified separately.

(Link: RBI Circular 192/2026 Dated 12/01/2026)

Amendments to Prudential Norms on Capital Adequacy Directions: The amendments revises risk weights for ratings assigned by S&P, Fitch, and Moody's, and introduces a distinct risk-weight mapping for ratings issued by CareEdge Global IFSC Limited for exposures originating from the International Financial Services Centre (IFSC). For claims rated by S&P, Fitch, or Moody's, risk weights range from 20% for the highest ratings to 150% for low-rated exposures, while unrated claims generally attract 100%. The directions impose stricter treatment for unrated exposures, i.e. claims with aggregate banking system exposure exceeding Rs 200 crore, or exposures that were earlier rated but later became unrated with exposure over Rs 100 crore, will attract a higher 150% risk weight. The unrated corporate claims cannot receive a risk weight lower than that of the sovereign of incorporation.

(Link: For Commercial Banks RBI Circular 189/2026 Dated 09/01/2026)

(Link: For Small Finance Banks RBI Circular 190/2026 Dated 09/01/2026)

(Link: For All India Financial Institutions RBI Circular 191/2026 Dated 09/01/2026)

Amendments to RBI Financial Statements: Presentation and Disclosures Directions: The amendments strengthen transparency around related party exposures in banks' financial statements. Banks must now present a structured, tabular disclosure of exposures to related parties, covering loans and other arrangements, in the Notes to Accounts. The disclosures include aggregate loans sanctioned and outstanding, their proportion to total credit exposure, classification into Special Mention Accounts and Non-Performing Assets, and provisions made. The banks must disclose the value of contracts and arrangements awarded to, and outstanding with, related parties.

(Link: For Commercial Banks RBI Circular 181/2026 Dated 05/01/2026)

(Link: For Small Finance Banks RBI Circular 182/2026 Dated 05/01/2026)

(Link: For Local Area Banks RBI Circular 183/2026 Dated 05/01/2026)

(Link: For Regional Rural Banks RBI Circular 184/2026 Dated 05/01/2026)

(Link: For Urban Cooperative Banks RBI Circular 185/2026 Dated 05/01/2026)

(Link: For Rural Cooperative Banks RBI Circular 186/2026 Dated 05/01/2026)

(Link: For Non-Banking Financial Companies RBI Circular 187/2026 Dated 05/01/2026)

(Link: For All India Financial Institutions RBI Circular 188/2026 Dated 05/01/2026)

Amendments to RBI Credit Risk Management Directions: The amendments significantly expand and standardise definitions of related persons, related parties, control, promoters, KMPs, specified employees, reciprocally related persons aligning them with the Companies Act and IBC. Banks must adopt comprehensive Board approved credit risk policies with explicit safeguards for related-party lending, including aggregate and sub-limits, materiality thresholds linked to asset size, and mandatory Board or committee approval for material exposures. The directions impose strict prohibitions and conditions on lending to promoters, significant shareholders, directors, and connected entities, require recusal of interested persons, and mandate robust monitoring, whistleblowing, audit reviews, and reporting.

(Link: For Commercial Banks RBI Circular 173/2026 Dated 05/01/2026)

(Link: For Small Finance Banks RBI Circular 174/2026 Dated 05/01/2026)

(Link: For Local Area Banks RBI Circular 175/2026 Dated 05/01/2026)

(Link: For Regional Rural Banks RBI Circular 176/2026 Dated 05/01/2026)

(Link: For Urban Cooperative Banks RBI Circular 177/2026 Dated 05/01/2026)

(Link: For Rural Cooperative Banks RBI Circular 178/2026 Dated 05/01/2026)

(Link: For Non-Banking Financial Companies RBI Circular 179/2026 Dated 05/01/2026)

(Link: For All India Financial Institutions RBI Circular 180/2026 Dated 05/01/2026)

Returns of Department of Payment and Settlement Systems- Submission in CIMS: Following the launch of the next generation datawarehouse of RBI i.e. Centralised Information Management System (CIMS), it has now been decided to commence the reporting of PPI Statistics R100 Monthly, and PPI Customer Grievances R360 Monthly return in CIMS for the reporting period December 2025 onwards.

(Link: RBI Circular 172/2025 Dated 01/01/2026)

Returns of Department of Payment and Settlement Systems- Submission in CIMS: Following the launch of the next generation datawarehouse of RBI i.e. Centralised Information Management System (CIMS), it has now been decided to commence the reporting of WLA Statistics R330 Monthly return in CIMS for the reporting period December 2025 onwards.

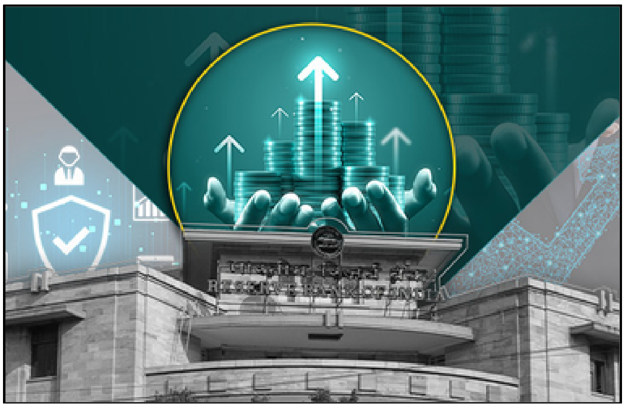
(Link: RBI Circular 171/2025 Dated 01/01/2026)

Returns of Department of Payment and Settlement Systems- Submission in CIMS: Following the launch of the next generation datawarehouse of RBI i.e. Centralised Information Management System (CIMS), it has now been decided to commence the reporting of MTSS Business R103 Monthly return in CIMS for the reporting period December 2025 onwards.

(Link: RBI Circular 170/2025 Dated 01/01/2026)

Amendment to RBI NBFC- Concentration Risk Management Directions: The amendment inserts a provision to paragraph 4(4), which provides for the definition of "Infrastructure Lending", and specify the criteria for classifying as lending to 'high-quality infrastructure projects'. The criteria specified e.g. the infrastructure project has completed at least 1 year of operations post achievement of the date of completion of commercial operations, without breach of any material covenants stipulated by the lenders; the exposure is classified as 'standard' in the books of the lender; the borrower has sufficient internal or external financial arrangements to cover current and future working capital and other funding requirements of the project.

(Link: RBI Circular 169/2025 Dated 01/01/2026)



Amendment to RBI NBFC- Prudential Norms for Capital Adequacy Directions: Under the revised norms, loans to high-quality infrastructure projects shall attract a risk weight of 75% where at least 2% of the sanctioned project debt has been repaid and 50% where at least 5% of the sanctioned project debt has been repaid, subject to the project continuing to meet the prescribed conditions. The repayment threshold shall be computed based on the total sanctioned project debt, including any additional debt sanctioned subsequently.

(Link: RBI Circular 168/2025 Dated 01/01/2026)

Amendment to RBI Commercial Banks- Financial Statements Presentation and Disclosures Directions: The amendment modifies disclosures under Schedule 1 (Capital) to require banks to separately disclose, by way of a note, the amount of deposit held, that is earmarked as Credit Risk Mitigation (CRM) for offsetting non-centrally cleared derivative exposures to the Head Office (including overseas branches). Such amount shall not be reckoned for regulatory capital or other statutory requirements.

(Link: RBI Circular 167/2025 Dated 01/01/2026)

RBI FAQs on Cheque Clearing: The FAQs explain the cheque clearing framework in India under the Cheque Truncation System (CTS), highlighting faster, image-based clearing and elimination of physical cheque movement. CTS allows only CTS-2010 compliant cheques, with non-CTS cheques no longer accepted for clearing though remaining valid negotiable instruments. The introduction of Continuous Clearing enables simultaneous presentation and confirmation, speeding up settlement through defined Item Expiry Time. The Positive Pay System enhances safety by matching cheque details submitted by issuers for high value cheques. Banks must preserve physical cheques for 10 years, provide acknowledgements, and follow care in scanning and stamping. Cheques up to Rs 1 lakh are collected free for savings accounts. Grievances relating to delays or non-payment can be escalated under the RBI Integrated Ombudsman Scheme.

(Link: RBI FAQs on Cheque Clearing Dated 07/01/2026)

Withdrawal of Rs 2000 Denomination Banknotes Status: The Reserve Bank of India (RBI) had announced the withdrawal of Rs 2000 denomination banknotes from circulation vide Press Release dated 19th May 2023.

