

CONCEPT NOTE

Union Budget 2026–27

A Student-Friendly Guide

Understanding India's Economic Roadmap

Prepared for Students & Young Professionals

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Introduction

Every year, the Government of India presents its Union Budget — a detailed plan that decides how the country will earn money, spend it, and invest in the future. The Union Budget 2026–27 is a particularly important one because it lays out a bold vision for India's economic growth, job creation, and global competitiveness.

This concept note is designed to break down the key ideas in the Budget into simple, easy-to-understand language. Whether you are a student preparing for exams, an MBA learner working on coursework, or someone simply curious about how the Indian economy works — this guide is for you.

💡 Before diving into the Budget, it is important to understand some basic terms that are used repeatedly. The glossary below explains these fundamental concepts in plain language.

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Glossary of Key Terms

The following table explains the most commonly used terms in Budget discussions. Read through these before moving ahead — it will make everything else much clearer.

Term	What It Means
Union Budget	The annual financial plan presented by the Government of India to Parliament. It outlines how the government plans to earn money (revenue) and spend it (expenditure) for the coming year.
GDP (Gross Domestic Product)	The total value of all goods and services produced in a country in a given year. It is the most common way to measure the size and health of an economy.
Fiscal Deficit	The difference between how much the government spends and how much it earns in a year. A fiscal deficit means the government is spending more than it is collecting — it has to borrow the extra amount.
Capital Expenditure (Capex)	Money spent by the government on building long-term assets like roads, railways, bridges, and factories. Unlike day-to-day spending, capex creates value for many years into the future.
Revenue Expenditure	Day-to-day spending by the government such as paying salaries, interest on loans, and subsidies. This money is "used up" within the year and does not create lasting assets.
Fiscal Consolidation	The process of reducing the fiscal deficit over time — meaning the government is gradually moving toward spending less than or equal to what it earns.
MSME	Micro, Small and Medium Enterprises — these are small and medium-sized businesses that range from a single-person shop to companies with a few hundred employees. They are a major source of employment and exports in India.
TReDS	Trade Receivables Discounting System — a digital platform where small businesses can convert their unpaid invoices (bills owed to them by bigger companies) into immediate cash at a small discount.
PLI (Production Linked Incentive)	A government scheme that offers financial rewards to companies for manufacturing certain products domestically. The more they produce and sell, the more incentive they receive.
Customs Duty	A tax the government charges on goods imported from other countries. It is used to protect domestic industries and also to generate revenue for the government.
GST (Goods and Services Tax)	A single national tax applied across India on the sale of goods and services. It replaced many earlier taxes and simplified the tax structure.

Semiconductor	A tiny electronic chip found inside every phone, computer, and car. Countries that can make their own chips have a major strategic and economic advantage.
Fiscal Federalism	The system in India where both the central government and state governments share the responsibility of governing and financing public services. The central government transfers a portion of tax revenue to the states.
Tax Devolution	The process by which the central government shares a fixed share of its tax collections with state governments, so that states can fund their own development programmes.
Working Capital	The money a business needs for its day-to-day operations — paying for raw materials, worker salaries, and other short-term expenses. It is the difference between current assets and current liabilities.
Credit Guarantee	A promise (usually by a government fund) that if a borrower cannot repay a loan, the guarantee fund will pay the bank instead. This makes banks more willing to lend to small businesses.
Industrial Cluster	A geographic area where many similar small businesses are located close together — for example, a town known for its textile factories or brass handicrafts. Clusters share resources and knowledge, making businesses more competitive.
Debt-to-GDP Ratio	A measure of how much total debt a country owes compared to the size of its economy. A lower ratio generally means the country's finances are healthier and more sustainable.
Bonds	It is promissory note issued by companies or government to its buyers. It speaks about the specified amount held for a specified time period by the buyer.
Bank Rate	It is the interest rate at which the Central Bank in the discharge of its function as Banker's Bank lends to the commercial banks. Since this lending may be in the form of discounting of the securities pledged, it is also called the discount rate.

