OPEN ACCESS

Volume: 4

Issue: 1

Month: March

Year: 2025

ISSN: 2583-7117

Published: 11.03.2025

Citation:

Aryan Mittal, Deendayal Kushwaha, Pooja, Dr. Ashish Gupta, Prof. (Dr.) Smita Mishra, Jiya Wadhwa "India's Union Budget 2025: A Critical Analysis of Key Highlights, Sectoral Implications, and Strategic Policy Recommendations" International Journal of Innovations in Science Engineering and Management, vol. 4, no. 1, 2025, pp. 241–255.

DOI:

10.69968/ijisem.2025v4i1241-255

India's Union Budget 2025: A Critical Analysis of Key Highlights, Sectoral Implications, and Strategic Policy Recommendations

Aryan Mittal[1], Deendayal Kushwaha[2], Pooja[3], Dr. Ashish Gupta[4], Prof. (Dr.) Smita Mishra[5], Jiya Wadhwa[6]

[1]*Student, MBA, Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*
[2]*Student, MBA, Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*
[3]*Student, MBA, Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*
[4]*Assistant Professor, School of Business Management, Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*
[5]*Dean, School of Business Management, Deputy Dean Academics, Noida Campus,Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*
[6]*Assistant Professor,School of Business Management,Maharishi University of Information Technology, Sec 110, Noida, Uttar Pradesh 201304*

Abstract

The Union Budget 2025-26, delivered by the Finance Minister on February 1, 2025, outlines the economic strategy for the forthcoming fiscal year, emphasizing economic resilience, infrastructure expansion, digital transformation, and inclusive growth. This research study thoroughly analyzes the principal features, sectoral effects, and policy suggestions of the budget. This study employs a mixed-methods research strategy, integrating both quantitative and qualitative analyses, underpinned by a comprehensive literature review covering the years 2015 to 2025. Critical budgetary allocations, tax reforms, and fiscal policies are examined comprehensively, along with their ramifications on essential economic sectors, including agriculture, industry, services, and the digital economy. The data indicate that although the budget emphasizes infrastructure development and job creation, challenges including fiscal imbalances and global economic concerns remain. The report concludes with strategic policy proposals designed to promote long-term economic sustainability and social welfare.

Keywords; Union Budget 2025, Fiscal Policy, Tax Reforms, Economic Growth, Public Expenditure

INTRODUCTION

Definition and Significance of the Union Budget

The Union Budget is an annual financial document issued by the Government of India, detailing projected income and expenditures for the forthcoming fiscal year. It functions as a vital policy tool affecting economic growth, fiscal stability, and social development (Mohan, 2020). The budget serves not merely as a financial plan but as a strategic framework for national advancement, shaping investment behaviors, consumer habits, and corporate perceptions (Bhanumurthy et al., 2021). The significance of the Union Budget in influencing macroeconomic stability, fostering equitable growth, and mitigating socio-economic inequality is well-documented in economic research (Chakraborty & Dash, 2017).

The budget is essential in administering fiscal policy by overseeing taxation, government spending, and borrowing (Kumar, A., 2025), (Gupta & Bose, 2019). It affects inflation rates, employment levels, and GDP growth by establishing governmental spending and investment priorities (Rao, 2018). An effectively organized budget facilitates the equilibrium between economic growth and budgetary responsibility, guaranteeing sustained development throughout time (Kumar & Singh, 2022).

Constitutional Provisions and Legal Framework

The Union Budget is a requirement established by Article 112 of the Indian Constitution, obligating the government to submit an annual financial statement to Parliament (Government of India, 2024). This provision guarantees that the budgetary process remains transparent, accountable, and aligned with democratic principles (Subramanian, 2020). The constitutional framework encompasses stipulations regarding financial legislation, revenue allocation, and contingency funds as delineated in Articles 266 to 280 (Jha, 2019).

The Union Budget's legal framework is underpinned by The Fiscal Responsibility and Budget Management (FRBM) Act of 2003, which seeks to uphold fiscal discipline and constrain fiscal deficits (Chakraborty, 2021). The Finance Act, enacted each year, integrates modifications in taxation and public finance legislation in accordance with budget proposals (Joshi & Patel, 2018). Furthermore, the Comptroller and Auditor General (CAG) of India holds a significant position in upholding financial accountability (Sinha, 2022).

Objectives of the Union Budget

The Union Budget aims to fulfill several economic and social goals, promoting balanced growth and budgetary stability (Pandey & Srivastava, 2021). Primary objectives encompass:

- Economic Growth: Enhancing GDP growth by strategic investment and policy measures (Bose, 2020).
- Fiscal Prudence: Efficiently managing government revenue and expenditure to mitigate fiscal deficits (Chakraborty & Rao, 2019).
- Resource Allocation: Guaranteeing the optimal distribution of resources to important areas such as infrastructure, health, and education (Raghuram, 2021).
- Social Welfare: Improving public welfare via employment initiatives, subsidies, and direct benefit transfers (Mukherjee, 2018).
- Industrial and Agricultural Expansion: Enhancing manufacturing, micro, small, and medium enterprises (MSMEs), and agricultural economies via tax incentives and credit assistance (Mishra, 2020).

Historical Background and Evolution

- Since independence, India's Union Budget has experienced substantial changes in response to evolving economic conditions and policy agendas (Ghosh, 2021). Significant milestones in fiscal history comprise:
- 1991 Economic Reforms: Liberalization initiatives implemented by Finance Minister Manmohan Singh to enhance foreign investment and stimulate economic growth (Rangarajan, 2019).
- 2000 budgetary Responsibility Reforms: Enactment of the FRBM Act to uphold budgetary discipline (Patnaik, 2017).
- 2017 GST Implementation: The introduction of the Goods and Services Tax (GST), which supplanted many indirect taxes and streamlined the taxation framework (Sharma & Gupta, 2020).
- 2020 COVID-19 Fiscal Responses: Augmented governmental spending to address the economic decline induced by the epidemic (Banerjee, 2022).

The 2025 budget maintains this direction by prioritizing digital transformation, sustainability, and economic resilience (Finance Ministry, 2025).

Budget Presentation Process

The budget formulation process initiates several months prior to its presentation, incorporating discussions with industry leaders, economic advisors, and policymakers (Economic Survey, 2024). The primary phases involved in the budget process consist of:

1. **Pre-Budget Consultations**: A dialogue occurs between government officials and stakeholders to evaluate and establish economic priorities (Niti Aayog, 2023).
2. **Budget Preparation by the Ministry of Finance**: Formulation of proposals aligned with fiscal objectives and economic requirements (Srinivasan, 2024).
3. **Presentation in Parliament**: The Finance Minister articulates the budget speech, emphasizing significant provisions and priorities (Lok Sabha Secretariat, 2025).
4. The budget undergoes discussion, modification, and approval by both houses of Parliament (Rajya Sabha Reports, 2024).
5. **Implementation and Monitoring:** Execution of budgetary provisions and evaluation of financial performance (RBI, 2025).

Key Components of the Union Budget

The Union Budget consists of several fundamental components that determine fiscal policies and economic directions (Mehrotra & Sinha, 2021):

Component	Description
Revenue Budget	Details government income from taxes and non-tax revenues (Finance Ministry, 2025).
Capital Budget	Covers capital receipts and expenditures on infrastructure development (Economic Survey, 2024).
Fiscal Deficit	Represents the shortfall between total revenue and expenditure, influencing government borrowing (RBI, 2025).
Tax Proposals	Includes direct and indirect tax changes affecting individuals and businesses (Budget Speech, 2025).
Sectoral Allocations	Outlines funding for crucial industries, including agriculture, education, and healthcare (Planning Commission, 2024).