These notes can be exchanged/ deposited/ send through India Post from any post office in the country, to any of the 19 RBI Issue Offices for credit to their bank accounts in India. The ₹2000 banknotes continue to be legal tender. The total value of Rs 2000 banknotes in circulation, which amounted to Rs 3.56 lakh crore, has declined to Rs 5669 crore as at the close of business on 31st December 2025. Thus, 98.41% of the banknotes has since been returned.

(Link: RBI Press Release Dated 01/01/2026)

J. Miscellaneous

SC, Overtime Wages must include allowances under Factories Act: Case of Union of India vs Heavy Vehicles Factory Employees Union, SC Judgement Dated 20th January 2026. The apex court held that compensatory allowances such as House Rent Allowance (HRA), Transport Allowance, Clothing and Washing Allowance and Small Family Allowance must be included while computing overtime wages, as they fall within the expression "ordinary rate of wages" under Section 59(2) of Factories Act. The Court was of the opinion that different Ministries cannot assign varying meanings to a statutory provision when its intent is clear from the plain reading of Section 59(2) of the Act.

(Link: SC Judgement Dated 20/01/2026)

SC, Stamp Duty demand quashed where tenancy Never Surrendered: Case of Vayetti Sirinivasrao vs Gaineedi Jagjyothi, SC Judgement Dated 15th January 2026. The apex court held that an agreement to sell executed with an existing tenant, who was already in possession long prior to the agreement, does not attract stamp duty as a "sale" or deemed conveyance under Andhra Pradesh Stamp Act.

(Link: SC Judgement Dated 15/01/2026)

SC, Criminal FIR continues despite civil dispute claim, grants bail after Charge Sheet: Case of Smt. Shalini Bhateja vs State of UP, SC Judgement Dated 6th January 2026. The petitioners sought to quash the FIR regarding allegations of cheating, where a refund was supposedly miscredited to a similar account, resulting in multiple FIRs. The apex court rejected the quashing plea, directing the petitioners to appear before the jurisdictional court. The court granted liberty to the petitioners to apply for regular or anticipatory bail, directing that such applications be considered as per existing precedents.

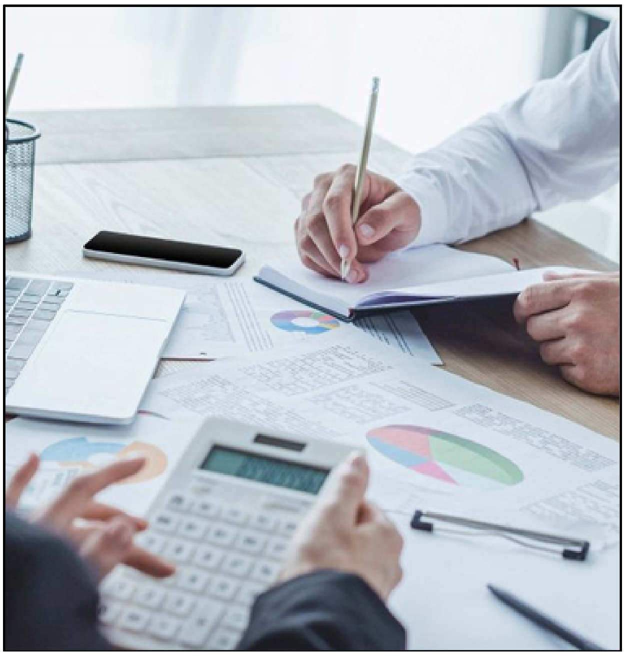
(Link: SC Judgement Dated 06/01/2026)

SC, Multiple cheques for one transaction gives rise to separate prosecution under section 138 of NI Act: Case of Sumit Bansal vs MGL Developers and Promotors, SC Judgement Dated 8th January 2026. The apex court held that under Section 138 of the Negotiable Instrument (NI) Act, a separate cause of action arises upon each dishonour of a Cheque. Thus, multiple cheques for one transaction will give arise to separate prosecution.

(Link: SC Judgement Dated 06/01/2026)

SC, Retired Employees protected from Unauthorized Recovery Orders: Case of Kadirkhan Ahmedkhan Pathan vs Maharashtra State Warehousing Corporation, SC Judgement Dated 6th January 2026. The apex court held that a public sector enterprise cannot initiate or continue disciplinary proceedings against a retired employee unless its governing rules expressly enable such action. Even if the Maharashtra Civil Services (Pension) Rules were applicable, mandating prior government sanction for each specific post-retirement proceeding, the argument that a general 1990 approval of its regulations counted as 'general sanction' was rejected. The court quashed all departmental proceedings against the appellant.

(Link: SC Judgement Dated 06/01/2026)



SC, Highest Bid cannot be cancelled just to seek Higher Price: Case of Golden Food Products India vs State of Uttar Pradesh, SC Judgement Dated 6th January 2026. The apex court ruled that act of the state development authority is arbitrarily and violates Article 14 by cancelling the highest bid in a public auction solely because it subjectively expected a higher price, especially when based on an irrational comparison with prices of dissimilar assets.

Upholding the sanctity of auctions, the court held that in absence of fraud or illegality, a valid highest bid above the reserve price creates a legitimate expectation for acceptance.

(Link: SC Judgement Dated 06/01/2026)

HC, Cheque Tampering not a defence, material alteration still attracts section 138 of NI Act: Case of Abdul Hamid Wanni vs Abdul Hamid Lone, HC J&K Judgement Dated 21st November 2025. HC has refused to quash criminal proceedings in a cheque bounce case, holding that allegations of cheque alteration must be tested during trial.

(Link: HC J&K Judgement Dated 21/11/2025)

CCPA, Forced Service Charge by restaurant & GST thereon is Unfair Trade Practice: Case of China Gate Restaurant Private Limited, CCPA Order Dated 29th December 2025. Central Consumer Protection Authority (CCPA) has imposed a Rs 50,000 fine for levying mandatory service charges in violation of consumer protection norms and court directions. The restaurant added a 10% service charge to customer bills and charged GST on the service charge, despite clear guidelines that such charges must be voluntary and cannot be included automatically. The action followed a complaint filed through the National Consumer Helpline, who alleged that the restaurant refused to remove the service charge and misbehaved when the consumer objected to it.

(Link: CCPA Order Dated 24/12/2025)

FAQs on Labour Codes: Ministry of Labour and Employment have issued the FAQs on Labour Codes for better understanding and clarity on the provisions.

(Link: FAQs on Labour Codes Dated 30/12/2025)

(Link: FAQs on Code on Wages Dated 30/12/2025)

(Link: FAQs on Code on Industrial Relations Dated 30/12/2025)

(Link: FAQs on Code on OSH Dated 30/12/2025)

(Link: FAQs on Code on Social Security Dated 09/01/2026)

Small Savings Schemes Interest Rates for January to March 2026: Ministry of Finance has announced that the interest rates on all Small Savings Schemes for the fourth quarter of FY 2025–26 (1 January 2026 to 31 March 2026) will remain unchanged from those applicable in the third quarter. Accordingly, rates such as 4.0% on Savings Deposits, 6.9% to 7.5% on Time Deposits, 6.7% on 5-Year Recurring Deposits, 8.2% under the Senior Citizen Savings Scheme, 7.4% under the Monthly Income Account Scheme, 7.7% for National Savings Certificates, 7.1% for Public Provident Fund, 8.2% for Sukanya Samriddhi Account Scheme and 7.5% for Kisan Vikas Patra (maturing in 115 months) continue without change.

(Link: FinMin Instructions Dated 31/12/2025)

Disclaimer

The contents of this article are for informational purposes only. The user may refer to the relevant notification/ circular/ decisions issued by the respective authorities for specific interpretation and compliances related to a particular subject matter)

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Credit Card Access and Youth Financial Behavior: Policy Challenges and Pathways for Responsible Credit Integration

Abstract

The expansion of consumer credit has transformed personal finance, particularly among young populations entering economic independence. Credit cards, as widely accessible financial instruments, present both opportunities for inclusion and risks of long-term financial instability among youth. This article analyzes the behavioral, economic, and social consequences of early credit card exposure and argues that policy failure rather than individual irresponsibility is a central cause of adverse outcomes. Drawing on behavioral economics and financial inclusion frameworks, the article proposes that targeted regulation, financial literacy integration, and institutional accountability are essential to ensure that credit cards contribute to youth empowerment rather than economic vulnerability.