1. Macro-Economic Priorities: The Big Picture

The first thing to understand about any national budget is what the government is trying to achieve at a broad level. Think of it as the "mission statement" of the country's economy for the coming year.


What is the Government Aiming For?

The Union Budget 2026–27 is built around three main goals: growing the economy at a healthy pace, keeping the country's finances under control, and investing in areas that will create long-lasting value.

- **Sustainable Growth:** The government wants the economy to grow steadily — not too fast in a way that causes problems, but fast enough to create jobs and improve living standards.
- **Fiscal Discipline:** This means the government is trying to spend wisely and reduce the gap between what it earns and what it spends. Over time, this makes the country more financially trustworthy.
- **Investment-Led Expansion:** Rather than just spending money on day-to-day expenses, the Budget puts a strong focus on capital expenditure — building roads, railways, factories, and digital systems that benefit the economy for decades.

Why Does This Matter?

A country that grows steadily, keeps its finances healthy, and invests wisely in infrastructure attracts more foreign investment, creates more jobs, and raises the standard of living for its people. The Budget 2026–27 is trying to strike this balance.

 *Think of it this way: Just like a family that saves money, invests in education and a home, and avoids unnecessary debt will be better off in the long run — the same logic applies to a country's economy.*

2. Infrastructure: Building India's Future

Infrastructure is the backbone of any modern economy. Roads, railways, ports, power lines, and digital networks — these are the systems that allow businesses to grow, goods to move, and people to connect.


What is the Budget Doing?

The Budget has made infrastructure one of its biggest priorities by setting aside a large amount for capital expenditure. Here are the key areas of focus:

- Highways and Roads: Expanding the national highway network to reduce travel and transport times across the country.
- Railways: Developing high-speed rail projects and dedicated freight corridors — railways specifically designed for carrying goods quickly and cheaply.
- Waterways: Creating new national waterways to offer an alternative, cost-effective way to transport goods.
- Ports: Upgrading port infrastructure so that India can import and export goods more efficiently.
- Digital Infrastructure: Investing in internet connectivity, digital payment systems, and data centres to prepare India for the digital future.

Why is Infrastructure So Important?

Good infrastructure reduces the cost of doing business. When transport is cheaper and faster, companies can sell their products more competitively. When electricity is reliable, factories can run smoothly. When the internet is fast and widespread, new businesses and innovations can flourish.

 *Analogy: Imagine a city with terrible roads and no internet. No one would want to open a business there. Infrastructure is what makes an area attractive for investment and growth.*

The Infrastructure Risk Guarantee Fund

One of the newer ideas in this Budget is the Infrastructure Risk Guarantee Fund. Large infrastructure projects — like building a new highway or port — take many years to complete and can be risky for private investors. This fund acts as a safety net: it provides guarantees to private companies, assuring them that if a project goes wrong, they won't lose everything. This encourages more private money to flow into infrastructure, reducing the burden on the government.

3. Manufacturing: Making India a Global Player

The Budget places a strong emphasis on manufacturing — producing goods within India rather than importing them from other countries. This is important for national security, job creation, and long-term economic strength.


The Key Sectors

The government has identified several sectors where India can build a competitive advantage. These include:

- **Semiconductors (Computer Chips):** Every phone, laptop, and car uses semiconductor chips. Currently, India depends heavily on imports for these. The India Semiconductor Mission aims to encourage chip manufacturing within the country.
- **Pharmaceuticals (Medicines):** India is already known globally for producing affordable medicines. The Biopharma Shakti Mission aims to take this further — moving from basic medicines to advanced biologics and high-value drugs.
- **Rare Earth Minerals:** These are special minerals used in electric vehicles, defence equipment, and renewable energy. Developing domestic capability in this area reduces India's dependence on countries like China.
- **Textiles and Sports Goods:** These are labour-intensive industries — they create a large number of jobs. By supporting them, the government aims to employ millions of young Indians.
- **Electronics Components:** Instead of importing all the parts needed to build phones and computers, the government wants Indian companies to manufacture these components locally.

