RAISINA
ECONOMIC COUNCIL

Drafting India's Union Budget 2027–28

Background Guide

1. Letter from the Executive Board

Dear Delegates,

Welcome to the Raisina Economic Council at Quest 2026 — The Scindia School's flagship entrepreneurship summit. You have been selected for one of the most consequential roles in this simulation: a member of an extraordinary advisory council convened to draft India's Union Budget for the financial year 2027–28.

The world India navigates today is one of managed disorder — geopolitical fragmentation, trade weaponisation, AI-driven disruption, and climate stress. The Union Budget 2026–27 charted an ambitious course: Yuva Shakti, strategic indispensability in global value chains, and fiscal consolidation without compromising inclusion. But budgets are not permanent victories. Shortcomings persist — private investment crowding-in remains uncertain, urban consumption is moderating, and state capacity continues to shadow even the most well-intentioned policy.

This council does not ask you to debate in hypotheticals. It asks you to govern. You will analyse the 2026 Budget, absorb the insights of the Economic Survey, weigh global pressures, listen to stakeholders — and propose a budget that is credible, inclusive, and bold enough to push India toward Viksit Bharat 2047. Three live crisis updates will stress-test your proposals. Real economies do not operate in comfortable conditions.

Use this guide as your operating manual. Leave no page unread.

Warm regards,
The Executive Board
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2. Significance of the Union Budget

The Union Budget of India is far more than a financial statement. It is the sovereign expression of government priorities — a document that shapes lives, livelihoods, and the long-term trajectory of the world's most populous democracy. Presented by the Finance Minister on February 1 each year, it determines how the government raises revenue and how it spends it.

Why the Budget Matters

Fiscal Architecture	Sets revenue targets, expenditure allocations, and the fiscal deficit — the gap between what the government earns and spends, expressed as a percentage of GDP.
Growth Engine	Capital expenditure on infrastructure crowds in private investment and creates employment. The 2026 Budget raised capex to ₹12.2 lakh crore — an 11.5% increase.
Social Contract	Subsidies, health, education, and farmer schemes reflect the government's vision of equity.
Market Signal	Investors read the Budget as a signal of policy continuity, regulatory certainty, and macroeconomic stability.
Geopolitical Positioning	The Budget signals to the world where India is investing and which global partnerships it is deepening.

The Budget Cycle

Phase	Activity
Pre-Budget Consultations (Oct–Dec)	Finance Ministry meets industry bodies, economists, state governments, and civil society.
Economic Survey (Late January)	Chief Economic Adviser releases India's annual economic review — the intellectual foundation for the Budget.
Budget Presentation (Feb 1)	Finance Minister presents the Budget in Lok Sabha. Markets and investors respond immediately.
Parliamentary Approval (Feb–Mar)	Lok Sabha debates and passes the Finance Bill, giving legal effect to the Budget.
Revised Estimates (Mid-Year)	Government revises expenditure and revenue estimates based on actual performance.

3. Committee Overview

The Raisina Economic Council: How This Committee Works

The Real World vs. The Council

In reality, India's Union Budget is prepared in total secrecy by the Finance Ministry and presented to Parliament on February 1 as a near-finished document. There is no open negotiation, no stakeholder deliberation, no public trade-off discussion.

The Raisina Economic Council simulates what a deliberative, multi-stakeholder budget council would look like — where the people most affected by the Budget actually sit at the table and negotiate it. This is an increasingly discussed model for transparent fiscal governance.

Who Delegates Represent

Delegates do not play politicians. They represent institutional stakeholders — the RBI Governor, CII, the MSME Federation, State Finance Ministers, and more. Each portfolio has genuine interests that sometimes conflict sharply with others. These tensions are the engine of the committee.

Mandate

1. Analyse the 2026–27 Union Budget — its priorities, achievements, and structural weaknesses.
2. Debate the budget through the hypothetical revenue estimate.
3. Negotiate with competing stakeholders. Every budget involves trade-offs.
4. Respond to three live crisis updates that will reshape the fiscal landscape during the session.
5. Produce a Final Budget Blueprint — a collaborative document with real numbers and proposals.