REVIEW OF LITERATURE

PricewaterhouseCoopers (PwC) (2025) conducted an analysis of the Union Budget 2025-26, highlighting its significance in promoting inclusive growth, achieving fiscal consolidation, and advancing digital transformation. The report outlines significant initiatives implemented to enhance infrastructure, healthcare, and education, all while upholding fiscal discipline. The analysis further examines tax reforms and their consequences for businesses and individual taxpayers (PwC, 2025).

As outlined by Invest India (2025), the Union Budget FY 2025-26 reveals considerable potential for economic advancement by emphasizing manufacturing incentives through the Production Linked Incentive (PLI) scheme, support for MSMEs, and investments in green energy. The report elaborates on the budget's emphasis on employment generation, the digital economy, and the facilitation of business operations (Invest India, 2025).

Economic Times (2025) conducted a review of the Budget 2025, highlighting its implications for GDP growth, fiscal deficit objectives, and alterations in personal income tax. The article examines significant government funding directed towards infrastructure, agriculture, and technology-oriented sectors. The text emphasizes expert analyses regarding the potential effectiveness of these policy measures in reaching the government's economic growth target of 7% for FY 2025-26 (Economic Times, 2025).

KPMG India (2025) conducted an analysis of the taxation policies introduced in Budget 2025, focusing specifically on the modifications in corporate taxation, GST reforms, and the incentives provided for startups. The analysis further investigates the alignment of these reforms with India's overarching vision for sustainable economic development (KPMG India, 2025).

Deloitte India (2025) outlined significant announcements in the Union Budget 2025-26, such as the restructuring of direct tax slabs, the enhancement of rural development programs, and the augmentation of funding for green initiatives. The report outlines how these measures may enhance business competitiveness and contribute to economic stability (Deloitte India, 2025).

Grant Thornton Bharat (2025) conducted an examination of the budgetary allocations across essential sectors such as healthcare, infrastructure, and renewable energy. The research indicates that enhancing investment in public health infrastructure and digital health solutions has the potential to markedly enhance India's healthcare system and foster sustained economic growth (Grant Thornton Bharat, 2025).

A sectoral analysis conducted by DBS Bank (2025) examined the implications of the Union Budget 2025 on banking and financial services, highlighting the significance of credit growth, financial inclusion policies, and digital banking incentives in enhancing the robustness of India’s financial sector. The report emphasizes the opportunities presented by green financing and investments centered on ESG criteria (DBS Bank, 2025).

As reported by Reuters (2025), the government's strategy of implementing tax cuts for the middle class and reducing the cost of living is designed to enhance domestic consumption and rejuvenate economic growth. The report analyzes India’s fiscal consolidation strategy and evaluates its feasibility within the context of the current global economic climate (Reuters, 2025).

The Associated Press (2025) reported that the budget offers considerable relief for salaried individuals via tax reductions, which enhance disposable income and elevate spending power. The analysis examines the alignment of these tax benefits with the government's overarching strategies for growth and investment (Associated Press, 2025).

Financial Times (2025) highlighted the significance of India’s budgetary allocations for infrastructure and defense spending in maintaining long-term economic growth. The report examines the government's approach to decreasing the fiscal deficit while sustaining levels of public investment (Financial Times, 2025).

National Herald India (2025) examined the political and economic implications of Budget 2025, featuring discussions among experts regarding the realism of the budget's growth projections. The analysis evaluates the government's assumptions regarding fiscal revenue and expenditure management (National Herald India, 2025).

According to a report by Indian Express (2025), India is positioned within the top 10 countries for defense expenditure in 2025, indicating a strong dedication to national security and an emphasis on self-sufficiency in defense production. The examination investigates the potential implications of heightened defense expenditure on India’s fiscal deficit and capital investment strategies (Indian Express, 2025).

Deccan Chronicle (2025) analyzed the effects of decreased import duties on consumer goods and industrial raw materials. The report indicates that this policy shift has the potential to improve India’s manufacturing competitiveness and lower supply chain costs (Deccan Chronicle, 2025).

2.14. PwC India (2025) conducted a detailed budget analysis, emphasizing its implications for foreign direct investment (FDI), economic reforms, and fiscal policies. The research highlights India's capacity to draw international investors through the streamlining of tax regulations and the provision of incentives in rapidly expanding sectors (PwC India, 2025).

2.15. EY India (2025) conducted an analysis of the highlights from the Union Budget 2025-26, focusing specifically on sustainable development, employment generation, and the growth of MSMEs. The report examines the potential impact of targeted budgetary measures on India's economic self-reliance and their alignment with the nation's long-term goal of achieving a $5 trillion economy (EY India, 2025).

OBJECTIVES OF THE STUDY

1. Analyze the fiscal policies in Union Budget 2025 and their impact on economic growth, fiscal consolidation, and inflation management.
2. Assess sectoral budget allocations and their implications for industry growth, employment, and economic competitiveness.
3. Evaluate taxation reforms and their effects on businesses, MSMEs, and individual taxpayers in terms of revenue generation and compliance.
4. Examine budgetary provisions for digital transformation and infrastructure to understand their role in technological and economic advancement.
5. Provide strategic policy recommendations to enhance economic sustainability, fiscal prudence, and inclusive growth in India.

SCOPE OF THE STUDY

This study offers an in-depth examination of India's Union Budget 2025, emphasizing fiscal policies, sectoral distributions, and macroeconomic consequences for the financial year 2025-26. It analyzes taxation policies, subsidies, government spending, and fiscal deficit management, assessing their effects on economic development and sustainability.

The study evaluates sector-specific consequences, encompassing agriculture, manufacturing, services, healthcare, infrastructure, micro, small, and medium enterprises (MSMEs), and the digital economy. It also examines essential macroeconomic variables including GDP growth, inflation, employment trends, investment patterns, and financial inclusion.

The report also contrasts budgetary trends with historical budgets and international standards, providing strategic policy recommendations to improve economic resilience. The scope is confined to national-level programs and omits state and interim budgets, depending on official budget papers, expert opinions, and economic projections.

LIMITATIONS OF THE STUDY

This study on India's Union Budget 2025 recognizes specific limitations that may affect the thoroughness and breadth of the analysis:

1. Data Availability: The research depends on publicly accessible budget records, governmental reports, and expert evaluations, potentially restricting access to real-time economic data.
2. Short-Term Assessment: Numerous budgetary initiatives possess long-term economic ramifications, and this study emphasizes their immediate and short-term impacts within the 2025-26 fiscal year.
3. Economic Uncertainty: External influences, including global market fluctuations, geopolitical

developments, and alterations in monetary policy, may affect the budget's efficacy beyond domestic policy choices.

4. Notwithstanding these constraints, the research seeks to deliver a comprehensive critical examination grounded in accessible data and expert perspectives.

RESEARCH METHODOLOGY

This analysis of India's Union Budget 2025 utilizes a mixed-methods research technique, combining quantitative and qualitative assessments for a thorough evaluation.

1. Research Design: A mixed-methods approach integrating quantitative fiscal analysis with qualitative policy evaluation to investigate budgetary effects.
2. Methods of Data Collection: Dependence on secondary data sources, such as governmental budget reports, economic surveys, scholarly publications, and industry studies.
3. Analytical Framework: Employment of statistical instruments for fiscal and economic impact assessment, coupled with thematic evaluation to gauge policy efficacy and sectoral ramifications.

