

## Union Budget 2026–27: Focuses on Sustaining High Economic Growth

Frank Notes



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The Union Budget 2026–27 has been presented against the backdrop vision for Viksit Bharat by 2047 for addressing sustained high growth and inclusive development. The first advance estimate projects real GDP growth at 7.4% and GVA growth at 7.3% for 2025-26. Real GDP growth for 2026-27 is projected at 6.8-7.2%. With growth momentum driven by strong domestic demand, public capital expenditure, and macro-economic stability, the Budget seeks to sustain high economic growth while ensuring fiscal prudence and inclusive development. The Budget largely follows a continuity-based approach, reinforcing existing policy frameworks rather than announcing disruptive reforms. Its core strategy revolves around investment-led growth, productivity enhancement, digital transformation, and targeted support to key sectors such as agriculture.

The overarching objective of the Union Budget 2026-27 is to preserve economic momentum while strengthening medium-term growth fundamentals. The government has reiterated its commitment to fiscal consolidation, balancing the need for growth-supportive spending with macro-economic discipline. Public capital expenditure continues to be positioned as the principal driver of growth, crowding in private investment and generating employment.

Key growth-enabling of the Budget includes continued thrust on infrastructure development across transport, logistics, energy, and urban systems; focus on manufacturing competitiveness, technology adoption, and innovation; emphasis on digital public infrastructure, AI-enabled governance, and productivity enhancement across sectors; and targeted support for rural demand, recognising agriculture and allied activities as critical to sustaining consumption-led growth.

Agriculture is the mainstay of Indian economy. It continues to provide food and nutritional security to the burgeoning population in addition to supply raw materials for agri-based industry. It is of paramount importance that the Union Budget 2026–27 continues to recognise agriculture as a key pillar of inclusive and sustainable economic growth, with enhanced focus on productivity, diversification, value addition, and technology adoption.

Government initiatives such as the Pradhan Mantri Krishi Sinchai Yojana (PMKSY), Rashtriya Krishi Vikas Yojana (RKVY), Agriculture Infrastructure Fund (AIF), and Kisan Credit Cards (KCC), have helped enhance agricultural productivity, encourage crop diversification and increase farm incomes.

In this year's allocations, Ministry of Agriculture & Farmers Welfare will be provided Rs. 12,200 crore for Pradhan Mantri Fasal Bima Yojna; Rs. 22,600 crore for Modified Interest Subvention Scheme, which provides concessional short-term agri-loans to the farmers practicing crop husbandry and other allied activities like animal husbandry, dairying and fisheries. In addition, among various schemes, Rs. 63,500 crore will be provided for Pradhan Mantri Kisan Samman Nidhi (PM-Kisan); Rs. 7,200 crore for Pradhan Mantri Annadata Aay Sanrakshan Yojna (PM-AASHA); Rs. 500 crore for formation and promotion of 10,000 Farmer Producer Organisations (FPOs); Rs. 910 crore for Agriculture Infrastructure Fund; Rs. 676.85 crore for Namo Drone Didi Scheme, etc.

There has been increase in allocations for the agriculture and allied sectors in 2026-27 over the previous year, reflecting the government's intent to strengthen farm incomes and rural resilience. Rather than focusing solely on input subsidies, the Budget signals a gradual shift towards income-enhancing and productivity-driven interventions.

Key Provisions for agriculture include, diversification towards high-value agriculture, emphasis on promoting high-value crops, horticulture, plantation crops, and agroforestry. This strategy aims to reduce dependence on traditional staple crops, enhance farm incomes, promote regional crop specialisation and export competitiveness.

A major highlight of the Budget is the expansion of technology-led agricultural advisory services, including AI-enabled, multilingual platforms integrated with digital land records and agronomic databases. These initiatives are expected to improve

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decision-making at the farm level, promote efficient use of inputs and reduce the gaps between potential yields and farmers' yields, and production risks.

Strengthening fisheries value chain; encouraging animal husbandry through entrepreneurship development; supporting high value crops in coastal areas, north-east and hilly regions; launch of Bharat-VISTAAR – a multilingual AI tool to integrate the Agristack portals and the ICAR package on agricultural practices; setting up of Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets for women-led enterprises, etc. as covered in the Budget speech, will go a long way in improving farmers' income and rural development.

In front of the fertiliser sector, it remains a critical enabler of agricultural growth and food security. Government has reiterated its commitment in ensuring timely availability of fertilisers at affordable prices, while maintaining policy continuity. The Budget provided thrust to multi-model logistics by way of proposed development of 20 new national water ways, linking mineral-rich regions with industrial centres and ports along with coastal cargos promotion schemes aimed at increasing share of inland and coastal water ways from 6% to 12% by 2027.

The subsidy provision continues to be one of the largest components of agricultural support expenditure. The budget allocation on fertiliser subsidy for 2026-27 is Rs. 170,799 crore, which is lower by Rs. 15,661 crore from the revised budget estimate (RBE) of 2025-26. For urea, it is Rs. 116,799 crore for 2026-27 compared to RBE of Rs. 126,460 crore for 2025-26. Similarly, subsidy provision for P&K fertilisers is Rs. 54,000 crore for 2026-27, which is lower by Rs. 6,000 crore from the RBE of 2025-26. Continued support for organic fertilisers and bio-inputs, with an allocation of Rs. 90 crore, complements efforts towards balanced nutrient use and soil health. Government has been providing additional subsidy to insulate the farmers from any rise in MRPs of fertilisers in view of rising cost of

indigenous production due to increase in raw material prices or finished products in the international market. It is expected that the provisions for further allocation for 2026-27 will be guided by the prevailing market dynamics and Government's ongoing assessment of measures required to ensure agricultural resilience.

The emphasis on simplification of tariff structure and addressing inverted GST structures is particularly important, as it helps streamline costs, improve cash flows, and create a more predictable operating environment.

Fertiliser industry has been responsibly performing the task of making fertilisers available to the farmers across the country for their use through meticulous planning of production, import and logistics. A healthy industry can serve the cause of the farmers in the most befitting manner.

From a broader perspective, the Budget characterised as growth-supportive and stability-oriented. While the fertiliser subsidy allocations ensure continuity and predictability, the Budget stops short of addressing structural reforms in fertiliser pricing, subsidy rationalisation, and nutrient-use efficiency.

In the conclusion, for agriculture, the emphasis on diversification, technology, and allied sectors is a positive step towards income enhancement. However, the success of these measures will depend on effective implementation, state-level coordination, and timely delivery of benefits.

In the fertiliser sector, the Budget ensures policy stability and fiscal support, but does not articulate a clear roadmap for long-term reform, such as gradual rationalisation of subsidies, promotion of balanced fertilisation through price signals, and greater alignment between soil health objectives and fertiliser policy.

Overall, Union Budget 2026-27 reflects the government's intent to sustain high economic growth through continuity, investment-led expansion, and rural support. Agriculture and fertilisers remain central to this strategy, ensuring food security, farmer welfare, and rural demand. Going forward, sustaining high growth will require not only fiscal support but also bold policy interventions that enhance efficiency, sustainability, and long-term competitiveness of Indian agriculture. ■