The Binding Constraint

The fiscal deficit for 2027–28 must not exceed 4.0% of GDP. Every spending proposal must identify a revenue source, a reallocation, or an efficiency gain. There is no free lunch in budget-making.

4. The 2026–27 Union Budget

Presented by Finance Minister Nirmala Sitharaman on February 1, 2026 — her ninth consecutive Budget — the Union Budget 2026–27 is framed under the 'Kartavya' (duty) framework, guided by the philosophy of Action over Ambivalence, Reform over Rhetoric, and People over Populism.

The Three Kartavyas

Kartavya	Description
First Kartavya	Accelerate and sustain economic growth by boosting productivity, competitiveness, and resilience amid volatile global dynamics.
Second Kartavya	Fulfil aspirations and build capacity by strengthening human capital, skills, and institutional capabilities.
Third Kartavya	Advance Sabka Saath, Sabka Vikas — ensuring equitable access to opportunities across regions and communities.

Key Fiscal Numbers at a Glance

₹53.5 lakh crore Total Expenditure	**₹12.2 lakh crore ↑11.5%** Capital Expenditure
4.3% of GDP Fiscal Deficit	**10% for FY 2026–27** Nominal GDP Growth Estimate
8% Gross Tax Revenue Growth	**₹80,000 crore** Disinvestment Target
₹15.26 lakh crore ↑9.6% State Devolution	**55.6% (↓ from 56.1%)** Debt-to-GDP Ratio

Major Initiatives

Manufacturing and Technology

- Biopharma SHAKTI: ₹10,000 crore over 5 years — 3 new NIPERs and 1,000+ clinical trial sites.
- India Semiconductor Mission (ISM) 2.0: Focus on domestic equipment, full-stack IP, and R&D.
- Electronics Components Manufacturing Scheme: Expanded to ₹40,000 crore.
- Rare Earth Corridors in Andhra Pradesh, Odisha, Kerala, and Tamil Nadu.

Infrastructure

- Highest-ever capital expenditure at ₹12.2 lakh crore.

- New Dedicated Freight Corridors: Dankuni (East) to Surat (West).
- 20 new National Waterways connecting mineral-rich areas and industrial zones.
- Infrastructure Risk Guarantee Fund to boost private developer confidence.

Human Capital and Youth

- Yuva Shakti framework: Skilling, employment, and enterprise creation as central pillars.
- AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.
- Self-Reliant India Fund: Additional ₹2,000 crore for micro enterprises.

Taxation

- New Income-tax Act 2025 comes into force from April 1, 2026.
- STT on Futures raised from 0.02% to 0.05%.
- Tax holiday until 2047 for foreign companies providing cloud services via Indian data centres.

Shortcomings — The Foundation of Your Mandate

These gaps form the basis of what the 2027–28 Budget must address:

- Disinvestment Underachievement: The ₹80,000 crore target is ambitious — the government met only 71.9% of its 2025–26 target.
  - Private Investment Crowding-In: Despite record public capex, private corporate investment growth has remained subdued.

Urban Consumption Moderation: Even as rural demand has been resilient, urban consumption is flagging.

MSME Credit Access: MSMEs continue to face disproportionate challenges accessing formal credit.

Employment Quality: PLI schemes created 12.6 lakh jobs, but quality and reach to informal workers remains a concern.

Gig Economy Workers: The budget does not extend formal social security (ESI, EPF) to platform workers.

Climate Finance Gap: Adaptation strategy is under-funded relative to India's NDC commitments.

State Capacity Constraints: Higher allocations alone will not solve problems if states cannot execute.