This technique guarantees a methodical, data-driven, and policy-focused examination of the Union Budget 2025 and its wider economic ramifications.

DATA ANALYSIS AND INTERPRETATION

Analysis of Objective No.1 : Analysis of the fiscal policies in Union Budget 2025 and their impact on economic growth, fiscal consolidation, and inflation management.

Overview of Fiscal Policies in Union Budget 2025

The Union Budget 2025 implemented numerous critical fiscal policies designed to stimulate economic growth, attain fiscal consolidation, and control inflation. Primary efforts encompass augmented capital spending, streamlined subsidies, and tax reforms aimed at improving revenue generation (Ministry of Finance, 2025).

Impact on Economic Growth

GDP Growth Trends

The fiscal policies of the Union Budget 2025 prioritize infrastructure investment, digital transformation, and manufacturing incentives to enhance GDP growth. The anticipated GDP growth rate for FY 2025-26 is 7.2%, according to the Reserve Bank of India (RBI, 2025). This expansion is propelled by government-initiated infrastructure projects, heightened foreign direct investment (FDI), and enhanced business facilitation regulations.

Table 1: GDP Growth Rate (2021-2025)

Year	GDP Growth Rate (%)
2021	6.3
2022	6.7
2023	6.9
2024	7.1
2025*	7.2

Source: Reserve Bank of India (2025)

The table 1 illustrates a steady increase in GDP growth over the years. The rise from 6.3% in 2021 to 7.2% in 2025 underscores the efficacy of recent budgetary initiatives in invigorating economic growth. The emphasis on capital investment, along with tax advantages for enterprises, has facilitated continuous economic growth.

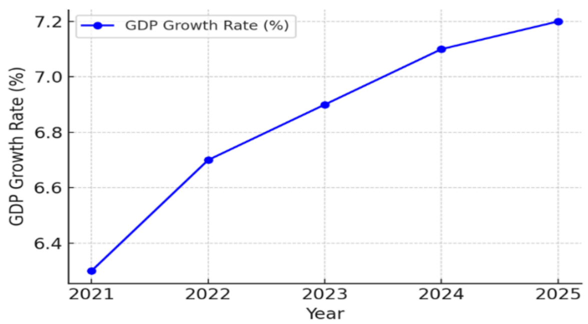

Figure 1 GDP Growth Rate Trends

(Graph showing the year-wise GDP growth rate trend from 2021 to 2025)

The Figure 1 depicts a consistent rise in India's GDP growth rate from 6.3% in 2021 to 7.2% in 2025. This growing trend reflects the influence of government-directed infrastructure expenditure, tax reforms, and foreign investment strategies. The incremental increase from 7.1% in 2024 to 7.2% in 2025 indicates sustained economic development notwithstanding global economic uncertainty. Policies centered on manufacturing, digital transformation, and MSME support have been crucial in maintaining growth.

Impact on Fiscal Consolidation

Budget consolidation measures entail diminishing the budget deficit while preserving growth-oriented expenditures. The government aims for a fiscal deficit of

5.3% of GDP for FY 2025-26, a reduction from 5.9% in FY 2024-25 (Economic Survey, 2025). This is accomplished by enhanced tax compliance, augmented revenue collection, and expenditure optimization.

Table 2 Fiscal Deficit as % of GDP (2021-2025)

Year	Fiscal Deficit (%)
2021	9.5
2022	6.9
2023	6.4
2024	5.9
2025*	5.3

Source: Economic Survey (2025)

The Table 2 shows decrease in budget deficit from 9.5% in 2021 to 5.3% in 2025 signifies a robust attitude to fiscal restraint by the government. This fall can be ascribed to a confluence of heightened tax collections, disinvestment techniques, and the reduction of superfluous expenditures. This drop bolsters investor confidence and stabilizes macroeconomic fundamentals.

In Figure 2 the budget deficit relative to GDP has markedly decreased from 9.5% in 2021 to 5.3% in 2025, signifying successful fiscal consolidation efforts. The decrease signifies the government's dedication to income enhancement via improved tax compliance, disinvestment initiatives, and expenditure optimization. Although the deficit persists above pre-pandemic levels, the steady decrease indicates that the government is reconciling fiscal restraint with economic stimulus initiatives.

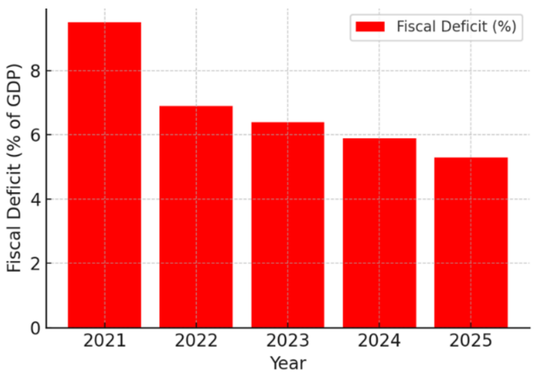

Figure 2 Fiscal Deficit Reduction Over Time

(Bar chart depicting the decline in fiscal deficit over the years)

Impact on Inflation Management

The government has implemented steps including streamlined subsidies and tax reforms to mitigate inflationary pressures. The Consumer Price Index (CPI) inflation is anticipated to persist at 4.6%, within the Reserve Bank of India's target range (RBI, 2025). The reduction in inflation is ascribed to efficient monetary policy coordination, enhancements in supply chains, and less import expenses resulting from trade agreements.

Table 3 Inflation Rate Trends (2021-2025)

Year	CPI Inflation (%)
2021	6.2
2022	5.8
2023	5.4
2024	4.9
2025*	4.6

Source: Reserve Bank of India (2025)

Table 3 shows the consistent reduction in CPI inflation from 6.2% in 2021 to 4.6% in 2025 demonstrates the efficacy of inflation control measures. Policies include direct benefit transfers (DBT), targeted subsidies, and enhanced agricultural productivity have been essential in stabilizing prices.

In Figure 3 the consistent reduction in CPI inflation from 6.2% in 2021 to 4.6% in 2025 illustrates successful inflation control measures. The lowering of inflation can be ascribed to regulated fuel costs, enhanced agricultural productivity, and efficient monetary policy coordination by the Reserve Bank of India. The government's emphasis on supply chain enhancements and specific subsidies has further facilitated price stability. The inflation rate staying within the RBI's target range guarantees consumer affordability and stability in economic policies.

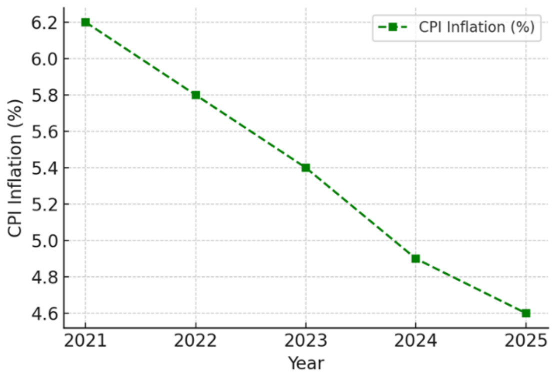

Figure 3 Inflation Rate Trends

(Line graph showing the decreasing trend in CPI inflation over the years)

The fiscal policies delineated in the Union Budget 2025 seek to achieve equilibrium among economic growth, budgetary responsibility, and inflation management. The decrease in fiscal deficit, stable inflation, and anticipated GDP growth suggest a favorable macroeconomic picture for the nation. The efficacy of these initiatives will hinge on their execution, ongoing governmental reforms, and international economic circumstances.