Introduction

Youth participation in formal financial systems has increased substantially over the past two decades, driven by digitization, cashless payment ecosystems, and financial inclusion initiatives. Credit cards, once restricted to high-income earners, are now actively marketed to students and early-career professionals. While this democratization of credit aligns with inclusion objectives, it raises critical policy concerns regarding consumer protection, financial capability, and intergenerational debt formation.

This article examines the extent to which current credit card issuance practices insufficiently account for the developmental and informational asymmetries faced by young consumers. It contends that without regulatory safeguards and structured financial education, early credit exposure may produce adverse long-term economic and social outcomes.

Behavioral Economics and Youth Credit Consumption

Behavioral research demonstrates that individuals do not always act as rational financial agents. Credit cards reduce the "salience of payment," weakening the natural psychological barrier to spending. For youthwhose financial decision-making skills are still evolving this effect is significantly amplified.

Empirical studies associate credit card usage among young adults with higher levels of impulsive spending, lower savings rates, and delayed wealth accumulation. The deferred nature of repayment obscures the true cost of consumption, encouraging expenditure decisions that do not align with income capacity or long-term planning. These consumption patterns often become entrenched, shaping financial behavior well into adulthood.

Financial Literacy Gaps and Structural Vulnerabilities

A critical driver of credit vulnerability among youth is inadequate financial literacy. Despite increased access to financial products, education systems in many economies have not embedded practical financial instruction into formal curricula. As a result, many young credit card holders lack understanding of interest compounding, minimum payment dynamics, penalty structures, and credit scoring mechanisms.

From a policy perspective, this information asymmetry disproportionately benefits financial institutions while exposing young consumers to systemic risk. Early credit mismanagement has cumulative effects, including persistent debt cycles, reduced access to affordable credit, and diminished economic mobility. These outcomes indicate a broader structural failure rather than isolated individual error.

Consumer Culture, Digital Influence, and Policy Blind Spots

The rise of digital media and social consumption norms intensifies the financial risks faced by youth. Credit cards facilitate participation in consumption-driven identities promoted through social networks, where lifestyle representation often outweighs financial reality.

Current regulatory frameworks largely overlook these socio-cultural dimensions.

Consumer protection policies tend to focus on disclosure rather than behavioral impact, assuming rational interpretation of terms by users. This assumption is particularly problematic in youth markets, where peer influence and psychological drivers play a dominant role.

Rethinking Credit Cards as Developmental Financial Tools

Despite these concerns, credit cards remain essential instruments within modern financial systems. When integrated appropriately, they can support credit history development, promote cashless efficiency, and provide short-term liquidity. The policy challenge, therefore, is optimization rather than exclusion.

A reframing of credit cards as developmental financial tools is necessary. This approach emphasizes phased access, guided usage, and outcome-oriented credit design that aligns with the maturity and income stability of youth users.

Policy Recommendations

A reframing of credit cards as developmental financial tools is necessary. This approach emphasizes phased access, guided usage, and outcome-oriented credit design that aligns with the maturity and income stability of youth users.

To address the systemic risks associated with youth credit card usage, the following policy measures are proposed:

1). Mandatory Financial Capability Education

Governments and educational institutions should integrate compulsory financial literacy modules at the secondary and tertiary levels, with emphasis on real-world credit management rather than theoretical finance.

2). Age- and Income-Sensitive Credit Regulation

Regulators should mandate conservative credit limits for first-time young users, with gradual increases linked to demonstrated repayment behavior and income stability.

3). Enhanced Disclosure and Behavioral Design

Financial institutions should adopt simplified, behaviorally informed disclosures, including real-time spending alerts, interest accumulation visualizers, and minimum-payment risk warnings.

4). Institutional Accountability

Banks and card issuers must share responsibility for youth financial outcomes. Incentive structures should reward responsible repayment rather than consumption volume.

Motivational and Normative Implications

From a policy standpoint, youth financial discipline should be viewed as a public good. Financially secure young populations contribute to higher productivity, stable household formation, and reduced systemic debt risk. Building responsible credit behavior is therefore an investment in long-term economic resilience.

Empowering youth with control over credit decisions fosters autonomy rather than dependence. Policymakers must recognize that discipline is not innateit is cultivated through education, structure, and informed opportunity.

Conclusion

Credit card usage among youth represents a critical intersection of financial inclusion, behavioral economics, and public policy. While early access to credit can promote economic participation, unregulated and unguided exposure risks long-term financial harm. The responsibility for addressing these challenges lies not solely with young consumers, but with the institutions and policies that shape their financial environment.

A policy framework that prioritizes education, protection, and gradual empowerment can transform credit cards from sources of vulnerability into instruments of economic maturity. Ultimately, a generation trained to use credit wisely strengthens not only its own future, but the stability of the financial system as a whole.

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From Survival to Stability: Effective Cashflow Management for MSMEs before the New Financial Year 2026

Introduction

Cash is both the oxygen and the nervous system of every micro, small and medium enterprise (MSME). It feeds day-to-day operations, signals growth opportunities, keeps suppliers and employees paid, and — critically — determines whether a business survives a hiccup or collapses. For many MSMEs the new financial year is a make-or-break moment: receivables from the previous year arrive late, expenses and taxes become due, and fresh investments or orders require working capital. In this article we unpack why cashflow is the top risk for MSMEs, the latest data and policy trends affecting liquidity, practical tools and forecasts for 2026–27, and an implementable roadmap any MSME can adopt in the next 90 days.

Why cashflow — not revenue — is the number one killer

It's a widely cited finding that most small-business failures trace back to poor cashflow management. Numerous industry analyses show cash problems are the leading proximate cause of closure: businesses can be profitable on paper but still fail because they run out of cash to meet short-term obligations. One oft-repeated statistic states that up to ~80%+ of small business failures are linked to cashflow problems — a powerful reminder that profit and cash are different things.

For Indian MSMEs, this tension is amplified by seasonality, extended credit cycles from buyers, irregular invoicing, GST refund delays in some sectors, and a historically fragmented lending ecosystem where formal working-capital products were less accessible to the smallest firms.

The macro picture: MSMEs are growing — but liquidity is uneven

The Indian MSME sector is no longer a sleepy corner of the economy. Recent government and SIDBI figures show the sector's contribution to exports has risen — in FY2023–24 MSMEs contributed roughly **45–46% of India's exports**, and this share continued into FY2024–25, signaling expanding market reach. At the same time, formal credit to MSMEs has been growing — gross bank credit under priority sector to MSMEs rose significantly in recent years — but access and timing gaps remain.

Key numbers to keep in mind:

- **MSMEs' export share:** ~45.7% in FY2023–24, with a similar trajectory into FY2024–25. This shows growing order volumes for many SMEs — good for revenue, but it increases working-capital requirements to fulfill orders and finance exports.
- **Bank credit growth:** Priority-sector bank credit to MSMEs grew robustly (double-digit year-on-year growth reported in several agency summaries), showing that formal lending is expanding — but speed and suited product design remain constraints for many small units.

Implication: demand for working capital is rising as MSMEs scale and export more, which elevates the importance of effective cashflow systems and quicker access to short-term liquidity.

Latest policy & market moves that affect MSME liquidity (what's new and what's coming)

Policymakers and regulators are aware that liquidity is central to MSME health. Recent steps and signals include:

1. Priority lending and simplified loan structures — RBI and banking directives continue to encourage composite working-capital and term-loan limits for MSMEs to reduce friction in borrowing. Banks are guided to provide uncomplicated loan structures and collateral-free lending up to certain limits. This lowers the paperwork barrier for many micro and small enterprises.

2. Credit guarantee and revival frameworks — Central government schemes and Credit Guarantee Trusts continue to support collateral-free credit for micro and small borrowers, making lending less risky for banks and NBFCs.

3. Fintech acceleration — Fintech platforms are scaling embedded finance, invoice discounting, instant working-capital APIs, and supply-chain finance for MSMEs. Banks and NBFCs are partnering with fintech to underwrite credit using alternative data (GST flows, digital payments, platform sales). This is faster and often cheaper than older routes.