5. Economic Background and Challenges

India's Macroeconomic Position (FY 2025–26)

Indicator	Status
Real GDP Growth	7.4% projected — fastest-growing major economy for the 4th consecutive year.
CPI Inflation	Average 1.7% (Apr–Dec 2025) — India's lowest-ever recorded average.
Fiscal Deficit	On track at 4.4% of GDP for FY26; target of 4.3% for FY27.
Current Account Deficit	~1.3% of GDP (Q2 FY26). Supported by record services exports and remittances.
Forex Reserves	USD 701.4 billion — ~11 months of import cover.
FDI	USD 64.7 billion (Apr–Nov 2025). Ranked 4th globally in Greenfield investments.
Remittances	Record USD 135.4 billion — a critical stabiliser for household incomes.
Exports	Record USD 825.3 billion in FY25; services exports at USD 387.6 billion (+13.6%).

Structural Challenges India Must Confront

Employment and the Demographic Dividend

India adds approximately 8–10 million young people to the workforce each year. Formal job creation in manufacturing and organised services has not kept pace. The gig economy is growing but lacks social protection. Without a structural shift in employment quality, the demographic dividend risks becoming a demographic liability.

State Capacity as the Binding Constraint

The Economic Survey 2025–26 makes a provocative claim: India's core development problem is no longer resource scarcity but the weakness of state capacity — bureaucratic risk aversion, fear of retrospective audits, inability to reverse temporary policies, and poor project management. Higher budget allocations alone will not solve problems if states cannot execute.

Agriculture and Farmer Incomes

Despite horticulture output surpassing foodgrains (362.08 MT) and positive rural wage growth, farmer incomes remain volatile. Minimum Support Price coverage is incomplete, and crop diversification away from water-intensive agriculture is slow.

Energy Transition and Critical Minerals

India's 500 GW renewable target by 2030 requires massive investment in grid infrastructure, storage, and critical minerals. The Budget establishes rare earth corridors, but global competition for these minerals — what the Survey calls the 'Pax Silica' era — is intensifying rapidly.

7. The Economic Survey 2025–26

Theme: 'From Strategic Resilience to Strategic Indispensability'

Tabled on January 29, 2026 by Finance Minister Sitharaman and prepared under Chief Economic Adviser V. Anantha Nageswaran. The Survey is more than a data compendium — it is a strategic doctrine for India's next phase of development.

The Central Argument: Strategic Indispensability

The Survey shifts India's development narrative from 'Strategic Resilience' (absorbing shocks) to 'Strategic Indispensability' — where India becomes a critical, non-substitutable node in global value chains. It outlines a tiered framework called 'Disciplined Swadeshi':

Tier 1: Intelligent, time-bound import substitution in strategic vulnerabilities.

Tier 2: Building high-payoff domestic capabilities in advanced manufacturing.

Tier 3: Deep integration into global value chains as a high-trust, reliable partner.

Key Macroeconomic Findings

FY26 Real GDP Growth	7.4% (GVA: 7.3%) — fastest-growing major economy for the 4th consecutive year.
Inflation	Average CPI of 1.7% (Apr–Dec 2025) — historically low, driven by food and fuel disinflation.
Potential Growth	Revised upward to 7.0% medium-term.
FY27 Projection	6.8%–7.2% real GDP growth.
Private Consumption (PFCE)	Grew 7%, reaching 61.5% of GDP — the highest since 2012.
Gross Fixed Capital Formation	30% of GDP, growing 7.8%. Effective Capex at nearly 4% of GDP.

Three Global Scenarios (CEA's Framework)

Scenario	Probability	Implications for India
Managed Disorder	40–45%	Business continues as in 2025 with increasing fragility. India should maintain fiscal buffers and continue structural reforms.
Multipolar Breakdown	40–45%	Strategic rivalry intensifies; trade becomes coercive. India must deepen supply chain diversification and domestic capability building.

Systemic Shock Cascade	**10–20%**	A 'Catch-22' convergence of financial stress, AI bubble burst, and geopolitical conflict — potentially worse than 2008.