Why Does This Matter for Students?

A strong manufacturing sector creates jobs — not just in factories, but also in areas like design, logistics, quality control, and research. Understanding which industries the government is promoting can help you choose career paths that are likely to grow in the coming years.

 *Think of it this way: If India can make its own computer chips and medicines instead of buying them from other countries, it becomes more self-sufficient, more secure, and more competitive on the world stage.*

4. Tax Changes: Making the System Simpler

Taxes are how the government collects the money it needs to run the country. The Budget 2026–27 introduces several changes aimed at making the tax system easier to understand and use.

The New Income Tax Act, 2025


India's tax rules have historically been very complicated — even experts sometimes struggle to understand them. The new Income Tax Act, which comes into effect from April 2026, is designed to simplify everything: clearer language, simpler forms, and fewer confusing rules.

Key Changes at a Glance

- **Simpler Forms and Filing:** The process of filing your taxes should become easier and quicker, with reduced paperwork.
- **Easier Foreign Payments:** It will become simpler for people to send money abroad for education or medical treatment, with reduced tax burden on such transactions.
- **IT Sector Simplification:** Companies and professionals in the IT and software sector will benefit from unified, clearer tax rules instead of a patchwork of different regulations.
- **Settling Old Disputes:** The government is offering a way for taxpayers to settle old tax disputes with a one-time payment, clearing the backlog of cases.

What Does This Mean for You?

If you are a salaried professional, your tax filing will become simpler. If you are starting a business, you will spend less time dealing with paperwork and more time growing your venture. The goal is to make the system work for everyone — not just tax experts.

 **Key Takeaway:** The government is not just changing tax rates — it is redesigning the entire system to be friendlier, faster, and more transparent.

5. Supporting MSMEs: Powering Small Businesses


MSMEs — Micro, Small and Medium Enterprises — are the heart of India's economy. They range from small neighbourhood shops to medium-sized companies with hundreds of employees. They create a huge number of jobs and contribute significantly to the country's exports and overall economic output.

What Problems Do MSMEs Face?

- **Money Gets Stuck:** When a small business supplies goods to a big company, it often has to wait months to get paid. Meanwhile, it still has to pay its workers and buy raw materials.
- **Difficulty Getting Loans:** Banks are often hesitant to lend to small businesses because they are seen as risky. Even when loans are available, interest rates can be high.
- **Too Much Paperwork:** Running a small business already takes a lot of effort. On top of that, there are complicated rules around taxes, compliance, and regulations.

How the Budget Helps

- **SME Growth Fund:** The government has created a dedicated fund to invest directly in promising small and medium businesses — not as a loan, but as equity (a share of ownership). This means the business does not have to worry about repaying money every month.
- **TReDS — Solving the "Stuck Money" Problem:** The government is making it mandatory for large government-owned companies to use TReDS when buying from MSMEs. This means small businesses can convert their unpaid invoices into cash quickly using the platform, without waiting months for payment.
- **Better Credit Guarantees:** The government has expanded its credit guarantee programmes. This means that if a small business takes a loan and cannot repay it, the government fund covers the loss — so banks feel safer and are willing to lend more.
- **Reviving Industrial Clusters:** The government plans to identify and support clusters of small businesses across the country — giving them shared facilities, technology upgrades, and help with marketing and exports.
- **Corporate Mitras:** A new programme to train young professionals who can help small businesses with compliance, accounting, and regulatory tasks at an affordable cost.

 *Why should students care? MSMEs are where most of India's jobs are created. If small businesses thrive, employment grows. Understanding MSME policy can be a powerful differentiator in careers in finance, consulting, or entrepreneurship.*

6. Education and Health: Investing in People


A country's biggest asset is its people. The Budget 2026–27 recognises this by putting resources into education and healthcare.