4. Export finance focus — With MSME exports rising almost to half of India's export pie, export credit schemes and export-linked working capital have moved up policy priority lists. Expect more targeted export-finance products and promotional campaigns aimed at converting orders into shipped goods with adequate liquidity.

These policy and market moves are important because they change how quickly an MSME can convert invoices into cash and the cost at which it can borrow for short periods.

Forecasts & what to expect in 2026–27 for MSME liquidity

While precise macro forecasts depend on global trade cycles and domestic monetary policy, three trends will shape MSME cashflows in the coming 12–24 months:

1. Greater formal credit availability but selective — Bank and NBFC appetite for MSME lending is likely to continue growing, especially for formalized firms with digital footprints, GST history, and documented sales channels. However, the smallest and most informal firms will still face higher cost and friction.

2. Fintech makes working capital faster and more automated — Embedded finance, invoice discounting, and AI-driven credit scoring will compress time-to-funds from weeks to hours for digitally ready MSMEs. This trend reduces liquidity stress for businesses able to adapt.

3. Export push = higher short-term funding needs — As MSMEs capture larger export shares, their working capital cycles lengthen (manufacture → ship → receive payment). Expect a growing market for export-receivable financing and pre-shipment finance products. Policy nudges will try to support this, but businesses must proactively plan.

Bottom line forecast: **Liquidity will be more available but not equally accessible.** Firms that invest in digital record-keeping, quick invoicing, and relationships with fintech/banks will see faster access and lower costs. Those that rely on manual bookkeeping and discretionary practices will feel persistent squeeze.

Practical, high-impact cashflow playbook (what to do next — 90-day sprint)

Here's a hands-on, prioritized playbook that any MSME can implement in the next 90 days to improve cashflow resilience.

Week 0–2: Diagnostics (quick, factual)

- Build a 13-week cashflow forecast (not just a monthly P&L). Track expected inflows and outflows line by line for the next 13 weeks — this horizon maps receivables to payables and shows timing gaps.
- Identify top 5 customers who cause the longest payment delays and quantify overdue receivables.
- Categorize monthly fixed vs variable costs and find immediate reductions (non-essential subscriptions, discretionary travel, one-time contracts).

Why: cash problems are timing problems. A 13-week view turns surprises into planned financing needs.

Week 3–4: Collect & accelerate receivables

- Issue electronic invoices immediately upon shipment/delivery. Use automated reminders (WhatsApp templates, SMS, email) and introduce small early payment discounts (1–2%) for payments within 7–10 days if margins allow.
- Offer multiple digital payment options (UPI, payment links, net banking) to reduce friction.
- Explore invoice-discounting or factoring for large receivables — fintech platforms can convert an invoice to cash in 24–72 hours for a fee.

Example toolset: UPI/QR codes, payment gateways, invoice-discount platforms, e-invoicing where applicable.

Week 5–6: Re-negotiate payables smartly

- Talk to suppliers: ask for staggered payments or extended credit where feasible. Offer partial early payments for a small discount if that improves margins.
- Prioritize suppliers critical to production; defer others for a short period.
- Use trade or bulk purchase discounts to reduce unit costs.

Week 7–9: Optimize inventory & production

- Reduce inventory carrying by moving to just-in-time (JIT) for slow-moving SKU's and prioritizing faster-turning lines.
- Outsource or subcontract non-core production if it reduces working capital needs.
- Convert slow inventory to cash with bundle offers or promotions.

Week 10–12: Finance & formalize

- Prepare a small, clean loan packet: 6–12 months of bank statements, GST returns, receivables aging, customer purchase orders. Formalization speeds approvals.
- Apply for short-term working capital — consider:

  o **Bank composite limits** if eligible (single-window working capital + term component).
  o **Invoice discounting / supply-chain finance** via fintech partners.
  o **Credit guarantee-backed products** to minimize collateral needs.

Ongoing: governance & tools

- Move accounting to a cloud-based system with GST, invoicing, and aging built-in.
- Implement rolling 13-week forecasts, reviewed weekly by leadership.
- Set KPIs: Days Sales Outstanding (DSO), Days Payable Outstanding (DPO), inventory days, cash runway.

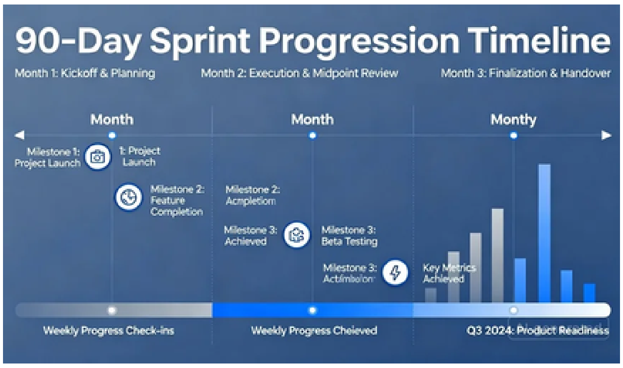
Cashflow toolkit: products & partners that matter

1. **Invoice discounting & factoring platforms** — Convert receivables to cash quickly; ideal for export invoices and B2B customers with long pay cycles. Fintech platforms often integrate with accounting packages to automate discounting.

2. **Embedded working capital (merchant cash advances / platform lending)** — E-commerce platforms and B2B marketplaces now offer embedded credit underpinned by transaction data. Good for sellers with steady digital sales.

3. **Bank working capital loans & composite loan limits** — For formalized firms with bank relationships, composite limits combine working capital and term loans to reduce re-application cycles. RBI guidelines and bank practices encourage simpler structures for MSMEs.

4. **Government credit guarantee schemes** — If collateral is a blocker, credit guarantee schemes reduce lender risk and increase access to affordable loans. Be familiar with scheme eligibility and application timelines.



Case vignette (composite example)

Company: A small engineering components manufacturer, ₹5 crore annual revenue, 20 employees.

Problem: Large OEM customer pays in 60–90 days; supplier demands 30-day payments. Cash tied in receivables and inventory.

Sprint outcome (90 days):

- Implemented 13-week forecast and discovered a recurring ₹40 lakh monthly shortfall during ramp-up months.
- Negotiated partial payment terms with supplier and offered a 1.5% early-payment discount to two smaller suppliers to secure lower raw material rates.
- Put two large invoices on an invoice-discounting platform. Funds arrived in 48 hours at a manageable fee.
- Secured a short-term composite working capital line from a bank under priority sector lending — documentation standardized by GST and bank statements.

Result: Cash runway extended from 18 days to 60 days; production runs normalized, and the firm avoided emergency, high-cost borrowing.

This vignette is typical: structured diagnostics + targeted financing + tighter operations yield outsized benefits.

Common mistakes & how to avoid them

1. **Treating cashflow as accounting only** — Cashflow is a management issue. Monthly bookkeeping is insufficient. Implement rolling 13-week forecasts and a weekly cash review meeting.

2. Over-reliance on a single large customer — Customer concentration creates timing risk. Diversify customers and include short-term contingency funding tied to those large orders.

3. Ignoring fintech options — Many MSMEs still think only banks lend. Fintechs offer speed and product fit for short durations; learn to compare cost vs speed.

4. Underpricing early payment incentives — Small discounts can unlock large, immediate cash benefits if applied strategically to invoices that shorten DSO significantly.

ESG and exports: why working capital will matter more

As MSMEs increase their export share (already near ~45–46%), they face additional working capital demands — certification, compliance, and pre-shipment costs. At the same time, buyers globally are imposing ESG requirements (traceability, lower carbon footprints). Meeting certification and traceability standards adds short-term cash demands before the revenue benefit arrives.

Policy and trade funding will increasingly attach finance to compliance outcomes (sustainability-linked loans, green working capital), so MSMEs that plan for these costs now will both access new buyers and new finance lines.

Conclusion: Cashflow Is Strategy, Not Just Survival

For MSMEs, cashflow management is no longer a back-office accounting task — it is a **strategic leadership function.** In an economy where opportunities are expanding through exports, digital platforms, and policy support, the real differentiator between businesses that merely exist and those that scale is **how well they manage the timing, certainty, and cost of cash.**

The coming financial years will reward MSMEs that are proactive rather than reactive: those who forecast cash instead of guessing, who accelerate receivables instead of waiting, who use data and digital tools instead of intuition alone, and who view financing as a planned instrument rather than an emergency rescue. With fintech innovation, improved access to formal credit, and government-backed support mechanisms, the ecosystem is far more supportive than it was a decade ago — but access favours preparedness.

