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FY27 Budget

Big Numbers at a Glance

23rd Jan 2026

Union Budget 101: Key Things to Know!

Where Government Earns From & Spends

Earns From
(Revenue Sources)

Tax Revenue

- Direct Taxes (personal, corporate)
- Indirect Taxes (GST)

Non-Tax Revenue

- Dividends/Telecom Spectrum

Capital Receipts

- Disinvestment/ Recovery of Loans

Spends On
(Expenditure Heads)

Revenue Expenditure

- Interest Payments
- Subsidies
- Pensions/Salaries
- Centrally Sponsored Schemes

Capital Expenditure

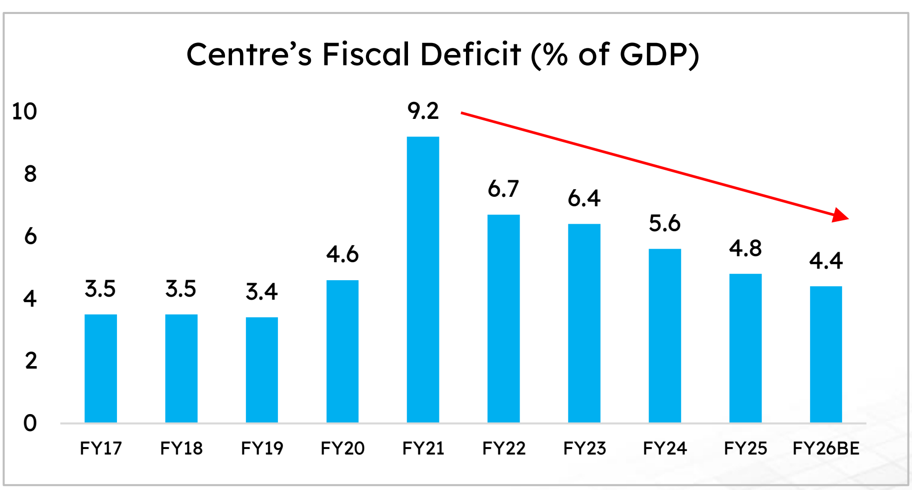
- Infra/Asset Creation

Source: *Budget Documents, HDFC Tru*

Fiscal Deficit and Why It Matters

Fiscal Deficit (FD) equals total expenditure minus total receipts. It is the amount the government must borrow to fund its shortfall. It is measured as a percentage of nominal GDP.

FD = Total Expenditure – (Tax Revenue + Non-Tax Revenue + Non-Debt Capital Receipts)



During the Covid period, government's fiscal deficit had shot up above 9% of GDP. During the last five years, fiscal deficit has been gradually brought down and reduced to half of peak Covid level.

Source: *Budget Documents, HDFC Tru; Note: BE – Budget Estimate*

High fiscal deficits signal expansionary fiscal policy but raise debt sustainability risks, impacting private investment and consumption via higher yields in the economy.

Fiscal deficit is funded by:

- Market borrowings (G-secs)
- Short Term Borrowings (T-bills etc.)
- Securities against small savings
- Other receipts/ External debt

FRBM Framework and Its Importance

Fiscal Responsibility and Budget Management Act (2003): It is a legal framework which mandates fiscal prudence via fiscal deficit/debt targets and transparent reporting.

FRBM curbs excessive borrowing, stabilizes debt/GDP (critical for sovereign credit rating), and frees RBI monetary space by lowering G-sec supply pressures. Escape clauses allow flexibility for crises (such as Covid period).

FY27 Budget Expectations (to be presented on 1st Feb)

	FY26 (E)	FY27 (E)
Nominal GDP Growth	8.5%	10.1%
Centre's Fiscal Deficit (% of GDP)	4.4%	4.2%
Centre's Debt/GDP Ratio	56.1%	55.1%
Revenue Shortfall (due to lower tax)	Rs 1.5-2 lakh cr	-
Centre's Gross Borrowing	Rs 14.8 lakh cr	Rs 16-16.5 lakh cr
Total Gross Borrowing (Centre + States)	Rs 27.4 lakh cr	Rs 29.5-30 lakh cr

Source: HDFC Tru ; Note: FY26 and FY27 figures are based on internal estimates

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