Key Policy Recommendations

- Fiscal: Continue consolidation; use the low-inflation window to build fiscal buffers.
- Trade: Diversify export markets; deepen FTAs to reduce over-reliance on any single partner.
- Agriculture: Shift from food security to income security; diversify from water-intensive crops.
- Digital: Adopt 'Frugal AI' approach — application-specific AI with domestic value retention.
- Climate: Prioritise adaptation over near-term mitigation; build grid resilience first.
- Social: Expand social protection to gig workers; address digital addiction among youth.
- State Reform: Protect good-faith decision-makers from retrospective audits.

RAISINA ECONOMIC COUNCIL — DATA SHEET

(FY 2027–28 – Estimated)

1. Macroeconomic Framework

The fiscal projections for FY 2027–28 are based on the following macroeconomic assumptions:

Nominal GDP (FY 2026–27): ₹385 lakh crore

Nominal GDP Growth Rate: 10%

Estimated Nominal GDP (FY 2027–28): ₹424 lakh crore

Real GDP Growth: 7.0%

Inflation (CPI): 4.0%

These projections reflect a stable growth environment with moderate inflation and continued economic expansion.

2. Fiscal Policy Framework

The fiscal strategy for FY 2027–28 continues the path of consolidation while maintaining growth-oriented expenditure.

Fiscal Deficit Target: 4.0% of GDP

Maximum Fiscal Deficit (Absolute): ₹17.0 lakh crore

All fiscal decisions within the committee must adhere to this constraint.

3. Revenue Receipts

3.1 Overview

Total Revenue Receipts for FY 2027–28 are estimated at:

₹39.5 lakh crore

This represents a growth of approximately 10% over the previous fiscal year, driven by improved tax compliance, economic growth, and stable non-tax inflows.

3.2 Tax Revenue

Total Tax Revenue (Net to Centre): ₹32.5 lakh crore

A. Direct Taxes

Personal Income Tax: ₹10.2 lakh crore

Corporate Tax: ₹9.0 lakh crore

Total Direct Taxes: ₹19.2 lakh crore

Direct taxes continue to constitute the largest share of revenue, reflecting increasing formalisation of the economy.

B. Indirect Taxes

Goods and Services Tax (GST): ₹9.8 lakh crore

Customs Duty: ₹2.5 lakh crore

Excise Duty: ₹1.0 lakh crore

Total Indirect Taxes: ₹13.3 lakh crore

GST remains the dominant indirect tax, while excise collections show a gradual decline due to reduced reliance on fuel taxation.

3.3 Non-Tax Revenue

Total Non-Tax Revenue: ₹7.0 lakh crore

RBI Surplus Transfer: ₹1.8 lakh crore

Public Sector Undertaking (PSU) Dividends: ₹1.2 lakh crore

Spectrum and Telecom Receipts: ₹1.0 lakh crore

Disinvestment Proceeds: ₹1.0 lakh crore

Other Receipts (fees, fines, user charges): ₹2.0 lakh crore

Non-tax revenue continues to provide supplementary fiscal support, though remains subject to variability.

4. Expenditure Profile

4.1 Total Expenditure

Total Government Expenditure for FY 2027–28 is estimated at:

₹56.5 lakh crore

This reflects a calibrated increase aligned with economic growth and developmental priorities.

4.2 Composition of Expenditure

Revenue Expenditure: ₹42.0 lakh crore

Capital Expenditure: ₹14.5 lakh crore

The increase in capital expenditure reflects the Government’s continued emphasis on infrastructure-led growth.

5. Fiscal Balance

Fiscal Deficit (Absolute): ₹17.0 lakh crore

Fiscal Deficit (as % of GDP): 4.0%

The fiscal framework maintains adherence to consolidation targets while accommodating growth imperatives.

7. Key Fiscal Considerations

Delegates must account for the following structural realities:

Revenue growth remains steady but limited

A large share of expenditure is non-discretionary

Fiscal deficit targets impose strict constraints

Trade-offs between growth, welfare, and stability are unavoidable

8. Committee Guidance

Delegates are required to formulate the Union Budget for FY 2027–28 within the above fiscal framework. All proposals must remain within the prescribed fiscal deficit limit and utilise the available discretionary fiscal space effectively.