Effective cashflow management creates a powerful ripple effect. It strengthens supplier relationships, builds employee confidence, enables timely tax compliance, supports ESG and export readiness, and most importantly, gives entrepreneurs **mental clarity and decision-making confidence.** Businesses with healthy cashflows do not just survive downturns — they invest during uncertainty and capture market share while others pause.

As MSMEs step into the new financial year, the message is clear: **revenue may bring growth, but cashflow brings control**. Those who master it today will define the resilient, scalable, and globally competitive MSME sector of tomorrow.

CMA Sakshi Soni

Sakshi Soni is a qualified Cost & Management Accountant (CMA), M.Com (First Class Honours, 2024), and NISM Certified professional. She has industry exposure as a Fund Administrator during her internship at HSBC. Passionate about finance, technology, spirituality and sustainability, she writes to inspire young professionals to embrace change and prepare for the future of responsible business.

Impact of New Labour Codes on accounts and tax books

New Labour Codes have mandated that wages (Basic salary, Dearness Allowance and Any Retaining Allowance) should be 50% of total compensation of employee. This requires restructuring of salary break-up in some organisation. Consequently, gratuity and leave encashment liabilities are likely to increase pursuant to above requirement of new labour codes.

The changes to gratuity and leave encashment benefits should be treated past service costs and change of estimate, not policy. So costs should be recognised immediately in PL statement as per applicable accounting standard as below:

For Gratuity:

i) Under Ind AS - Ind AS 19 requires past service costs to be recognised immediately in PL statement.

ii) Under IGAAP - AS15 requires past service costs for employees who have already completed applicable service period (5 years in case of permanent employees and 1 year in case of fixed term employees) to be recognised immediately in PL statement. For employees who yet to complete applicable service period, past service cost to be amortised over vested period and recognised as an expense in PL statement.

Gratuity liability/expense is non adjusted event in the financial statement and should be disclosed in notes to accounts

For Leave Encashment:

Ind AS 19 and AS 15 both require to recognise past service cost in PL statement immediately.

In the tax book, gratuity and leave encashment are deductible expense in the year of payment. Consequently, Gratuity and Leave Encashment cost shall create defer tax asset/liability

Introduction of Ind AS 118

Ind AS 1 will be discontinued and new Ind AS 118 – "Presentation and Disclosure of Financial Statements" will be introduced from 01 st April 2027. Ind AS 118 is aligned with IFRS 18 which is applicable from 01st Jan 2027

Objective - To provide more visibility, transparency and comparability of financial statements to its end users.

Under the new structure of Profit and loss statement – all income & expense are categorised as below which is more or less in existing cash flow structure

i) Operating Category
ii) Investing Category
iii) Financing Category
iv) Income tax Category

Action: Need to restructure chart of accounts in above categories from 01 st Jan 2026 in case of IFRS and 01st April 2026 in case of IND AS 118 to provide comparability with previous year figure in 2027.

i) Strategy formulation and capital allocation
ii) operating model and economic unit
iii) capital structure and liquidity
iv) governance and disclosure
v) external shocks and regulatory context

CMA Rajesh Rawat

CMA with 23 years experience accross contruction, manufacturing, teading, retails and service industries. leading finance team mutlinational company in KENYA

SECURITIZATION: A GLOBAL PERSPECTIVE ON MODERN FINANCE

The development of securitization as a financial instrument along with derivatives mark the transformation of global financial markets. From the traditional form of financial intermediation, markets are rapidly growing into financial commoditization. Lending relationships are being converted into investment products at great and efficiency in many countries, with resultant benefits for the systems a whole.

Securitization is a process that transforms illiquid assets into tradable securities to enhance liquidity and credit availability in capital markets. It helps lenders free up capital for new loans while giving investors access to diversified cash flow streams. By understanding securitizations meaning, its mechanics, and its benefits, both lenders and investor can leverage it for risk management and higher returns.

In practice, much of this activity takes place through debt securitization, where loan-based assets are structured for investor participation.

What is Securitization in Finance

“Securitization” in its widest sense implies every process that converts a business relation into a transaction. To be specific, it refers to the sale of assets, which generate cash flows, from the institution that owns them, to another company term as Special Purpose vehicle that has been specifically set up for the purpose, and the issuing of notes by this second company. These notes are backed by the cash flows from the original assets.

Securitization is the final financial process of pooling various types of contractual debt obligation and packaging those debt obligations into securities that are sold to investors. This allow the holders of those loans, which would otherwise be illiquid investments to raise capital by selling them on secondary markets. The pooled assets serve as collateral for the assets-backed securities issued. Investors receive scheduled payments on the securities from the cash flows generated as borrowers make payments on the underlying debt obligations.

Securitization enables lenders to convert an illiquid asset into a tradable security and replenish their funds. It also provides investors access to investment- grade securities backed by diversified assets pools.

What are securitized assets

Securitization was initially used to finance simple, self-liquidating assets such as mortgages. But any type of assets with a stable cash flow can in principle be structured into a reference portfolio that supports securitized debt. Securities can be backed not only by mortgage but by corporate and sovereign loans, consumer credit, project finance, lease/trade receivables, and individualized lending agreements. The generic name for such instrument is Assets Backed Securities (ABS), although securitization backed by mortgage loans are called mortgage-backed securities.

Any type of assets with a stable money flow can be grouped, securitized, and sold to investors. Although certain types of assets are more commonly turned into asset-backed securities(ABS). They include:

1. **Mortgage:** Bundling together groups of home loans and selling portion to investors originated with the creation of mortgage-backed security in the 1970s. This remains one of the largest securitization markets globally.

2. **Auto loans:** Similar to mortgages auto loans contract are structured into securities with varying risk return profiles and sold to investors seeking exposure to consumer credit.

3. **Credit card receivables:** Investors can purchase securities derived from pooled credit card balances. These tend to allow more flexibility as new debt and payments continuously modify the underlying pool.

4. **Student loans:** Loans issued to students by private lenders and government programs are securitized to meet investor demand. These provide exposure to the education financing sector.

Mortgage-backed securities (MBS)

Series of securities collateralized by pool of secured assets mortgaged against loans, that are formed by pooling together mortgages exclusively, such as home loan mortgages, equipment loan etc.

For an investor, MBS is attractive as there exists mortgages as the back- up.

Different type of securities issued by the special purpose vehicle (SPV) in securitization transactions are as follows:

a) Pass Through Certificates: In case of a pass-through certificate, payments to investor depend upon the cash flow from the assets backing such certificates. That is to say, as and when cash (principal and interest) is received from the original borrower by the SPV, it is passed on to the holders of certificates at regular intervals and the entire principal is returned with the retirement of the assets packed in the pool. Thus, pass through have a single maturity structure and the tenure of these certificates is matched with the life of the securitized assets.

b) Pay Through Certificates/Securities: Payment to investors does not match with cash flows from original borrowers. SPV pays the investors on fixed dates. Pay through certificates has a multiple maturity structure depending upon the maturity pattern of underlying assets. Thus, the SPV can issue two or three different types of securities with different maturity patterns like short term, medium term and long term. Thus, these have a greater flexibility with varying maturity pattern needed by the investors. In case of Pay Through Certificates, the SPV instead of transferring undivided interest on the receivables issues debt securities such as bonds, repayable on fixed dates.

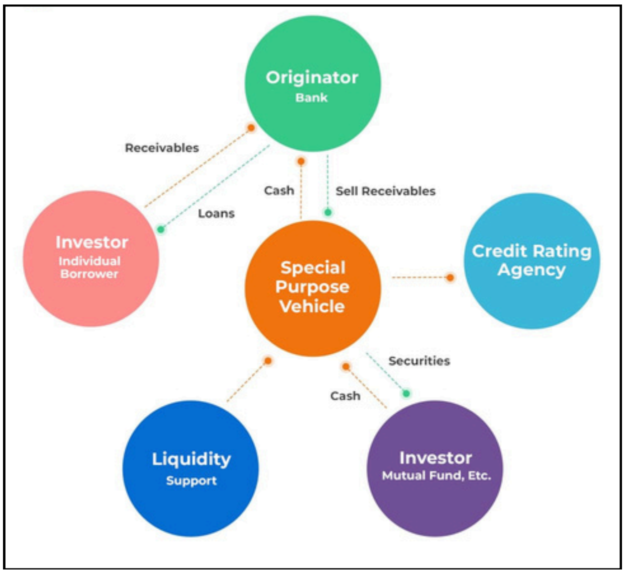
c) Interest Only Certificates: In case of these certificates, payments are made to investors only from the interest incomes earned from the assets securitized.

d) Principal Only Certificates: Payment are made to the investors only from the repayment of principal by the original borrower.