Education

- **Skills and Employability:** The government is funding programmes that align education with what the job market actually needs — so graduates are ready to work, not just to study.
- **Girls' Hostels in Every District:** One of the biggest barriers to girls' education in rural India is the lack of safe accommodation near schools and colleges. By building hostels in every district, the government aims to make education more accessible to young women across the country.
- **Tourism and Hospitality Training:** A new National Institute of Hospitality will train professionals for India's growing tourism sector.

Health

- **Expanding Healthcare Access:** The Budget focuses on improving healthcare facilities especially at district and smaller levels, so that people in rural and semi-urban areas do not have to travel far for basic medical care.
- **Biopharma Research:** By setting up accredited clinical trial sites, India can become a hub for pharmaceutical research — creating high-skilled jobs in the process.
- **Social Security for Gig Workers:** Workers in the gig economy — delivery riders, freelancers, and platform-based workers — are being brought under social security coverage for the first time.

 *Think About It: Education and health are not just "social" spending — they are investments. A healthier, better-educated workforce produces more, earns more, and drives economic growth.*

7. Fiscal Federalism: Sharing Wealth Fairly

India is a federal country — meaning power and responsibility are shared between the central government and the state governments. One of the most important aspects of this sharing is money.

How Does Money Flow to States?

The central government collects taxes from across the country and then transfers a share of that money to each state. This is called tax devolution. The Budget 2026–27 maintains the states' share of central taxes, ensuring that state governments have a stable and predictable amount of money to work with.

Why Does This Matter?

States are responsible for many crucial areas of public life — education, health, local infrastructure, and law and order. If they receive a fair and stable share of revenue, they can plan and invest in their own priorities. This is the essence of cooperative federalism: the central and state governments working together for the country's overall development.

✍ Key Point: Fiscal federalism ensures that development does not happen only in big cities or wealthy states — it spreads across the country.

8. Trade Policy: Connecting India to the World

No country can grow in isolation. Trade — buying and selling goods with other countries — is essential for economic growth. The Budget 2026–27 makes several changes to trade policy to help India compete globally.

Reducing Duties on Inputs

To make products in India, companies need raw materials and components — many of which are currently imported. If the government charges high customs duties on these inputs, Indian products become expensive and uncompetitive. The Budget reduces duties on key inputs for sectors like electronics and pharmaceuticals, so that Indian manufacturers can price their final products competitively in global markets.

Helping Small Exporters

The government has removed limits that previously made it difficult for small businesses and artisans to export through courier services. This opens up global markets to MSMEs, especially those selling through e-commerce platforms.

Free Trade Agreements

India is working on trade agreements with countries and regions like the European Union. These agreements reduce or eliminate tariffs between trading partners, making it easier and cheaper for Indian businesses to sell abroad.

✈ Simple Analogy: Think of customs duties as tolls on a highway. If the toll is too high, fewer trucks (goods) will use the road. The government is adjusting these tolls to make India's "trade highway" more attractive.

9. Digital India and Artificial Intelligence

The digital revolution is transforming every part of the economy. The Budget 2026–27 recognises this and puts significant emphasis on digital infrastructure and preparing India for the age of Artificial Intelligence.

Digital Infrastructure

- India has already shown the world what digital infrastructure can do — UPI (digital payments), Aadhaar, and DigiLocker are globally praised examples. The Budget aims to expand this model to new areas like healthcare, agriculture, and education.
- The government is offering incentives to major global technology companies to set up data centres in India. Data centres are essential for running AI systems, cloud services, and big data analytics.

AI in Agriculture

Agriculture employs a huge portion of India's workforce. AI-based tools are being developed to help farmers make better decisions — from choosing what to grow, to predicting weather patterns, to managing pests. If these tools reach farmers effectively, they can significantly increase productivity and income.

Cybersecurity

As more of India's services move online, protecting them from cyber attacks becomes critical. The Budget is investing in security systems and centres to safeguard the digital ecosystem.

Challenges Ahead

AI is also going to change the job market. Some jobs — like routine data entry or basic customer support — may be automated. The Budget acknowledges the need for skilling programmes that help workers adapt to these changes, though more work is needed in this area.

