

Union Budget 2025: A Strategic Blueprint for Economic Growth and Structural Challenges

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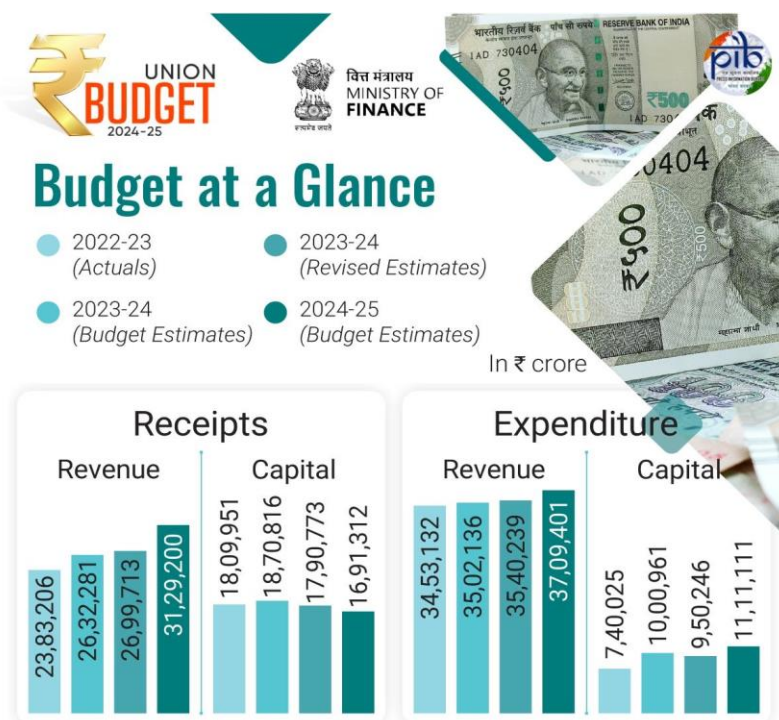
Abstract:

The Union Budget 2025 is designed to drive India's economic expansion while addressing critical structural challenges. This budget aims to strengthen various sectors by implementing tax reforms, enhancing infrastructure, supporting micro, small, and medium enterprises (MSMEs), improving healthcare services, and fostering energy innovation. Through this analysis, we explore the significant provisions of the budget, its anticipated impact on different industries, and potential obstacles in execution. Furthermore, the paper delves into the constitutional framework guiding the Indian budget, compares budgetary practices in Western nations, and traces the evolution of India's budgetary process from its inception in 1860 to the present.

Introduction:

The Union Budget 2025, presented by Finance Minister Nirmala Sitharaman, introduces a set of progressive economic measures aimed at sustaining India's

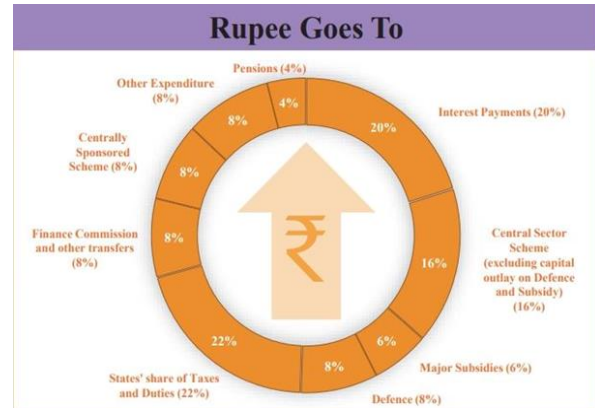
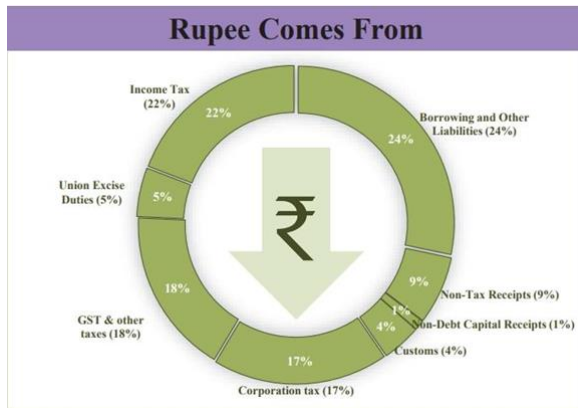
economic momentum. With a focus on long-term policy objectives such as self-reliance, digital transformation, and inclusive growth, the budget seeks to create a balanced and resilient financial ecosystem.