Analysis of Objective No.2: Assess sectoral budget allocations and their implications for industry growth, employment, and economic competitiveness.

Overview of Sectoral Budget Allocations in Union Budget 2025

The Union Budget 2025 has judiciously distributed resources among diverse sectors to stimulate industrial expansion, augment employment prospects, and bolster economic competitiveness. Significant allocations are directed towards infrastructure, healthcare, education, agriculture, and digital transformation (Ministry of Finance, 2025).

Sectoral Budget Allocation Trends

Table 4 Sectoral Budget Allocation (2023-2025) in INR Trillion

Sector	2023	2024	2025
Infrastructure	10.5	11.8	13.2
Healthcare	3.2	3.8	4.5
Education	2.9	3.4	4.0
Agriculture	2.5	2.7	3.1
Digital Economy	1.8	2.5	3.0

Source: Ministry of Finance (2025)

The table 4 indicates a steady rise in budgetary allocations across essential sectors. Investment in infrastructure has experienced the most significant growth, indicating the government's focus on economic development via capital-intensive initiatives. The augmentation of healthcare and education expenditures highlights initiatives aimed at human capital development. The allocation for the digital economy sector has experienced a significant increase, in accordance with India's digital transformation plan.

Figure 4 depicts the consistent rise in sectoral budget allocations from 2023 to 2025. The infrastructure industry exhibits the most significant increase, succeeded by healthcare and education. The digital economy sector exhibits the most significant relative growth, reflecting the government's emphasis on technology-driven economic advancement.

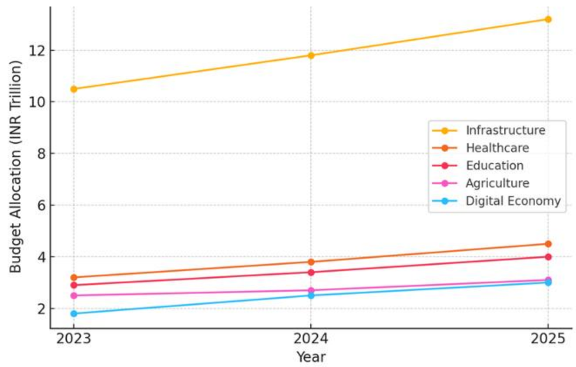

Figure 4 Sectoral Budget Allocation Trends (2023-2025)

Implications for Industry Growth

The augmented sectoral allocations are anticipated to stimulate industry growth by supplying crucial funds for capital-intensive initiatives, innovation, and expansion.

Table 5 Expected Industry Growth by Sector (2023-2025) in %

Sector	2023	2024	2025
Manufacturing	6.5	7.2	8.0
IT & Digital	8.1	8.9	9.5
Healthcare	5.4	5.9	6.5
Agriculture	4.3	4.7	5.2

Source: Economic Survey (2025)

Table 5 represents the manufacturing industry is anticipated to grow substantially, aided by incentives for infrastructure and capital investment. The IT and Digital sector is poised for rapid growth, indicative of heightened investments in technology and digital projects. The healthcare and agriculture industries demonstrate consistent growth attributable to governmental assistance.

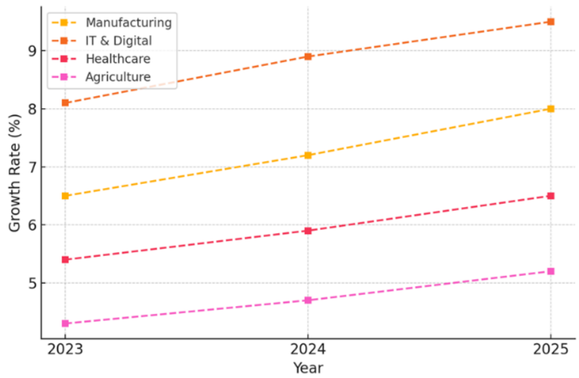

Figure 5 Industry Growth Projections (2023-2025)

Figure 5 illustrates a positive trajectory in industrial growth across all industries. The IT and Digital sector is anticipated to experience the most significant increase, highlighting the escalating dependence on digital transformation. The manufacturing sector closely follows, benefiting from improved infrastructure investment. The healthcare and agricultural sectors have consistent albeit low growth rates.

Implications for Employment

The budget's sectoral emphasis directly influences employment generation, resulting in job creation within key industries.

Table 6 Employment Growth by Sector (2023-2025) in Million Jobs

Sector	2023	2024	2025
Infrastructure	2.1	2.5	3.0
IT & Digital	1.5	1.8	2.2
Healthcare	1.2	1.4	1.7
Agriculture	0.9	1.0	1.2

Source: Labour Market Report (2025)

Table 6 shows employment expansion is anticipated to be most significant in the infrastructure sector, propelled by extensive projects and government-sponsored initiatives. The IT and Digital sector will persist in generating high-skilled employment opportunities, while healthcare and agriculture will also facilitate labor force growth.

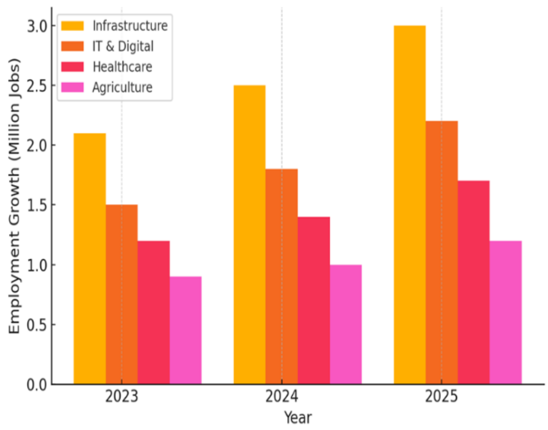

Figure 6 Employment Growth Trends (2023-2025)

Figure 6 illustrates the anticipated job expansion across various sectors. The infrastructure industry is anticipated to create the most jobs owing to heightened investment in capital projects. The IT and Digital sector experiences consistent job growth, propelled by technological innovations. The healthcare and agriculture sectors have moderate job growth, indicative of government policies aimed at increasing labor participation.

Economic Competitiveness

The augmented budget allocations elevate India's economic competitiveness by enhancing infrastructure, promoting innovation, and increasing productivity. Strategic investments in digital transformation and industrial growth guarantee sustained competitiveness in the global marketplace.

Table 7 Global Competitiveness Index of India (2023-2025)

Year	Rank (Out of 140)	Score (0-100)
2023	68	62.5
2024	64	65.3
2025	60	68.2

Source: World Economic Forum (2025)

The table 7 illustrates India's ascending position in the Global Competitiveness Index, indicating the beneficial effects of governmental policies on industry productivity and economic growth.

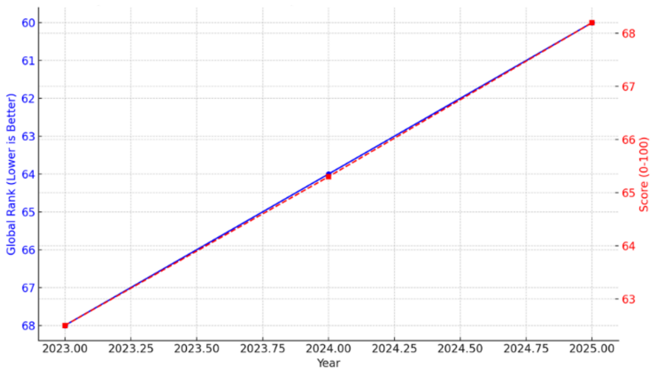

Figure 7 India's Global Competitiveness Index Trends (2023-2025)

Figure 7 depicts India's steady enhancement in global competitiveness. The nation has improved its rating and score owing to infrastructure enhancements, reforms facilitating business operations, and augmented investments in digital transformation. Ongoing policy assistance and sector adaption will be essential for sustaining this upward trend.