✍ For Students: Understanding AI and digital systems is no longer optional — it is becoming a core skill across every industry. The Budget's focus on this area signals where the future of work is headed.

10. Inclusive Growth: Making Sure Everyone Benefits

Economic growth means nothing if it only benefits a few. The Budget 2026–27 includes several initiatives aimed at ensuring that the benefits of growth reach women, rural communities, and disadvantaged groups.

Women and Gender


- Girls' hostels in every district address a real barrier to girls' education.
- The Lakhpati Didi initiative supports women in becoming self-sustaining entrepreneurs through self-help groups. These women run small businesses that keep money circulating in local communities.

Rural Development

- Better roads, reliable electricity, and improved connectivity are being extended to rural areas. This reduces the cost of doing business and makes rural economies more vibrant.
- Cooperatives — organisations where small farmers pool resources together — are being supported through tax benefits and easier access to processing and marketing infrastructure.

Tier-2 and Tier-3 Cities

Currently, most investment flows to big cities like Mumbai, Delhi, and Bengaluru. The Budget is pushing for better infrastructure and industrial parks in smaller cities, making them attractive for businesses and reducing the pressure on metros.

 *Key Idea: True economic development is not just about GDP numbers — it is about whether a girl in a village can access quality education, whether a farmer can sell his produce at a fair price, and whether a young person in a small town has a good job opportunity.*

11. India in a Turbulent World: Risks and Resilience


No country exists in a vacuum. Global events — wars, trade tensions, changes in oil prices — all affect India's economy. The Budget 2026–27 is designed with these realities in mind.

Why India Has Some Protection

- **Domestic Demand:** Unlike countries that depend heavily on exports, India's growth is largely driven by its own consumers and businesses. This provides some insulation when global trade slows down.
- **Diverse Economy:** India has multiple sectors — IT services, manufacturing, agriculture, construction — so a problem in one area does not necessarily bring down the whole economy.
- **Foreign Exchange Reserves:** India has built up substantial foreign exchange reserves, which act as a buffer against sudden outflows of foreign money.

Key Risks to Watch

- **Oil Prices:** India imports a large share of its oil. If oil prices rise sharply due to global conflict or supply disruption, it can increase inflation and strain the government's budget.
- **Global Interest Rates:** If major economies keep interest rates high, money tends to flow away from developing countries like India. This can make borrowing more expensive domestically.
- **Trade Tensions:** Uncertainties around trade agreements and tariffs imposed by major trading partners can affect Indian exports.
- **Climate Risks:** Erratic monsoons, extreme heat, and natural disasters can disrupt agriculture and require emergency spending, diverting funds from development.

 *Bottom Line: India is better positioned than many countries, but it is not immune to global shocks. The Budget tries to prepare for these risks through fiscal discipline, diversification, and building long-term strengths.*

12. Why Should Students Care About the Budget?

You might be wondering — "Why does a government budget matter to me?" Here are some very practical reasons:

1. **Career Planning:** The Budget tells you which sectors the government is investing in. If you want a career in finance, technology, healthcare, or manufacturing, knowing where the money is going helps you choose the right path.
2. **Interview Preparation:** Interviewers — especially at consulting firms, banks, and government organisations — love asking questions about the Budget. Being able to explain its key themes intelligently sets you apart.
3. **Entrepreneurship:** If you want to start a business, the Budget tells you where the government is offering support — through funds, tax breaks, and infrastructure. Aligning your business idea with government priorities increases your chances of success.
4. **Exams and Coursework:** Whether you are preparing for competitive exams or working on MBA case studies, Budget knowledge is directly useful. It gives you real-world data and policy context.
5. **Being an Informed Citizen:** Understanding the Budget helps you evaluate government decisions, engage in public debates, and make your own informed financial decisions.

✍ Final Thought: The Budget is not just a government document — it is a roadmap for the country's future. Reading and understanding it is one of the smartest things a student or young professional can do.