It also reflects the government's commitment to strengthening fiscal discipline while promoting innovation, entrepreneurship, and social welfare

initiatives. The budget's vision aligns with global economic trends, ensuring India remains competitive in an evolving international financial landscape.

Key Highlights of the Budget 2025:



1. Tax Reforms and Fiscal Policies:

The budget introduces significant changes to India's tax framework to provide relief to taxpayers and encourage investment. The income tax exemption limit has been raised to ₹12 lakh, benefiting a large section of the middle class. The threshold for Tax Deducted at Source (TDS) on rental income has been increased to ₹6 lakh, reducing compliance burdens for property owners. Corporate tax rates have been stabilized to attract both foreign direct investment (FDI) and domestic investors, fostering a business-friendly environment. These tax reforms are expected to increase disposable income, boost consumer spending, and drive economic growth.

2. Boosting Infrastructure and Urban Development:

The budget earmarks ₹11.21 lakh crore for capital expenditure to enhance the country's infrastructure. A ₹1 lakh crore Urban Challenge Fund has been established to support city redevelopment projects, aiming to modernize urban spaces and improve the quality of life. Expansion of the UDAN scheme, which focuses on enhancing regional air connectivity, will further integrate remote regions into the national

economy. These measures are expected to stimulate job creation and attract private sector investment in infrastructure development.

3. Support for MSMEs and Agriculture:

Recognizing the role of MSMEs in economic growth, the budget increases the credit guarantee cover for small businesses to ₹10 crore. Customized credit cards for micro-enterprises will provide easier access to working capital. In the agricultural sector, the newly introduced Prime Minister Dhan-Dhaanya Krishi Yojana aims to modernize farming practices, increase crop yields, and enhance farmers' incomes through targeted subsidies and technological support.

4. Education and Healthcare Initiatives:

The budget places a strong emphasis on strengthening education and healthcare. A total of 50,000 Atal Tinkering Labs will be set up in government schools to foster innovation and scientific temperament among students. In higher education, 10,000 new medical seats have been sanctioned, with a vision to increase the number to 75,000 over five years. The establishment of 200 daycare cancer centers will significantly improve access to cancer treatment, particularly in rural areas. These initiatives

align with the goal of enhancing human capital and bridging gaps in education and healthcare infrastructure.

5. Energy Sector and Sustainability

To accelerate India's transition to clean energy, the budget allocates ₹20,000 crore for research and development in

nuclear energy. Investments in renewable energy projects continue, reinforcing India's commitment to sustainability and long-term climate objectives. These initiatives will help reduce reliance on fossil fuels and support global climate action efforts.