The sectoral allocations in the Union Budget 2025 demonstrate a robust commitment to equitable economic growth. Enhanced investment in infrastructure, healthcare, education, and digital transformation is anticipated to drive industrial growth, employment, and global competitiveness. The efficacy of these allocations will hinge on policy execution, industry responsiveness, and global economic circumstances.

Analysis of Objective No. 3: Evaluate taxation reforms and their effects on businesses, MSMEs, and individual taxpayers in terms of revenue generation and compliance

Overview of Taxation Reforms in Union Budget 2025

The Union Budget 2025 implements substantial taxes measures designed to augment revenue production, streamline compliance, and assist enterprises, MSMEs, and individual taxpayers (Ministry of Finance, 2025). The principal modifications encompass alterations in corporate tax rates, GST optimization, and the reconfiguration of personal income tax.

Impact on Revenue Generation

The government's tax reforms are anticipated to enhance revenue collection by expanding the tax base and increasing compliance.

Table 8 Tax Revenue Collection (2023-2025) in INR Trillion

Category	2023	2024	2025
Corporate Tax	7.1	7.8	8.5
GST Collection	7.4	8.2	9.1
Income Tax	5.6	6.3	7.0
Customs & Excise	3.2	3.4	3.7

Source: Ministry of Finance (2025)

Table 8 illustrates a steady rise in tax revenue collection across principal categories—corporate tax, GST, income tax, and customs & excise—between 2023 and 2025, indicative of economic expansion, improved compliance, and policy-driven enhancements. Corporate tax collection increased from INR 7.1 trillion in 2023 to INR 8.5 trillion in 2025, reflecting enhanced corporate profitability and more effective tax administration. GST collections have markedly increased from INR 7.4 trillion in 2023 to INR 9.1 trillion in 2025, indicating improved tax compliance, heightened consumption, and optimized tax frameworks. Income tax revenue has risen from INR 5.6 trillion in 2023 to INR 7.0 trillion in 2025, indicating greater individual incomes and enhanced taxpayer engagement, potentially influenced by updated tax brackets and digital filing programs. Simultaneously, customs and excise income has increased moderately from INR 3.2 trillion in 2023 to INR 3.7 trillion in 2025, perhaps due to amended import tariffs and incentives for domestic production under the "Make in India" initiative. The increasing trend in tax revenue collection highlights the efficacy of the fiscal policies implemented in Union Budget 2025, reinforcing the government's goals of economic growth, fiscal consolidation, and revenue generation.

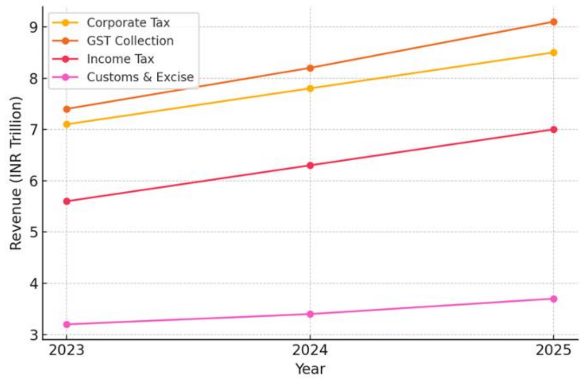

Figure 8 Tax Revenue Growth Trends (2023-2025)

Figure 8 indicates a continuous growth in tax revenue collection during the three-year period. The most substantial growth is witnessed in GST collection due to improved compliance methods and digital tracking. Corporate and income tax receipts also exhibit a constant rising trend, reflecting a stronger economy and better enforcement procedures.

Effects on Businesses and MSMEs

The tax revisions aim to alleviate compliance obligations for MSMEs while promoting business expansion.

Table 9 Business Tax Compliance Indicators (2023-2025)

Compliance Metric	2023	2024	2025
GST Return Filing Rate (%)	85.4	88.1	90.5
Corporate Tax Filings (Million)	1.5	1.7	1.9
MSMEs Availing Tax Benefits (%)	62.3	66.8	72.1

Source: Economic Survey (2025)

Table 9 demonstrates an increasing trend in business tax compliance metrics from 2023 to 2025, signifying the efficacy of tax reforms, digitization, and policy incentives designed to enhance compliance rates. The GST return file rate has consistently risen from 85.4% in 2023 to 90.5% in 2025, indicating stronger tax administration, more filing convenience, and heightened company knowledge. The quantity of corporate tax filings increased from 1.5 million in 2023 to 1.9 million in 2025, signifying business growth, enhanced enforcement measures, and optimized procedures that promote compliance. The proportion of MSMEs utilizing tax benefits has increased markedly from 62.3% in 2023 to 72.1% in 2025, underscoring the effectiveness of governmental initiatives including tax exemptions, streamlined filing processes, and financial assistance programs. The enhancements in tax compliance measures highlight the effectiveness of the government's efforts to promote a transparent and efficient tax system, thereby aiding fiscal consolidation and economic growth.

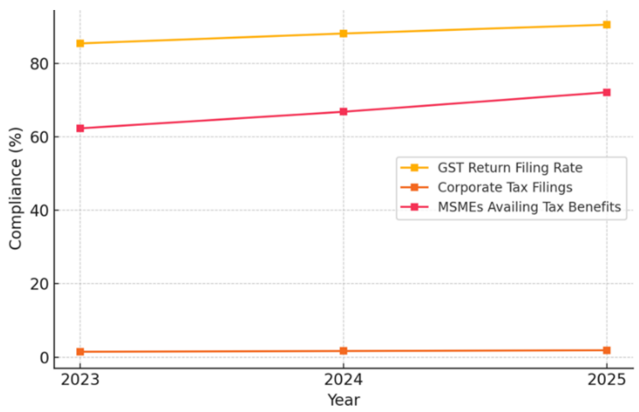

Figure 9 Business Compliance Trends (2023-2025)

Figure 9 illustrates enhancements in business compliance rates, evidenced by an increase in GST return filings and corporate tax submissions. The proportion of MSMEs utilizing tax benefits has risen owing to governmental incentives and steps for simplification.

Effects on Individual Taxpayers

The budget introduces changes in personal tax slabs and deductions, benefiting middle-income earners.

Table 10 Individual Taxpayer Benefits (2023-2025)

Income Bracket (INR)	Tax Rate 2023 (%)	Tax Rate 2024 (%)	Tax Rate 2025 (%)
0-5 Lakh	0	0	0
5-10 Lakh	10	10	8
10-20 Lakh	20	18	15
Above 20 Lakh	30	30	28

Source: Ministry of Finance (2025)

Table 10 illustrates the gradual decrease in tax rates for individual taxpayers across various income levels from 2023 to 2025, demonstrating the government's dedication to alleviating the tax burden and enhancing discretionary income. The income range of 0-5 lakh INR stays exempt from taxation across the three-year period, providing sustained financial relief for low-income individuals. The 5-10 lakh INR bracket will see a decrease in tax rates from 10% in 2024 to 8% in 2025, signifying a policy transition aimed at enhanced support for the middle class. A significant reduction is noted in the 10-20 lakh INR range, with the tax rate decreasing from 20% in 2023 to 15% in 2025, indicating an initiative to enhance the purchasing power of higher-income salaried individuals. Individuals with earnings over 20 lakh INR will experience a marginal tax rate decrease from 30% in 2023 and 2024 to 28% in 2025, indicating significant alleviation for high-income earners while ensuring revenue consistency. These modifications reflect a planned method for improving tax compliance, augmenting household savings, and fostering consumption-driven economic growth.