These certificates enable speculative dealings since the speculators know well that the interest rate movements would affect the bond value immediately. When interest rate increases, the bond value will decline and vice-versa.

e) Preferred Stock Certificates: These are issued by a subsidiary company against the trade debts and consumer receivables of its parent company. Generally, these stocks are backed by guarantees given by highly rated merchant banks and hence they are also attractive from the investor's point of view. These instruments are generally short term in nature.

f) Asset Backed Commercial Papers: This type of structure is mostly prevalent in mortgage-backed securities. Under this the SPV purchases portfolio of mortgages from different sources and they are combined into a single group on the basis of interest rate, maturity dates and underlying collaterals. They are then transferred to a Trust which in turn issues mortgage-backed certificate to the investors. These are also of short term in nature.



Participants in Securitization

Originator: An originator actually creates a securitized asset. This entity generates (originates) or owns the defined or identifiable cash flow (that is, an income stream from receivables). Example - retail bank which may securitize mortgages, automobile loans, credit card receivables, trade receivables etc.

Arranger: An originator usually appoints a financial institution to design and set up the securitization structure. It is known as arranger. It determines the risk profile of the receivables to create different tranches of security. Sets up an SPV and also designs credit enhancement and liquidity support.

Special Purpose Vehicle: This is an entity established by the Originator to specifically purchase the assets and realize their off-balance-sheet treatment for legal and accounting purposes. This is generally established in form of a trust or a company. The newly incorporated SPV (also called the issuer) issues securities to investors to fund the purchase of the isolated receivables from the originator.

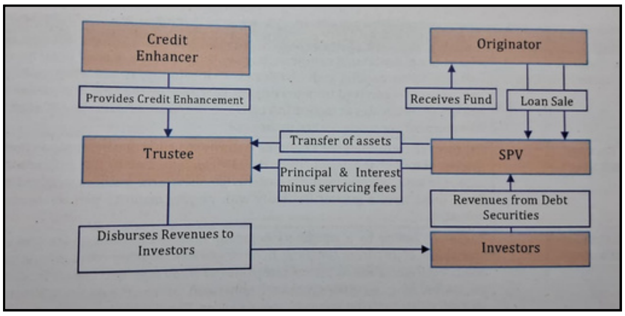
Investors: In a securitization process, typically, financial institutions, insurance companies, pension funds, hedge funds, companies, high net worth individuals are the investors. Investors purchase the securities issued by the SPV according to their risk/return preferences.

Servicers: SPV appoints the servicer to administer and collect the underlying receivables in the capacity of SPV's agent for a servicing fee stipulated under the servicing agreement. Generally originator acts as servicer.

Rating Agencies: Rating agencies rate the securities to indicate whether the SPV has a strong or weak capacity to pay interest and principal. They act as the ultimate appraiser of the underlying pool of collateral.

Enhancement Providers: They provides credit enhancements to the asset-backed securities. Credit enhancement is used to improve the liquidity, marketability, appeal, and safety of the underlying cash flows (interest and principal) of a new instrument in the capital market. This enhancement is provided internally by underwriters or dealers that agree to buy the entire subordinated tranche or banks or insurers that provide unconditional guarantees which the SPV can draw if debtors default.

Regulators: They issue various regulations that guides and regulates the securitization process. Regulations may include accountancy practices and capital adequacy requirements, structuring of SPV, licensing requirements, supervision, laws for trading of securities, data protection etc.



Mechanism of Securitization

1. Asset origination: The process begins with a lender, issuing loans to borrowers.

2. Create asset pools: The lender selects a pool of loans (selects the receivables to be assigned) with similar characteristics, such as loan type, maturity, and credit quality. This pool of loans will serve as collateral for issuing securities.

3. Create the special purpose vehicle (SPV): The lender establishes a separate legal entity called an SPV) or a special purpose entity.

4. Transfer the assets: The lender sells the pool of loans to the SPV, effectively removing the assets from its balance sheet. In return, the SPV pays the lender for the assets, often using funds raised from issuing securities.

5. Trenching: The SPV divides the pool of loans into different risk classes, known as tranches. Each tranche has a different level of risk and return, catering to different investor risk appetites. The tranches are typically considered senior, mezzanine, and junior.

6. Credit enhancement: The SPV may use various credit enhancement techniques to make the securities more attractive to investors, example - third-party guarantees.

7. Rating: The SPV hires credit rating agencies to assess the creditworthiness of each tranche. The rating agencies assign ratings to the tranches based on their perceived risk, with the senior tranches receiving the highest ratings and the junior tranches receiving the lowest.

8. Marketing and sale: The securities, now backed by the pool of loans, are marketed and sold to investors. Investors can invest in different tranches based on risk tolerance and investment objectives.

9. Distribute cash flows: As borrowers of underlying loans make payments, the cash flows are collected by a servicer and distributed to the investors according to the terms of the securities. The senior tranches get priority over junior tranches in receiving payments.

10. Monitoring and reporting: Throughout the life of the securities, the servicer monitors the performance of the underlying loans and provides regular reports to the investors.

Benefits of Securitization

From the angle of originator –

A financial institution securitizes part of its balance sheet for following reasons:

(a) Funding the assets that is owns
Banks can use securitization to Support rapid asset growth. Diversify their funding mix and reduce cost of funding. Reduce maturity mismatches.

(b) Balance sheet capital management
Banks use securitization to improve balance sheet capital management. When loan/receivables are securitized it releases a portion of capital tied up in these assets resulting in off Balance Sheet financing leading to improved liquidity position which helps in expanding the business of the company.

(c) Risk Management and Credit risk transfer
Once assets have been securitized, the credit risk exposure on these assets for the originating bank is reduced considerably. This is because assets have been sold to the SPV. Securitization can also be used to remove non-performing assets from banks balance sheets. This will remove credit risk as well as a potentially negative sentiment from the balance sheet.

(d)More specialization in main business
By transferring the assets the entity could concentrate more on core business as servicing of loan is transferred to SPV.

From the angle of investor

Securitization is beneficial from the view point of investors also. The potential attractions include:

(a) Diversification of risk: Ability to diversify into sectors of exposure that might not be available in the regular bond markets.

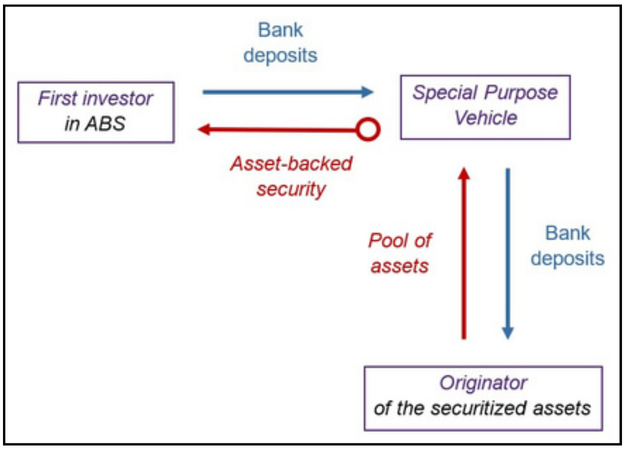
Example: Pension fund usually invests only in government bonds. Through securitization, it can also invest in home loan-backed securities).

- **(b) Varied risk reward:** Access to different (and sometimes superior) risk-reward profiles.

Example - Different tranches offer different risk & return levels. Investors can choose based on their risk appetite.)

(c) Access to new sector : Access to sectors that are otherwise not open to them.

Eexample- Some sectors (like microfinance, credit card receivables) are not directly available for investment. Securitization opens the door for investors to enter these markets.



