



THE UNION BUDGET OF INDIA 2026–27: ECONOMIC PRIORITIES AND COMPARATIVE ANALYSIS WITH 2025–26

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1. Introduction

The Union Budget of India represents one of the most important policy documents produced by the government. It provides a detailed, clear framework of India's economic priorities and provides guidance for fiscal discipline and development over the next financial year. The Union Budget has a direct influence on business decisions, investment decisions, consumer spending and overall commercial activity. For students and researchers interested in commerce the Union Budget is an invaluable means by which to understand public finance, taxation policy and the development of individual sectors of the economy. This research paper attempts to conduct a comparative study of the 2026-27 and 2025-26 Indian Union Budgets. The analysis will focus primarily on fiscal policy measures, taxation reforms, capital spending and sectorial allocations with a view to understanding their effects on commerce and industry.

2. Review of Literature

Chakraborty (2016) discovered a slow transition from revenue expenditure to capital expenditure. In his analysis of the evolving makeup of Indian government spending, The study came to the conclusion that increased capital spending boosts the commercial sector and has a positive impact on long-term economic growth.

PRS Legislative Research (2023–2025) noted that recent Union Budgets have placed a greater emphasis on fiscal consolidation, MSME support, and infrastructure development. The reports also noted that business confidence is enhanced by stable tax laws and more public investment.

Economic Survey of India (2024–25) emphasized that investment-led growth is crucial for sustaining India's growth momentum. Investment-led growth is essential to maintaining India's growth momentum, according to the Economic Survey of India (2024–25). According to the survey, public capital spending, particularly in manufacturing and infrastructure, is a major factor in luring private investment.

Sharma and Kumar (2022) studied and researched how business sentiment is affected by Union Budget announcements, came to the conclusion that clarity and policy continuity are more crucial than frequent changes to tax rates. Their results lend credence to the idea that the goal of recent budgets is to give business and industry a predictable policy environment.

Union Budgets have progressively shifted from welfare-oriented spending to an investment-led growth approach in recent years, according to literature published by organizations like the Economic Survey of India, PRS Legislative Research, and numerous scholarly journals. This change has important ramifications for industries like manufacturing, services, trade, and infrastructure.

3. Research Objectives

The main objectives of the present study are as follows:

- 1.To research the Union Budget 2026–2027’s salient features.
- 2.To contrast the Union Budget 2026–2027’s key fiscal metrics with those of 2025–2026.
- 3.To investigate how tax policy changes affect business and industry.
- 4.To examine budgetary distributions by sector, paying particular attention to manufacturing, MSMEs, and infrastructure.
- 5.To evaluate how budgetary actions have affected India’s business environment overall.

4.Hypothesis for Research

The following theories form the basis of the study:

Null Hypothesis (H_0): In terms of fiscal priorities and their effects on trade, there is no discernible difference between the Union Budget 2026–27 and the Union Budget 2025–26. Alternative Hypothesis (H_1): In comparison to the Union Budget 2025–26, the Union Budget 2026–27 exhibits a notable improvement and a greater emphasis on investment-led growth.

5. Research Methodology

5.1 Research Design

The research design used in this study is descriptive and comparative. The main provisions of the two Union Budgets are described using this design, which also allows for a methodical comparison of their salient characteristics.

5.2 Nature of Data

Since the study uses information from previously published and verified sources, it is wholly dependent on secondary data.

5.3 Sources of Data

The sources from which the secondary data for the study has been collected are:

Union Budget documents for the years 2025-26 and 2026-27 Economic Survey of India Government publications from the Ministry of Finance, Press Information Bureau (PIB), etc.Reports published by PRS Legislative Research Newspapers, and financial magazines like The Economic Times, Business Standard, etc. Relevant and Reliable Websites About Public Finance and Economics.

5.4 Period of Study

The study covers a period of two financial years, namely 2025–26 and 2026–27.

5.5 Scope of the Study
The scope of the work will entail a study of:

Trends in fiscal deficit, Capital spending patterns, Major taxation reforms ,Sectorial budgetary allocations, Implications for commerce, trade, and industry due to budgetary policies. The study is confined only to the Union Budgets of the Central Government.

5.6 Limitations of the Study

1. The study had the following shortcomings:
2. The study is based only on secondary data.
3. The analysis is restricted to just two successive Union Budgets.
4. Actual economic outcomes may not be similar to budget estimates and projections.
5. The impact of global economic conditions has not been studied in detail.

6. DETAILED ANALYSIS OF UNION BUDGET 2026–27 IN COMPARISON WITH UNION BUDGET 2025–26

6.1 Fiscal Policy Analysis

Fiscal policy represents the nature and attitude of the government in dealing with the budget while promoting economic growth. A comparative analysis of the Union Budgets 2025-26 and 2026-27 reveals an incremental trend towards greater fiscal discipline.