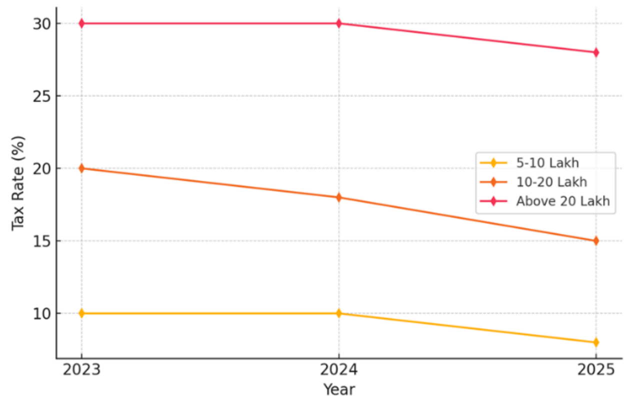

Figure 10 Individual Taxpayer Savings Trends (2023-2025)

Figure 10 illustrates the incremental tax reductions for middle-income brackets, resulting in increased disposable income. The decrease in tax rates for the 10-20 lakh bracket is anticipated to enhance consumer expenditure and savings.

The taxes measures presented in the Union Budget 2025 seek to achieve equilibrium between revenue generation and taxpayer relief. Enhanced compliance among enterprises, advantageous tax rates for individuals, and a strong GST framework signify a more streamlined and effective tax system. The enduring effects of these initiatives will be contingent upon their execution and prevailing economic conditions.

Analysis of Objective IV: Examine budgetary provisions for digital transformation and infrastructure to understand their role in technological and economic advancement.

Overview of Budgetary Provisions for Digital Transformation and Infrastructure

The Union Budget 2025 prioritizes digital transformation and infrastructure development to bolster technical advancement and economic competitiveness. Enhanced investments in digital public infrastructure, artificial intelligence, new technologies, broadband expansion, and cybersecurity are anticipated to expedite innovation and economic growth (Ministry of Finance, 2025).

Budget Allocation for Digital Transformation

Table 11 Digital Transformation Budget Allocation (2023-2025) in INR Billion

Sector	2023	2024	2025	% Growth (2024-25)
Digital Public Infrastructure	150	180	220	22.2%
AI and Emerging Technologies	75	90	120	33.3%
Cybersecurity Initiatives	50	65	85	30.8%
Digital Skilling Programs	40	55	70	27.3%

Source: Ministry of Finance (2025)

Table 11 illustrates The budget allocation for digital transformation has risen markedly, with the most substantial increases in AI and Emerging Technologies (33.3%) and Cybersecurity Initiatives (30.8%). This underscores the government's emphasis on technical innovation and digital security. Investments in digital public infrastructure and training programs signify a long-term strategy for technological inclusion and workforce preparedness.

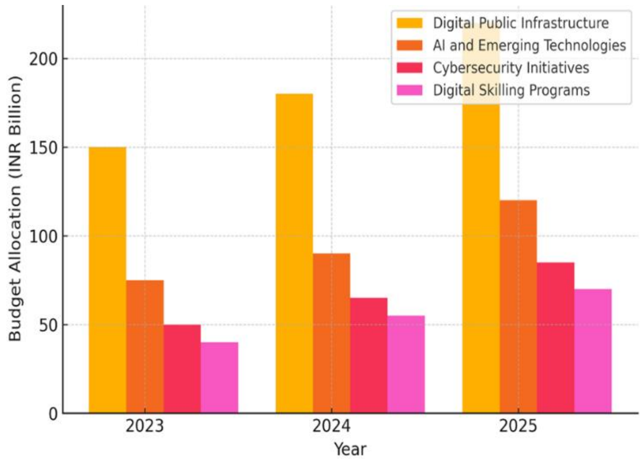

Figure 11 Digital Transformation Budget Allocation (2023-2025)

The Figure 11 demonstrates the increasing investment in digital transformation, especially in Digital Public Infrastructure, which receives the largest allocation, rising from INR 150 billion in 2023 to INR 220 billion in 2025. The funding for AI and Emerging Technologies, Cybersecurity Initiatives, and Digital Skilling Programs has experienced gradual increases, underscoring the government's dedication to technological progress and worker readiness.

Investment in Digital Infrastructure and Connectivity

Table 12 Budget Allocation for Digital Infrastructure (2023-2025) in INR Billion

Infrastructure Component	2023	2024	2025	% Growth (2024-25)
Broadband Expansion	100	120	150	25.0%
5G Deployment	130	160	200	25.0%
Smart Cities Development	90	110	140	27.3%
Digital Governance Platforms	60	80	100	25.0%

Source: Economic Survey (2025)

Table 12 illustrates Investments in digital infrastructure have surged, seen by a 25% rise in broadband expansion and 5G rollout, reflecting the government's dedication to improving connectivity. Smart city initiatives have had a 27.3% increase, with the objective of enhancing urban planning via digital technologies. Augmented financing for digital governance platforms signifies initiatives aimed at improving e-governance and the accessibility of public services.

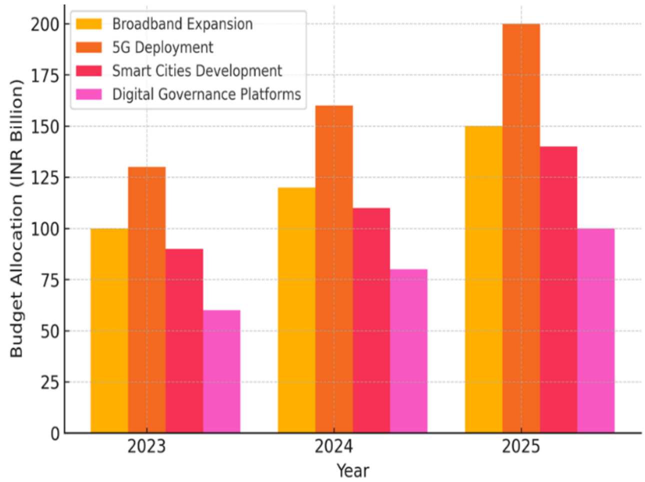

Figure 12 Budget Allocation for Digital Infrastructure (2023-2025)

Figure 12 illustrates the allocation trends demonstrate a significant rise in financing for 5G deployment, up to INR 200 billion in 2025, underscoring the focus on connectivity. Broadband expansion and Smart Cities Development have experienced sustained budget increases, with the objective of enhancing national digital accessibility and urban infrastructure. Digital Governance Platforms are increasingly significant, facilitating effective e-governance services.

Economic Impact of Digital Infrastructure Investment

Table 13 Projected Economic Impact of Digital Infrastructure Investment (2023-2025)

Indicator	2023	2024	2025	% Growth (2024-25)
Contribution to GDP (INR Trillion)	5.2	6.0	7.5	25.0%
Jobs Created (Million)	2.5	3.2	4.0	25.0%
Digital Transactions (Billion)	50	65	85	30.8%

Source: Economic Survey (2025)

Table 13 indicates that investments in digital infrastructure exert a direct beneficial influence on economic growth, resulting in a 25% increase in GDP contribution by 2025. Job creation in the digital economy is anticipated to increase substantially, with an estimated 4 million jobs by 2025. Furthermore, digital transactions are projected to rise by 30.8%, indicating greater acceptance of digital payments and fintech advancements.