Problems in Securitization

a) Though theoretically the cost of securitizing assets is expected to be lower than the cost of mainstream funding, actually, securitization has proved to be a costly source, primarily in emerging markets due to the higher premium demanded by the investors and additional cost of rating and legal fees.

b) Setting up of an SPV requires high initial payment. Hence, there is a certain minimum economic size below which securitization is not cost effective.

e) Lack of standardization - Every originator follows his own procedure for documentation and administration of the securitization process. So, having lack of standardization is another obstacle in the growth of securitization.

d) Investors are interested only in asset backed securities which have a high quality. So, banks can securitize only better-quality receivables.

c) Securitization requires high level of disclosure of information. In addition to the disclosures required by regulators, there are disclosures to servicers, trustees, rating agencies, and in some circumstances, even to investors.

f) As per the current accounting standards, securitization accounting leads to upfront booking of profits. These profits represent not only the profits while making the sale, but even estimated profits based on future profitability of the transaction.

The alleged role of Securitization in financial crisis of 2007-2009

The 2007 2009 financial crisis in the United States was a result of various factors, Including the Securitization of Supreme Mortgage into Mortgage-backed Securities (MBS) and Collateralized Debt Obligations (CDOs).

Before the 2000s obtaining a mortgage was difficult for those with bad credit or unstable employment. However, MBS became popular due to their high returns and perceived stability. As investors sought more MBS, lenders loosened their standards, leading to the creation of subprime mortgages. These were bundled into MBS and sold to investors, who assumed the housing market's growth was safe.

Additionally, banks created CDOs, which contained risky loans but were given high credit ratings by agencies. As the default rate on subprime mortgages increased and housing prices fell, Investors lost significant amounts of money. The crisis spread globally due to the interconnected nature of financial markets.

Conclusion

Understanding what is securitization and its process is essential for investors and lenders. Securitization plays a vital role in providing liquidity, enabling risk sharing, and fostering credit availability within financial markets. By understanding its mechanics and benefits, market participants can utilize it optimallys.

Uzma Khan

CMA Final Student

हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)
Housing & Urban Development Corporation Limited
(A Government of India Enterprise)

एम नागराज
निदेशक (कॉरपोरेट प्लानिंग)
M. NAGARAJ
Director (Corporate Planning)

MESSAGE

Dear Shri Sandeep Kumar,

I extend my warmest congratulations to you on the impending launch of Global Finance and Economics Magazine: The Worldonomics Times on May 5th! This milestone marks the beginning of what promises to be an exciting journey in the realm of global finance and economics journalism.

As our world becomes increasingly interconnected, the need for a comprehensive and insightful resource in the field of finance and economics has never been greater. Your magazine's dedication to providing a platform for experts to share their insights is commendable and much needed in today's complex economic landscape.

I have no doubt that The Worldonomics Times will quickly establish itself as a key resource for policymakers, industry professionals, academics, and anyone with a keen interest in understanding the intricacies of global finance and economics. Your commitment to delivering high-quality, well-researched content will undoubtedly set a new standard in the industry.

I eagerly anticipate the inaugural issue and look forward to the valuable contributions and perspectives that The Worldonomics Times will bring to the forefront of economic discourse.

Once again, congratulations on this significant achievement, and I wish you all the best for a successful launch and a prosperous future ahead.

(CMA - M. NAGARAJ)

एच.ई.सी.

ISO 9001:2008 Company

Rajesh Kumar Dwivedi
Director (Finance)

स्वच्छ भारत
एक कदम स्वच्छता की ओर

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Mob. : 9650572233
E-mail : dir_fin@hecltd.com

MESSAGE

Dear Shri Sandeep Kumar,

I take this opportunity to heartily congratulate you on publishing "The Worldonomics Times", which I really feel is a hands-on treasure of useful information.

Today's world is rapidly changing and inter-woven with diverse complexities. In such a global environment, authentic and timely information is a powerful tool which I am sure will be always provided by "The worldonomics Times". I am sure, the adage that "*The Pen is mightier than the Sword*" will be once again be proven right with your magazine.

Congratulations, once again and my Best wishes for this wonderful knowledge endeavour!

(CMA Rajesh Kumar Dwivedi)

BLESSING SUPPORT

CMA Sanjay Jindal

Director Finance | Engineers India Limited

Dear Mr. Sandeep Kumar,
With the launch of The Worldonomics Times, professionals worldwide are poised to embark on a journey of enlightenment and empowerment. In today's fast-paced economic landscape, the need for up- to-date insights and innovative strategies is more crucial than ever. As Director (Finance), I recognize the significance of continuous learning and informed decision-making. This magazine promises to be a comprehensive resource, offering valuable insights and actionable strategies to navigate the challenges and opportunities ahead. The Worldonomics Times is not just a publication; it's a beacon of innovation in economic discourse. Through cutting-edge analysis, thought-provoking articles, and expert commentary, it will serve as a trusted companion for professionals across various sectors. Leveraging the latest technologies, the magazine ensures accessibility and engagement for all readers, regardless of background or expertise. Beyond economics, The Worldonomics Times will explore intersections of finance with technology, sustainability, and social responsibility. By fostering dialogue and collaboration across diverse fields, it will inspire innovative solutions to global challenges. I am proud to be associated with this initiative, and I extend my deepest gratitude to the editorial team, contributors, partners, and supporters who have worked tirelessly to bring this vision to life. I offer my sincerest blessings to all those who will embark on this journey of enlightenment and empowerment, fueling innovation and success in the ever-evolving world of economics. Impressive Initiative! Best Wishes to you and your team for resounding success on this fantastic effort.

CMA Hrishikesh Kumar

Executive Director (Finance) | NBCC (India) Limited

Dear Shri Sandeep Kumar,
At the outset I would like to congratulate you for taking the initiative for publishing this magazine “The Worldonomics Times”. In this era of rapid changing economic environment vis-à-vis the pressure on business to sustain, the importance of seamless transfer of information and knowledge cannot be underestimated which I hope would be fulfilled by your magazine in future.I must say this is a great initiative by you and your team in this regard. All the est for your endeavor.

CMA Yogendra Prasad Shukla

Director Finance | HOCL - Hindustan Organic Chemicals Limited

Dear CMA Sandeep Kumar Ji,
I extend my heartfelt congratulations on the launch of "The Worldonomics Times." Your dedication to providing a platform for insightful economic knowledge is truly commendable. In today's- paced economic, the significance of facilitating the smooth flow of information and wisdom cannot be overstated, and I am confident that your magazine will excel in meeting this crucial need. Your initiative, alongside your team, is truly praiseworthy, and I foresee "great success for “The Worldonomics Times" in the days ahead. Your commitment to empowering minds through economic understanding is inspiring. Best regards.

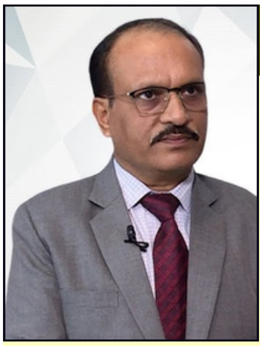
BLESSING SUPPORT

CMA Yash Paul Bhola

Former Director (Finance)| NFL - National Fertilisers Limited

Dear INCOC Team Members,

I congratulate and appreciate the efforts by one and all in bringing out Global Finance and Economics Magazine, "The Worldonomics Times". This milestone marks the beginning of an exciting journey in the realm of global finance and economics journalism. As our world becomes increasingly interconnected, and regulatory framework is fast getting changed and updated, the need for a comprehensive magazine in finance field cannot be over emphasised. This magazine is dedicated to providing a platform for periodical up-dation of the developments across the globe and experts to share their insights. It is intended to establish itself as a key resource for policymakers, industry professionals, academics, and anyone with a keen interest in understanding global finance and economics. Once again, I congratulate and wish you all the best for a successful launch of the magazine and a prosperous future ahead.



CMA Gaurang Dixit

Former Chairman-cum-Managing Director |
NSIC - National Small Industries Corporation

Dear Shri Sandeep Kumar,

At the onset, I applaud the initiative of the 'International Navodaya Chamber of Commerce' to come out with a magazine 'The Worldonomics Times', which will provide the relevant information and knowledge to the all in this diverse global market. In the present complex business / economic scenario, the whole world market is like a field open for all players to play thereon. This global market is having abundant opportunities and to become a successful entrepreneur in such complex economic environment, the need for having relevant information and knowledge is of paramount significance. Your endeavour to come out with the magazine 'The Worldonomics Times' will certainly help to suffice this requirement. I must congratulate to you and your team for this endeavour. With best wishes.

CMA R C Gupta

Former Executive Director (Finance & Accounts)| GAIL (India) Ltd.