8. Sectoral Priorities for the 2027–28 Budget

Delegates must grapple with the following sectors. Each carries inherited policy momentum from 2026–27, pending challenges, and competing stakeholder demands.

A. Manufacturing and Industrial Policy

The PLI scheme architecture produced 12.6 lakh jobs and is scaling in electronics, semiconductors, and biopharma. However, private sector investment in manufacturing remains below the levels needed, labour code implementation varies across states, and MSME integration into PLI supply chains is nascent.

- Should PLI schemes be extended or phased down? How do you deepen MSME participation?

B. Infrastructure

Capital expenditure at ₹12.2 lakh crore represents a multi-year programme. Yet project execution delays remain endemic — land acquisition, environmental clearances, and state coordination. Asset monetisation through InvITs and REITs has been slower than planned.

- Where should the next rupee of capex go? How do you accelerate delivery without compromising standards?

C. Agriculture

The Budget has maintained PM-KISAN and PMFBY. But farmer distress persists in Vidarbha and Marathwada. MSP coverage remains incomplete, and agricultural logistics and cold chain infrastructure are significant gaps.

- Is a universal legal MSP guarantee fiscally feasible? How do you fund agricultural diversification?

D. Health and Education

India's public health expenditure remains below 2.5% of GDP. Learning outcomes in government schools (ASER surveys) remain poor despite the NEP 2020 rollout. Out-of-pocket health expenditure is a heavy burden on ordinary families.

- Should Ayushman Bharat be expanded? How do you fund universal health coverage without fiscal slippage?

E. Climate and Energy

India's NDC target of 500 GW renewables by 2030 requires massive investment. Grid stability and storage for intermittent solar/wind power are underfunded. Coal phasedown timelines conflict with energy security concerns.

- How do you fund the energy transition without burdening households? What is the appropriate speed of coal phasedown?

F. Digital Economy and AI

India has the world's most advanced Digital Public Infrastructure stack. However, a dedicated sovereign AI compute infrastructure is absent. Data governance and AI liability remain unresolved. Digital addiction is an emerging economic risk flagged by the Survey.

- Should India create a Sovereign AI Fund? How do you regulate AI without stifling innovation?

9. Global Pressures on the 2027–28 Budget

A. The US Tariff Shock and Trade Fragmentation

The US announcement of reciprocal tariffs in April 2025 sent shockwaves through global trade. The structural trend toward 'friend-shoring' and supply chain decoupling is accelerating. For India, this is simultaneously a threat and an opportunity — but only if it can offer competitive infrastructure, labour, and regulatory conditions.

- Global growth projected at 3.3% in 2026. Advanced Economies: 1.8%. EMDEs: 4.2%.

B. The Pax Silica: Critical Minerals

The Survey introduces 'Pax Silica' — a global order defined by control over critical minerals, semiconductors, data, and AI infrastructure. China controls 60–70% of global rare earth processing. India is a net importer of most critical minerals.

C. Climate Finance and Loss-and-Damage

The global climate finance architecture is under stress. The Loss-and-Damage fund from COP28 remains underfunded. For India — which contributes ~3% of historical emissions but faces disproportionate climate impacts — this is a question of both equity and fiscal planning.

D. The AI Investment Race

The US and China are investing hundreds of billions in AI infrastructure. India risks being a consumer of foreign AI rather than a producer. The Survey's 'Frugal AI' approach requires dedicated budget support to become a reality.

E. Dollar Dynamics and Rupee Stability

The Federal Reserve's rate trajectory directly affects capital flows into India. Any sharp rise in US rates can trigger FII outflows, rupee depreciation, and imported inflation — reducing RBI's room to cut rates and the government's room to spend.