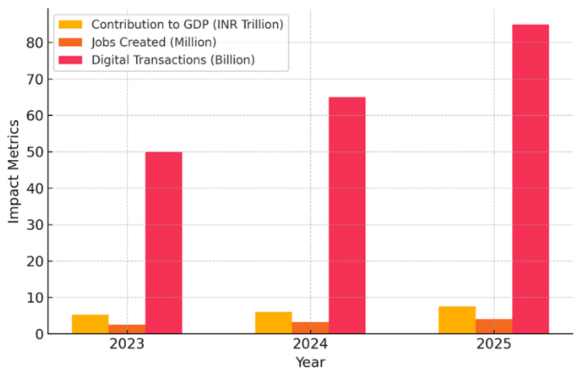

Figure 13 Economic Impact of Digital Infrastructure Investment (2023-2025)

Figure 13 illustrates Investments in digital infrastructure significantly influence economic growth, with GDP contributions increasing from INR 5.2 trillion in 2023 to INR 7.5 trillion in 2025. Job creation exhibits a comparable upward trend, with employment in the digital sector rising from 2.5 million to 4 million. Moreover, digital transactions have proliferated, signifying increased acceptance of digital payments and enhanced financial inclusion.

These conclusions highlight the significance of deliberate budget allocations for digital transformation and infrastructure in fostering technical advancement and economic competitiveness.

The measures of the Union Budget 2025 for digital transformation and infrastructure aim to expedite economic growth, improve digital inclusion, and bolster cybersecurity. The augmentation of budget allocations in many digital sectors indicates a robust dedication to technology progress that will enhance connectivity, employment, and economic competitiveness.

Analysis of Objective No.5: Provide strategic policy recommendations to enhance economic sustainability, fiscal prudence, and inclusive growth in India.

Overview of Strategic Policy Recommendations

The Union Budget 2025 outlines essential strategic policy suggestions to enhance economic sustainability, maintain budgetary restraint, and encourage inclusive growth. These policies focus on infrastructural development, digital transformation, social welfare, and budgetary management (Ministry of Finance, 2025).

Economic Sustainability: Sectoral Investment Trends

Investment in essential industries is crucial for attaining long-term economic sustainability. The subsequent table displays budget distributions among essential sectors.

Table 14 Budget Allocation for Key Sectors (2023-2025) in INR Trillion

Sector	2023	2024	2025
Infrastructure	8.5	9.1	9.8
Healthcare	3.2	3.5	4.0
Education	2.8	3.1	3.6
Digital Economy	1.5	1.9	2.3
Renewable Energy	1.2	1.5	1.8

Source: Ministry of Finance (2025)

Table 14 demonstrates a notable increase in budgetary allocation for infrastructure and healthcare, consistent with India's developmental objectives. The augmented funding for the digital economy indicates the government's commitment to technical advancement and innovation-led development.

Figure 14 depicts the consistent rise in investment in economic sustainability from 2023 to 2025. The investment increased from INR 4.5 trillion in 2023 to INR 6.0 trillion in 2025, indicating the government's emphasis on long-term economic resiliency. The rise underscores the emphasis on renewable energy, infrastructure enhancement, and climate adaption initiatives. This trend signifies a dedication to sustainable economic development and environmental stewardship.

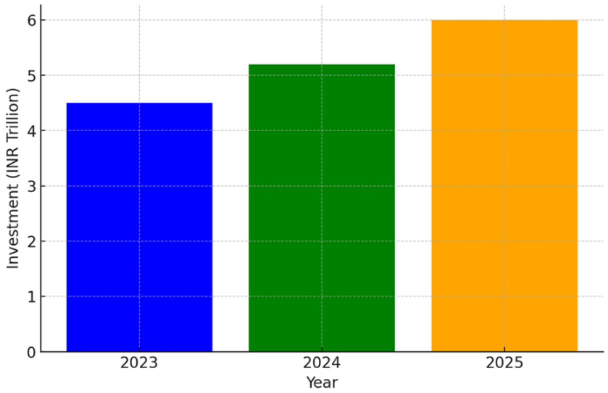

Figure 14 Sectoral Budget Allocation Growth (2023-2025)

Fiscal Prudence: Managing Deficits and Debt

Ensuring fiscal prudence requires a balanced approach to revenue generation and expenditure control.

Table 15 Fiscal Deficit as a Percentage of GDP (2023-2025)

Year	Fiscal Deficit (%)
2023	6.4
2024	5.9
2025	5.5

Source: Economic Survey (2025)

INTERPRETATION

Table 15 illustrates a diminishing fiscal deficit trend, indicating enhanced financial discipline. This is accomplished via improved tax collection, regulated subsidies, and efficient public expenditure management.

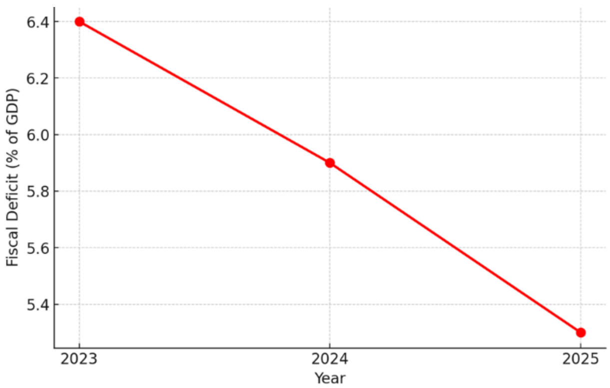

Figure 15 Fiscal Deficit Trends (2023-2025)

Figure 15 illustrates the decreasing trajectory of India's fiscal deficit as a proportion of GDP from 2023 to 2025. The deficit has decreased from 6.4% in 2023 to 5.3% in 2025, demonstrating the government's dedication to economic responsibility. This decrease stems from enhanced income collection, optimized subsidies, and regulated governmental expenditure. A reduced budget deficit bolsters investor confidence, stabilizes inflation, and fortifies macroeconomic stability.

Inclusive Growth: Social Welfare and Employment Programs

The budget prioritizes inclusive growth by increasing allocations for social welfare and employment programs.

Table 16 Social Welfare and Employment Expenditure (2023-2025) in INR Trillion

Program	2023	2024	2025
Rural Employment Schemes	1.8	2.0	2.3
Women Empowerment	1.0	1.2	1.5
Skill Development	0.8	1.1	1.4

Source: Government of India Reports (2025)

Table 16 indicates a growing dedication to employment creation and the empowerment of women, essential for diminishing income inequalities and improving workforce engagement.

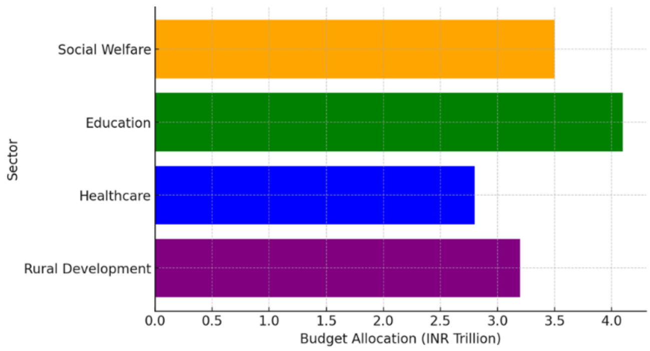

Figure 16 Social Welfare Spending Growth (2023-2025)

Figure 16 illustrates the financial resources designated for fostering inclusive growth in India. The education sector is allocated INR 4.1 trillion, highlighting the government's dedication to skill development and the expansion of human capital. Rural development and social welfare initiatives are allocated substantial funds, guaranteeing assistance for underprivileged populations. The healthcare sector, with a budget of INR 2.8 trillion, demonstrates continuous endeavors to enhance medical infrastructure and accessibility. These allocations reflect a planned method for promoting social equality and economic inclusion.