Dear Shri Sandeep Ji,

I have gone through the May 2024 issue of The Worldonomics Times and found it very informative. My heartfelt congratulations on the launch of a world class magazine in the area of Cost Management, Financial Management, Financial Planning, Taxation and World Economic Affairs. The coverage in the magazine is very wide & excellent and is based on the theme of Global Perspective with Local Relevance, in-depth data driven journalism and accessibility of the magazine in print as well as digital formats. It will empower the readers with well researched articles for ready reference, decision making & knowledge enhancement. I wish all the best to you and your team of International Navodaya Chamber of Commerce (INCOC) for bringing the magazine on regular basis with full of information of world economic affairs for use by all professionals. With Best regards.

BLESSING SUPPORT

Shri Jyoti Prakash Gadia

Managing Director | Resurgent India Limited

Dear Sandeep Ji,

Congratulations on the launch of The Worldonomics Times! This new publication promises to be a vital resource in financial journalism and stands to reshape our grasp of global financial landscapes. The Worldonomics Times will undoubtedly be an indispensable source for thorough analyses, covering the nuanced intersections of global economics and market dynamics. Your magazine is uniquely positioned to serve the needs of business leaders, policymakers, and those with a keen interest in the complexities of global finance. We eagerly await the fresh perspectives and insights that The Worldonomics Times will bring to the complex world of global finance. Best wishes for your journey ahead!

CMA Ramesh Kumar

Chief General Manager | Power Grid Corporation Of India

Dear Shri Sandeep Kumar,

With great pleasure we extend our good wishes on the launch of The Worldonomics Times. This publication is poised to become a cornerstone in the landscape of global finance and economics, offering deep insights and valuable perspectives. Your commitment to excellence in disseminating knowledge is not only commendable but vital in these complex economic times. We eagerly anticipate the success and influence your magazine will undoubtedly achieve. Warm regards.

Shri BK Sabharwal

Chairman, Capital and Commodity Market Committee, PHDCCI Ex-President CPAI, Ex-chairman FISE, Ex-Director |Delhi Stock Exchange

Dear Sandeep Kumar,

Congratulations on the launch of The Worldonomics Times! Your dedication to global finance journalism is commendable. This milestone marks the beginning of an insightful journey. In our interconnected world, timely updates on regulatory changes are vital, and your magazine promises to fulfill this need. Dedicated to providing expert insights and periodic updates, it aims to become a key resource for policymakers, industry professionals, and academics. Your leadership in this initiative is inspiring. Here's to a successful launch and a prosperous future ahead. Best regards.

CMA Vijay Kumar Agarwal

GM (Finance) | ONGC Videsh

Dear Shri Sandeep Ji,

It's my great pleasure to note "The Worldonomics Times" monthly magazine launching by "International Navodaya Chamber of Commerce (INCOC). The various Global Perspectives with relevant data have been covered which are relevant from our local perspective. The contents of magazine in coming days will be way forward in knowledge enhancement as well as for better understanding in correlating the global economics with local need. Congratulations CMA Sandeep ji & Team for such an initiative which will surely provide the tailored world economic information.

THE WORLDONOMICS TIMES

TOPICS INVITED

Cover Stories on the topics given below are invited for 'The Worldonomics Times' for the four forthcoming months

Month		Theme		Topics
March 2026	Theme	Financing Strategies and Financial Health	Topics	**Alternative Financing:** Exploring options beyond traditional bank loans, such as P2P lending, angel investors, venture capital, and government schemes. **Effective Cashflow Management:** Tools and techniques for forecasting, managing receivables, and optimizing payables. **Budgeting for Scalability:** Creating budgets that support planned growth and R&D without overextending. **Navigating Tax Compliance:** A simplified guide to MSME tax benefits, deductions, and regulatory changes for the upcoming fiscal period.
April 2026	Theme	Export Promotion and International Business Opportunities	Topics	**Identifying Export Markets:** Analyzing global demand and selecting the right countries for specific products/services. **Logistics and Supply Chain:** Understanding international shipping, customs, and managing an effective global supply chain. **Incentives and Trade Agreements:** Utilizing government export promotion schemes and taking advantage of Free Trade Agreements (FTAs). **Cultural Competence:** Tips for successful negotiation and communication with international clients and partners.
May 2026	Theme	Talent Management, Skilling, and HR Excellence	Topics	**Attracting and Retaining Talent:** Strategies for small businesses to compete with larger companies for skilled employees. **Employee Upskilling and Training:** Low-cost ways to invest in employee growth, focusing on digital and soft skills. **The Future of Work:** Adapting to hybrid models, managing remote teams, and ensuring productivity. **MSME Workplace Culture:** Building a positive, resilient, and inclusive environment that drives innovation and loyalty.
June 2026	Theme	Sustainable Growth and Future-Proofing MSMEs	Topics	**Green Business Transition:** Practical steps for MSMEs to adopt eco-friendly practices and prepare for CBAM. **Circular Economy Opportunities:** Turning waste reduction in to new revenue through recycling and sustainable sourcing. **ESG for Small Business:** Understanding ESG essentials to secure large contracts and investor confidence. **Building Business Resilience:** Future-proofing businesses against supply chain, climate, and policy risks.

The Worldonomics Times invites leading professionals, like yourself, to contribute expert articles (800-1,200 words) on global economics, finance, and policy for an upcoming issue.

We are seeking original insights and analysis from experts in above topics to enrich our readership of business leaders and policymakers.

All submissions must be accompanied by recent, high-resolution photographs or supporting visual assets. Please submit your completed article and visuals by 20th of following month to support@incoc.in. We look forward to featuring your valuable perspective.

www.worldonomics.in

International Navodaya Chamber of Commerce

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INCOC

International Navodaya Chamber of Commerce

MSME LEADERSHIP SUMMIT 2026

DATE : 08th March 2026

Guests of Honour: (Tentative)

1. Dr. Ravindra Ray - Independent Director, HUDCO
2. CMA Niraj Priyadershi, Director Finance, CWC
3. CA CMA CS Gaurav Gulati, Director Finance, NSIC
4. CMA Mukesh Kumar, Director Finance, MECON
5. CMA Sudip Dasgupta, CFO, CMPDI
6. CMA Amit Rautela, CFO - PVUNL
7. CMA Gaurav Rastogi, CFO, NTPC Minning Limited
8. CMA Raj Kumar Aggarwal, Director Finance, JUUNL
9. CMA A C Nayak, Director Finance, Sagarmala Finance Corporation
10. CMA Balwinder Singh - Former President, ICMAI

Special invitees from SAIL, GAIL, NBCC, CCL, HEC etc

SANDEEP KUMAR (FCMA, CA)
National President

CA SANGAM AGGARWAL
National Vice President

International Navodaya Chamber of Commerce

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CWC Logistics Driving Progress

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Yogoda Satsang Mahavidyalay, Ranchi Jharkhand

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Connect With Us
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International Navodaya Chamber of Commerce (INCOC)

Welcome to the International Navodaya Chamber of Commerce (INCOC), a dedicated catalyst for positive change, empowerment, and community development. We are committed to enhancing brand value, nurturing essential skills, and facilitating societal growth through a collaborative and community-centric approach.

Our Mission

At INCOC, our mission is to harness the collective potential of individuals and businesses to create a lasting impact. We believe in the power of collaboration, empowerment through knowledge, and a community-centric approach to address local needs and promote inclusivity. Our initiatives are designed to inspire actionable impact, foster continuous learning and adaptation, and contribute to building a brighter future.

How We Operate

- **Collaborative Synergy:** We thrive on collaboration, bringing together diverse minds, expertise, and resources to foster an environment where ideas flourish and innovation thrives.
- **Empowerment through Knowledge:** Knowledge is the cornerstone of growth. At INCOC, we provide access to valuable insights, expert advice, and resources that empower individuals and businesses to make informed decisions and drive positive change.
- **Community-Centric Approach:** Communities are at the heart of change. Our initiatives are designed to address local needs, promote inclusivity, and create a sense of belonging, tailoring our efforts to have a meaningful impact where it's needed most.
- **Actionable Impact:** Our programs inspire action and create tangible results, from skill development workshops to societal initiatives that drive positive change, focusing on making a real difference.
- **Continuous Learning and Adaptation:** We embrace continuous learning and adaptation to stay relevant in a rapidly changing landscape, ensuring that our strategies remain effective and aligned with the needs of the times.