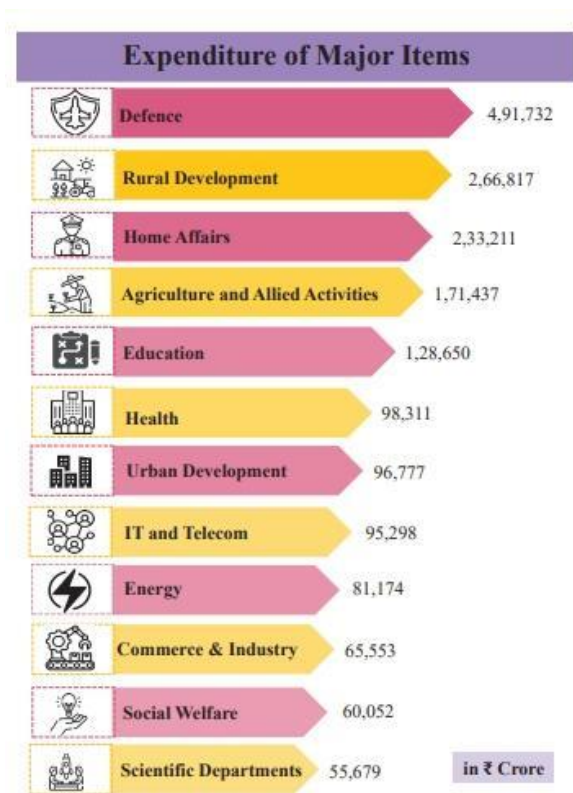


Fig 2 Government spending

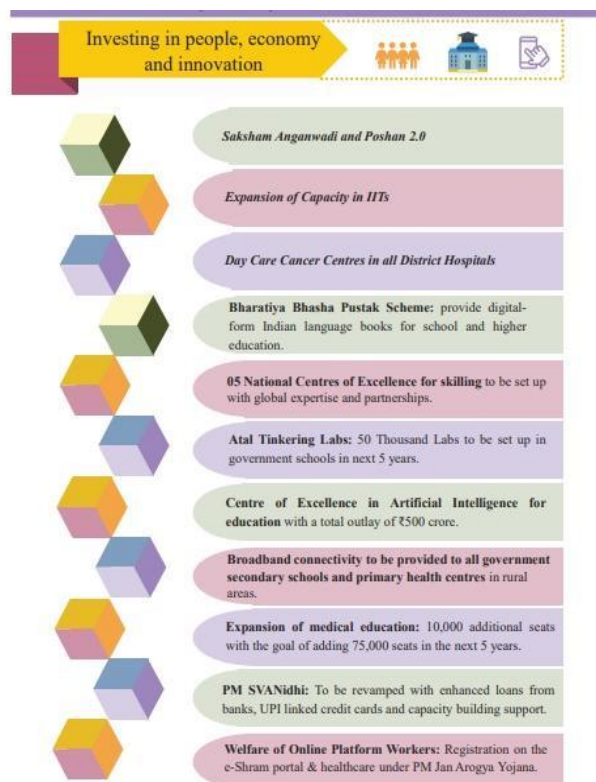


Fig 3 Key policies

Constitutional Aspects of the Budget in India:

The Union Budget of India is guided by constitutional provisions that define the government's financial responsibilities and ensure fiscal accountability. These provisions outline the procedures for budget formulation, approval, and implementation, ensuring transparency and adherence to financial discipline.

1. Constitutional Provisions Related to the Budget:

Key constitutional articles related to the budget process include:

- Article 112 mandates the presentation of an Annual Financial Statement.

- Article 113 outlines procedures for Demand for Grants.
- Article 114 governs the Appropriation Bill.
- Article 115 deals with Supplementary Grants.
- Article 116 provides for Vote on Account.
- Article 117 categorizes Money Bills and their passage in Parliament.

2. Parliamentary Approval Process:

The budget undergoes a structured parliamentary approval process. It is presented on February 1 each year, followed by a general discussion. The proposals are scrutinized by Standing Committees before being put to vote in the Lok Sabha.

Subsequently, the Appropriation Bill and Finance Bill are passed, completing the budgetary cycle.

Budget Provisions in Western Countries:

A Comparative Analysis:

Comparing India's budgetary process with that of Western nations provides insights into different fiscal strategies and governance models.

1. United States: Congressional Budget Process:

The U.S. budget is governed by the Congressional Budget Act (1974). The President proposes the budget, but Congress has the final authority to approve it. Debates over the debt ceiling often lead to fiscal standoffs and government shutdowns.

2. United Kingdom: Parliamentary Budget Process:

The UK's budget is presented by the Chancellor and is governed by the Charter for Budget Responsibility. The country's economic policies have been significantly influenced by Brexit, impacting taxation and public spending.

3. Germany: Constitutional Fiscal Rules:

Germany follows a stringent fiscal policy under its Basic Law (Grundgesetz), which includes a "Debt Brake" mechanism to limit deficit spending. The country's budgetary process is also influenced by EU fiscal regulations.

4. France: Presidential Budget Model:

France's budget, governed by Article 47 of its Constitution, grants significant control to the President. Economic reforms in public debt and pension systems remain major areas of debate.

5. Canada: Parliamentary Budget System:

Canada follows a parliamentary system where the budget is guided by the Financial Administration Act. Government expenditures require parliamentary approval, ensuring fiscal oversight.

History of the Indian Budget: Evolution and Key Milestones:

India's budgetary history reflects its economic evolution from colonial rule to an independent and emerging global power.

- The first Indian budget was presented in 1860 by James Wilson, introducing income tax.
- During colonial rule, budget policies prioritized revenue from agriculture and industries.
- Post-independence, the first budget was presented by R. K. Shanmukham Chetty, addressing partition-related economic challenges.
- The Five-Year Plan era linked budgets to planned economic development.
- Economic liberalization in 1991, spearheaded by Dr. Manmohan Singh, introduced major reforms, including the LPG model.
- The 21st-century budgets have emphasized digital taxation, GST, and AI integration in financial governance.

Challenges and Implementation Hurdles:

Despite its ambitious vision, the Union Budget 2025 faces key challenges such as slow economic growth, high unemployment, inadequate healthcare spending, and delays in policy implementation due to political uncertainties. Addressing these concerns requires sustained policy coherence and effective governance.

Conclusion:

The Union Budget 2025 serves as a strategic roadmap for India's economic growth, but successful implementation depends on overcoming structural barriers. Learning from global budgetary practices and refining domestic policies will be crucial for sustained development.

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