Quote by Nilaya Varma, Group CEO, Primus Partners

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Budget 2026: Big Announcements, But Effective Implementation Is Real Test

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India has managed to adhere to deficit target for 2025-26 at 4.4% of GDP. FM sets debt-to-GDP ratio target of 55.6%

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The focus has always been on big headline numbers that include GDP growth, revenue and expenditure but debt to GDP ratio, a key indicator of the country's fiscal status and its repayment capacity often gets buried, But that has a major ramification on the country's macro economic stability. Finance Minister Nirmala Sitharaman, who presented her ninth budget has set a target of debt-to-GDP ratio of 55.6% of GDP for 2026-27 compared to 56.1% in 2025-26.

Several countries have been grappling with high debt levels. Japan's debt-to-GDP ratio, the highest in the world is over 200%. However, other economies including the US, Singapore, UK, France and Italy among others have registered more than 100% of their GDP, reflecting the underneath fiscal tensions with spendings outpacing revenues and pushing interest rates. The problem has aggravated for many countries after the Covid pandemic.

India has managed to adhere to the fiscal deficit target for the year 2025-26 at 4.4% of GDP despite several geopolitical and geoeconomic challenges, Sitharaman said. The target for fiscal deficit for 2026-27 has been set at 4.3, something that will soothe the nerves of the investors and rating agencies.

However, it is clear that the pace of fiscal consolidation is slowing. Fiscal deficit reduced 40 basis points from 4.8% of GDP in 2024-25 to 4.4% in 2025-26. But with a fiscal deficit target of 4.3% for FY 27-- a mere10 basis points reduction to 4.3% of GDP reflects the slowing pace of fiscal consolidation. In medium term, from FY28 to FY31, the target set by Sitharaman is to reduce the debt-GDP ratio from the estimated level of 55.6% to 50%+/- 1% in FY31. "This moderation is due to a fall in the GoI's gross tax revenues to GDP ratio which has progressively gone down from 11.5% in FY25 to 11.4% in FY26 (RE) and further to 11.2% in FY27 (BE) which translates into a fall in GoI's non-debt receipts relative to GDP," DK Srivastava, Chief Policy Advisor, EY India said.

The Union Budget 2026-27 prepared first time at the Kartavya Bhavan and driven by Yuva Shakti focused on three "kartavyas" or responsibilities. The first Kartavya -- accelerate and sustain economic growth by enhancing productivity and competitiveness and building resilience to volatile global dynamics, the second -- to fulfil aspirations of people and build capacity by making them strong partners in India's path to prosperity and the third, the vision of 'Sabka Saath Sabka Vikaas' and ensure that every family, community, region and sector has access to resources.

Underlining that the government's "reform express" has helped the country's growth momentum. The Finance Minister carved out six areas that would require intervention. Sitharaman said scaling up manufacturing in several strategic and frontier sectors; reviving legacy industrial sectors; creating champion MSMEs; push for infrastructure; ensuring long-term security and stability while developing city economic regions will be the focus going ahead.

Interestingly, the Budget has attached significant importance to medium enterprises besides the micro units. The announcement of settlement of MSME trade receivables through the Trade Receivables Discounting System (TReDS), which is an electronic platform for invoice discounting for the MSMEs will help in unlocking liquidity for this sector.

Sitharaman's speech reflected the importance of mineral and energy security. Dedicated corridors will be set up for the minerals in four states - Tamil Nadu, Kerala, Odisha and Andhra Pradesh to push mining, processing, research and manufacturing.

"The scheme for rare earth permanent magnets was launched in November 2025. We now propose to support the mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to establish dedicated rare earth corridors to promote mining, processing, research and manufacturing," she said.

India like many other economies is import dependent for critical minerals despite having a large reserve of these key raw materials. Though the Geological Survey of India identified lithium reserves in Jammu and Kashmir and Rajasthan, for New Delhi to start production of the same will be time consuming.

Sitharaman has also outlined bio-pharma shakti as another key sector. She earmarked Rs 10,000 crore over the next five years for pushing India on the global bio-pharma map by creating an ecosystem for manufacturing biologics and biosimilars.

Among other announcements pushing for Semiconductor Mission 2.0, infrastructure sector by setting up high speed rail corridors, manufacturing of containers, a long pending demand of Indian exporters will improve business sentiments.

However, though the announcements are in the right direction, what is crucial is to ensure effective and timely implementation of these.

"Championing MSMEs and City Economic Regions can drive sustained growth in the medium and long term. These are two areas; Primus Research has extensively written on. The real test, however, lies in effective implementation," Nilaya Varma, Group CEO, Primus Partners said.