Editorial of the Day – 02.02.2026

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1. Credible and creditable- On Union Budget 2026-27 (TH)

General Studies 3- Economy

Topic- Government Budgeting and Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Sub Topic- Inclusive Growth and issues arising from it.

Introduction

The Union Budget 2026 represents a distinct shift in strategy, moving away from "Big Bang" tax-centric reforms towards a credible, diffused, and multi-sectoral approach. Amidst significant geopolitical and geo-economic uncertainty, the budget prioritizes stability and execution over disruptive policy shocks. It focuses on targeted interventions in manufacturing, MSME support, and a sustained capital expenditure push to bolster medium-term growth while maintaining fiscal prudence.

Overall Approach- Stability Over Disruption

Shift from Previous Trends- Unlike Budget 2025, which focused heavily on income-tax slab and rate cuts, Budget 2026 avoids headline-grabbing "Big Bang" announcements.

Strategic Rationale- It adopts a diffused, multi-sectoral strategy designed to sustain growth in a volatile global environment.

Risk Mitigation- The approach is tailored to avoid disruptive shocks, ensuring policy continuity and stability during uncertain times.

Manufacturing & Strategic Sectors

Seven Strategic Areas- The budget targets support for seven key manufacturing pillars- Biopharma, Semiconductors, Electronics, Rare Earths, Chemicals, Capital Goods, and Textiles.

Semiconductors & Electronics-

1. India Semiconductor Mission 2.0- Launched to build on previous successes.
2. Electronics Component Manufacturing Scheme- Received higher allocation to enhance global competitiveness.

Biopharma Push- Biopharma SHAKTI Scheme- Allocated ₹10,000 crore over five years to position India as a global biopharma manufacturing hub.

Labour-Intensive Sectors- Specific focus on sectors like Textiles and Leather to generate employment.

Support for MSMEs and Exports

Champion MSMEs- A push to create "Champion MSMEs" through a combination of equity, liquidity, and professional support.

Economic Significance- MSMEs are critical, contributing 48.6% of India’s exports.

Trade Resilience- Domestic support is prioritized because potential Free Trade Agreements (e.g., EU FTA) may not immediately offset losses from rising global protectionism (e.g., U.S. tariffs).

Tariff Considerations-

1. Pharma Exemption- Indian pharmaceuticals notably remain exempt from U.S. 50% tariffs.
2. Urgency- Sectors vulnerable to tariffs need faster policy support.
3. Execution Lesson- The budget stresses time-bound execution for textile initiatives, citing past delays in the National Export Promotion Mission.

Services Sector & Employment

Education-Employment Linkage- A proposal for a high-powered ‘education to employment and enterprise’ standing committee to bridge the skills gap.

Healthcare & Tourism- Emphasis on healthcare and medical tourism, capitalizing on India's emerging strengths in these areas.

Capital Expenditure & Infrastructure

Capex-Led Growth- The government continues its heavy lifting on investment due to persistently weak private investment sentiment.

Record Allocation- Capital expenditure is raised to ₹12.2 lakh crore, approximately 4.4% of GDP—the highest in a decade.

Key Projects- Includes funding for Dedicated Freight Corridors, new Skill Training Institutes, and a Coastal Cargo Promotion Scheme.

Regional & Election-Specific Measures

Targeted Announcements- The budget opts for smaller, region-specific projects rather than large, unconditional packages.

Key Initiatives-

1. **Rare Earth Corridors-** Planned for **Odisha, Kerala, Andhra Pradesh, and Tamil Nadu**.
2. **Kerala-** A dedicated **Coconut Promotion Scheme**.
3. **West Bengal-** Development of an **East Coast Industrial Corridor**.
4. **Odisha-** Announcement of a **New National Waterway**.

Fiscal Management & Tax Policy

Fiscal Deficit- Targeted at 4.3% of GDP for 2026–27, a slight improvement from 2025–26, signalling fiscal consolidation.

Direct Taxes-

1. Status Quo- No major direct tax cuts for individuals or corporates to preserve fiscal stability.
2. Simplification- Focus remains on procedural simplification rather than rate cuts.

Indirect Taxes- Relaxations provided to boost marine, leather, and textile exports and support the energy transition.

Revenue Projections-

1. Corporate Tax- Projected to grow nearly 14%.
2. Income Tax- Modest growth of 1.9%, reflecting the impact of earlier rate cuts.
3. GST- Gross GST revenue projected to fall 13.5%, due to rate rationalization and the end of the Compensation Cess.

Conclusion

Budget 2026 is characterized as a credible and creditable exercise in pragmatism. While it may disappoint those seeking populist tax reliefs, it offers a balanced roadmap that prioritizes stability, execution, and resilience. By combining a record capex push with targeted support for manufacturing and MSMEs, it seeks to navigate global uncertainties while laying the groundwork for sustained medium-term growth.

Way Forward-

1. Execution- Ensure time-bound implementation of sectoral schemes (especially Textiles & MSMEs).
2. Flexibility- Maintain fiscal flexibility to respond if global uncertainties intensify.
3. Reforms- Accelerate services sector reforms, particularly in education-employment linkages.
4. Diversification- Strengthen export diversification to mitigate external tariff shocks.
5. Monitoring- Improve execution capacity to prevent delays seen in previous missions.