Delegate Note: The Three Crises

During the committee session, the Executive Board will introduce three live crisis updates that will materially alter the global and domestic economic conditions. These crises are modelled on realistic scenarios drawn from global economic trends. Your fiscal prudence now will determine how much room you have to manoeuvre when the crises hit.

10. Rules of Procedure

Session Structure

Phase 1 — Opening Statements

Each delegate delivers an opening statement of 2–3 minutes representing their portfolio's assessment of the 2026–27 Budget and top three priorities for 2027–28. Statements must include an assessment of the current Budget's strengths and failures, portfolio-specific demands and red lines, and a proposed fiscal deficit target for 2027–28.

Phase 2 — Sectoral Working Groups

Delegates are assigned to four working groups, each drafting recommendations for a budget sector:

- Working Group A: Manufacturing, Infrastructure, and Trade
- Working Group B: Agriculture, Rural Economy, and Social Protection
- Working Group C: Health, Education, and Human Capital
- Working Group D: Climate, Energy, and Digital Economy

Each group must produce a Sector Policy Report with allocations, revenue implications, and reform recommendations.

Note: Neutral portfolios like the Finance Minister, RBI Chairman, etc. are not part of any sectoral group. They independently assess them and suggest changes which are not imposing.

Phase 3 — Crisis Response Sessions

Three crisis updates will be released at intervals determined by the Executive Board. Each will alter available fiscal space, expenditure pressures, or global conditions. After each crisis, the committee enters a 20-minute Crisis Response Session where delegates propose and vote on emergency directives.

Phase 4 — Budget Negotiation and Drafting

Delegates negotiate the final Budget Blueprint in a moderated open session. The final Blueprint must include aggregate fiscal parameters, the top 5 sectoral allocation decisions with justification, three structural reform proposals, and a response to all three crisis updates.

Documentation Requirements

Document	Purpose
Opening Statement	Each delegate's initial position paper (2–3 minutes spoken; 1 page written).
Sector Policy Report	Working group document with allocations, revenue implications, and reform proposals.
Crisis Directive	Emergency policy response to each of the three crisis updates. Must be fiscally quantified.

Budget Brief	Individual one-page summary of the delegate's final position on the Budget Blueprint.
Budget Blueprint	The collaborative final document — the committee's collective recommendation for 2027–28.

Key Rules

- All spending proposals must identify a financing source — additional revenue, reallocation, or efficiency saving.
- The 4.0% of GDP fiscal deficit ceiling is inviolable unless a crisis update explicitly changes it.
- Delegates may form coalitions and submit joint proposals.
- The EB may introduce wildcards — additional constraints that delegates must accommodate.
- All proposals must be grounded in the factual framework of this Background Guide.

Evaluation Criteria

- Fiscal Coherence: Do proposals add up? Are revenue and expenditure balanced within the deficit constraint?
- Economic Literacy: Are proposals grounded in the data of the Economic Survey and 2026 Budget?
- Portfolio Authenticity: Do positions genuinely reflect the stakeholder's interests and constraints?
- Negotiation and Diplomacy: Can the delegate build coalitions and arrive at consensus?
- Crisis Adaptability: Are crisis responses realistic, quantified, and well-reasoned?
- Drafting Quality: Is the Sector Report and Budget Blueprint clear, logical, and professionally written?

11. Further Reading and Bibliography

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- RBI Annual Report 2024–25 — rbi.org.in

Questions to Ponder

1. Can India sustain 7%+ growth while meeting a 4.0% fiscal deficit target? What is the right trade-off?
2. How should the Budget balance between public capex (crowding in) and private consumption support?
3. What structural reforms are necessary for state capacity to improve — and how does the Budget enable them?
4. Is Strategic Indispensability achievable without a stronger social contract with India's workers and farmers?
5. How should the Budget respond if a global crisis scenario materialises during FY 2027–28?
6. Should India create a Sovereign AI Fund? What is the fiscal case for and against?

The 2026 Budget planted the seeds. The 2027 Budget must grow the harvest.

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