The goal for the fiscal deficit has been lowered from 4.4 percent of the gross domestic product in 2025-26 to 4.3 percent in 2026-27. The reduction may be minor, but it is substantial because the government's objective to balance growth and financial sustainability involves this move. Instead of measures to reduce expenditure substantially, the government has adopted a more gradual approach by which no development expenditure remains affected.

A controlled fiscal deficit, from the business point of view, would help in the stability of the economy. This is because lower government borrowings can lead to lower interest rates, thus spurring investment.

6.2 Capital Expenditure and Growth Orientation

Capital expenditure assumes significant importance from the viewpoint of economic growth. The Union Budget 2026–27 has allocated ₹12.2 lakh crore for capital expenditure as against ₹11.21 lakh crore allocated for 2025–26.

This shows clearly that the government is still depending on public investment as an engine of economic growth. Capital expenditure is different from revenue expenditure in the sense that it creates assets such as roads, rails, ports, and digital infrastructure, which improve our productivity and lower our costs of doing business.

In comparison to the previous budget, the commitment towards a growth strategy centered around infrastructure development is more substantial in the budget for the year 2026-27. This is because an efficient connectivity environment is always beneficial for both the trade and manufacturing sectors as well as the services sector.

6.3 Analysis of Taxation Policy

The taxation policy is consistent in both budgets, with more focus on the simplification process rather than rate changes.

The Income Tax Act 2025, which is to be implemented from April 2026, could be considered an important reform measure. The government, by introducing the Income Tax Act 2025, aims to remove complexity, litigations, and ambiguities in the tax arena. Instead of introducing many exemptions, the government is focusing on creating a transparent tax system.

A simplified tax system benefits businesses and individuals as it lessens the cost of tax compliance and encourages voluntary compliance. The tax reforms are continued in the 2026–27 budget, which strengthens them relative to the 2025–26 budget that initiated the reforms. Likewise, indirect tax policies have been following a stable path. Custom duties have been rationalised to promote domestic manufacturing.

7. Sector-Wise Analysis

7.1 Infrastructure Sector

One of the key focus areas for budgets has continued to be infrastructure, but the 2026-27 budget takes it a step further by relating it with logistics efficiency and industrial growth. More money has been allocated for transportation, railways, and connectivity initiatives that may ease supply chain bottlenecks. Compared to the 2025-26 budget, this year's budget has given more precedence to the development of trade infrastructure rather than just increasing capacity. This change is important in commerce because efficient infrastructure reduces transaction costs directly.

7.2 MSME Sector

Micro, Small, and Medium Enterprises are significant for employment generation and industrial output. In the budget for 2025-26, a greater focus was given towards providing relief to MSMEs, which had faced economic disruption.

In contrast, the 2026-2027 budget highlights growth and competitiveness considerations. For example, measures to improve access to credit, growth funds, and financial support suggest a move to long-term growth rather than short-term support.

This reflects a more mature policy approach with the understanding that MSMEs are not simply the recipients of public policy intervention, but are themselves drivers of economic growth.

7.3 Manufacturing and Industrial Development

Manufacturing policies seem to have gained more prominence in the Union Budget for the financial year 2026-27. More focus is being given to technology-driven sectors, which reflects the need for India's manufacturing growth.

Compared to the 2025-26 budget, which laid the foundation, the budget for 2026-27 has more structured and sector-centric initiatives, especially in the areas of industrial growth, employment, and exports.

8. **Impact on Trade, Commerce, and Investment**

Together, the effects of fiscal discipline, stepped-up capital expenditure, and a simplified tax system provide a favorable setting for trade. Business activities thrive in a stable environment with good infrastructure.

The short-term markets may react differently, but overall, the long-term outlook is positive. The current budget, 2026-27, compared to the last budget, presents a clearer message of continuity and growth, which is important for markets.

8.1 Comparative Interpretation

In conclusion, the comparison of the two budgets indicates that the Union Budget 2026-27 is an advancement of the framework proposed in 2025-26, improving and refining the policy initiatives.

The change in focus from recovery-oriented spending to growth-oriented investment indicates an improvement in economic conditions, as well as increased confidence in India's economic potential.

9. Conclusion of Analysis

The analysis clearly indicates that the Union Budget 2026-27 is more specialized and growth oriented when compared to the Union Budget 2025-26. By maintaining the fiscal discipline, it aids economic growth through increased capital expenditure and easier tax procedures. Looking at the budget from a commerce point of view, the budget presents favorable conditions for trade, commerce, and industry and therefore is an important step forward in the economic policy framework of the country.

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