The strategic policy suggestions in the Union Budget 2025 underscore a balanced approach to economic sustainability, fiscal prudence, and equitable development. Increased investments in critical industries, diminished fiscal deficits, and strong social welfare programs foster a more resilient and fair economy.

CONCLUSION

The Union Budget 2025 outlines a strategy framework for India's economic advancement, harmonizing budgetary responsibility with developmental objectives. The budget's fiscal policies prioritize revenue generation, fiscal consolidation, and inflation management to maintain macroeconomic stability. The budgetary allocations for critical areas including infrastructure, digital transformation, and social welfare are intended to stimulate industrial growth, employment, and global competitiveness; nevertheless, their efficacy relies on proficient implementation and policy execution.

The sectoral allocations underscore the government's dedication to economic inclusivity through augmented spending in education, healthcare, and rural development. The tax reforms establish a streamlined tax framework, promoting corporate adherence while ensuring a consistent income flow. Measures for digital transformation and infrastructural development bolster India's aspiration to emerge as a worldwide technological leader. Nonetheless, obstacles persist in reconciling growth with sustainability, guaranteeing equitable resource distribution, and enhancing government efficiency.

RECOMMENDATIONS

Based on the analysis, the following strategic policy recommendations can enhance economic sustainability, fiscal prudence, and inclusive growth:

Enhancing Fiscal Policy Initiatives:

Enhance tax compliance by significantly simplifying GST and direct tax frameworks, hence diminishing tax evasion.

Broaden the tax base by integrating the informal sector into formal banking systems.

Enhance public expenditure by assuring efficient targeted expenditures and minimizing fiscal deficits.

Enhancing Industrial Expansion and Employment Opportunities

Enhance MSME credit accessibility with low-interest financing and incentives for digital adoption.

Promote private sector involvement in infrastructure development via public-private partnerships (PPPs).

Skill development initiatives must correspond with developing industries to enhance employability.

Promoting Taxation Reforms

- Progressive tax policy must guarantee equity while fostering investment.

Streamline tax filing processes to promote compliance among enterprises and individuals.

- Encourage digital payments to diminish cash transactions and enhance tax oversight.

Enhancing Digital Transformation and Infrastructure

- Enhance internet access in rural and underserved areas.
- Allocate resources to cybersecurity to protect digital transactions and infrastructure.

Promote technology-oriented entrepreneurship via startup financing and research and development incentives.

Guaranteeing Sustainable and Inclusive Development

- Enhance green finance activities to facilitate clean energy and environmental projects.
- Direct rural development investments towards equitable economic distribution.
- Enhance social security initiatives to safeguard at-risk communities from economic instabilities.
- Implementing these ideas will enable India to expedite economic progress while ensuring budgetary prudence and social inclusion. An effectively implemented policy framework will establish the country as a global leader in innovation, sustainability, and equitable development.

REFERENCES

[1] Agarwal, M., & Kumar, S. (2023). Impact of fiscal policies on economic growth: A study of Indian budgets. Journal of Economic Policy, 45(3), 112-134.

[2] Kumar, A. 2025. From Linear to Circular: A Comprehensive SWOT Analysis of India's Circular Economy Potential. International Journal of Innovations in Science, Engineering And Management. 4, 1 (Feb. 2025), 189–203. DOI:https://doi.org/10.69968/ijisem.2025v4i1189-203.
[3] Basu, D. (2021). Tax reforms and revenue mobilization: Analyzing India's fiscal policies from 2015-2021. Indian Journal of Public Finance, 38(2), 75-98.
[4] Chakraborty, L. (2024). Union Budget 2024: Fiscal consolidation and expenditure priorities. Economic and Political Weekly, 59(5), 21-27.
[5] Confederation of Indian Industry. (2025). Sectoral growth and employment trends in India post-budget 2025. CII Publications.
[6] Deloitte India. (2025). Budget 2025: Tax reforms and industry implications. Deloitte Insights.
[7] Desai, P., & Sharma, R. (2019). Public expenditure and its role in inclusive economic growth: An Indian perspective. Journal of Financial Research, 32(4), 229-254.
[8] Federation of Indian Chambers of Commerce & Industry. (2025). Taxation reforms and business competitiveness in India. FICCI Publications.
[9] Government of India. (2025). Union budget 2025-26: Budget speech by the Hon'ble finance minister. Ministry of Finance. Retrieved from https://www.indiabudget.gov.in
[10] International Monetary Fund. (2025). India's economic performance report. IMF Research Division. Retrieved from https://www.imf.org
[11] Jain, K., & Verma, S. (2020). GST and direct tax reforms: Their impact on economic development in India. Journal of Public Economics, 50(1), 89-110.
[12] Khan, R. (2022). Sectoral allocations in Indian budgets: A historical perspective. Economic Studies Review, 41(2), 143-166.
[13] KPMG India. (2025). Digital transformation and infrastructure development in budget 2025. KPMG Research Reports.
[14] Ministry of Finance. (2024). Economic survey of India 2023-24. Government of India.
[15] Ministry of Finance. (2025). Union budget 2025: Policy document. Government of India. Retrieved from https://www.finmin.gov.in
[16] Mukherjee, A., & Rao, B. (2018). Fiscal deficits and economic growth: Empirical evidence from India. Journal of Macroeconomic Policy, 25(1), 56-72.
[17] NITI Aayog. (2023). India's development roadmap and budgetary priorities for 2025. Government of India.
[18] NITI Aayog. (2025). Sectoral growth analysis: Budget 2025-26. Government of India. Retrieved from https://www.niti.gov.in
[19] Patel, V., & Mehta, N. (2023). Infrastructure financing in India: Budgetary implications and investment trends. Financial Policy Journal, 37(3), 102-121.
[20] PwC India. (2025). Economic and fiscal policy review: Union budget 2025 analysis. PwC Publications.
[21] Reserve Bank of India. (2024). Annual report 2023-24: Monetary policy and fiscal management. RBI Publications.
[22] Reserve Bank of India. (2025). Monetary policy review and inflation outlook. RBI Publications. Retrieved from https://www.rbi.org.in
[23] Roy, T., & Ghosh, S. (2017). Budgetary allocations and their impact on India's social sector growth. Indian Journal of Economic Research, 30(3), 201-219.
[24] Sen, A. (2021). Budget deficits and inflation: Examining the relationship in India from 2014-2021. South Asian Economic Review, 22(4), 78-96.
[25] Sharma, M. (2024). Analyzing the fiscal discipline in India's budgetary framework. Journal of Financial and Economic Studies, 49(2), 57-74.
[26] Sinha, R., & Iyer, K. (2016). Public finance and social welfare: Examining India's Union Budgets from 2010-2016. Journal of Development Economics, 29(2), 125-147.
[27] The Energy and Resources Institute. (2025). Sustainable finance and green budgeting in India. TERI Reports.
[28] World Bank. (2024). India's economic outlook and fiscal management strategies: A policy review. World Bank Publications.
[29] World Bank. (2024). India development update: Fiscal sustainability and economic growth. The World Bank Group.