Source- **[https-//www.thehindu.com/opinion/editorial/credible-and-creditable-on-union-budget-2026-27/article70578790.ece](https://www.thehindu.com/opinion/editorial/credible-and-creditable-on-union-budget-2026-27/article70578790.ece)**

2. Corridor to future- High-speed rail, freight, one for rare earths (IE)

General Studies 3- Economy & Environment

Topics- Infrastructure- Energy, Ports, Roads, Airports, Railways etc.

Sub Topic- Railways (High-Speed Rail, Dedicated Freight Corridors).

Introduction

The Union Budget 2026 has unveiled a transformative infrastructure agenda anchored by three critical corridor types- seven High-Speed Rail (HSR) lines, a new East–West Dedicated Freight Corridor, and strategic Rare Earth Corridors. These initiatives are designed as "growth connectors" to integrate major economic hubs, enhance logistics efficiency, and secure India's strategic mineral independence. By linking transport modernization with industrial resource development, the government aims to catalyse sustainable growth and regional balance.

High-Speed Rail (HSR) Corridors- The Growth Connectors

Definition & Scope-

1. High-Speed Rail- Refers to passenger trains operating at speeds above 250 km/h, mirroring the efficiency seen in the *Shinkansen* (Japan) and China's HSR network.
2. Objective- To significantly reduce travel time between key metropolises and foster regional economic integration.

Seven Proposed Corridors- The network focuses on the high-density economic zones of Western, Southern, and Northern India-

1. Mumbai – Pune
2. Pune – Hyderabad
3. Hyderabad – Bengaluru
4. Hyderabad – Chennai
5. Chennai – Bengaluru
6. Delhi – Varanasi
7. Varanasi – Siliguri

Economic Impact-

1. Multiplier Effect- Accelerates urbanization, boosts real estate and tourism, and facilitates service-sector expansion.
2. Cluster Development- Transforms connected cities into integrated mega-economic clusters.
3. Institutional Learning- Leverages technological and project management insights from the ongoing Mumbai–Ahmedabad Bullet Train project (slated for full completion by 2029).

Dedicated Freight Corridors (DFC)- Enhancing Logistics

Strategic Need- India's logistics cost stands at 13–14% of GDP, significantly higher than global benchmarks (8–10%). Reducing this cost is crucial for making Indian exports competitive.

New East–West Corridor-

1. Route- Connects Dankuni (West Bengal) to Surat (Gujarat).
2. Function- Links the mineral-rich eastern regions with the industrial and export hubs of the west, streamlining the movement of raw materials and finished goods.

Operational Benefits-

1. Decongestion- Separates heavy freight traffic from passenger lines, enhancing safety and punctuality for passenger trains.
2. Multimodal Integration- Complements PM Gati Shakti and the National Logistics Policy by enabling seamless connectivity between road, rail, and ports.

Rare Earth Corridors- Strategic Mineral Security

Strategic Importance- Rare earth elements (REEs) are the backbone of modern technology, essential for electronics, EVs, renewable energy, defense systems, and semiconductors.

Geopolitics- Reducing import dependence (especially from China) is vital for Strategic Autonomy.

The "Corridor" Concept-

1. **Locations-** Focused on mineral-rich states- Odisha, Kerala, Andhra Pradesh, and Tamil Nadu.
2. **Goal-** To move beyond mere extraction to a complete value chain development—including processing, research, and manufacturing.
3. **Alignment-** Directly supports Make in India and Atmanirbhar Bharat by securing critical raw materials for domestic high-tech industries.

Waterways & Multimodal Connectivity

New National Waterways- Announcement of 20 new national waterways to better connect mineral belts with industrial centres and ports.

Economic & Environmental Logic-

1. Cost Efficiency- Inland water transport is significantly cheaper than rail or road for bulk cargo (coal, minerals, cement).
2. Sustainability- It is more energy-efficient and has a lower carbon footprint.

Last-Mile Synergy- Integration with rail and road networks ensures a seamless supply chain, removing bottlenecks at transfer points.

Sustainable & Balanced Regional Development

Regional Equity- The focus on Eastern (Odisha, WB) and Southern India helps bridge regional development disparities. Linking "lagging regions" with established "growth centres" promotes inclusive growth.

Green Mobility- Shifting traffic to HSR and waterways reduces overall carbon emissions, aligning with India's climate change commitments (Panchamrit).

Urban Planning- Encourages Smart Growth and planned urbanization along corridors, helping to decongest existing mega-cities.

Employment- Generates massive employment opportunities during the construction phase and sustains long-term jobs through industrial expansion.

Conclusion

The proposed corridors represent a strategic shift towards integrated, future-ready infrastructure. They are not just transport lines but economic arteries designed to support India's ambition of becoming a $5 trillion economy. However, realizing this vision will hinge on coordinated planning, effective land acquisition reforms, and robust private sector participation.

Way Forward-

1. Execution- Fast-track land acquisition and environmental clearances.
2. Funding- innovative financing models (e.g., asset monetization, green bonds) to fund these capital-intensive projects.
3. Technology- Ensure technology transfer for HSR and rare earth processing to build long-term domestic capabilities.

Source- https-//indianexpress.com/article/business/union-budget-2026-27-corridor-to-future-high-speed-rail-freight-one-for-rare-earths-10508120/lite/