

India's budget combines austerity for working people with huge boosts in military spending and business subsidies

Kranti Kumara, Keith Jones**16 February 2026**

India's far-right, Bharatiya Janata Party (BJP)-led government has tabled a budget for the fiscal year beginning April 1 that combines deepening austerity for working people with a massive 15 percent hike in military spending and huge subsidies and stimulus for Indian big business.

Faced with intensifying global strategic conflict and growing economic turbulence, including Trump's tariff war, the Indian bourgeoisie is determined to intensify the exploitation of the working class and rural poor.

In the run up to the budget, the government introduced legislation to abolish the Mahatma Gandhi National Rural Employment Guarantee, which for the past two decades has provided a vital lifeline for tens of millions of small farmers and agricultural labourers. Under the program that will replace it, the state is no longer legally obligated to provide 100 days of unskilled labour per year to one member of every rural household. The central government has shifted much of the responsibility for funding its rural relief program onto the financially hard-pressed state governments. Furthermore, with the express aim of depressing rural wages, the new program is to be entirely suspended during the 60 peak days of the agricultural calendar.

The BJP government has also begun implementing a sweeping labour "reform." It guts minimum workplace standards and the inspection regime meant to enforce them; promotes precarious contract-labour employment; and eliminates restrictions on mass layoffs at all but the biggest factories and workplaces. With the aim of criminalizing most worker job action, the BJP's labor code "reform" also introduces numerous new restrictions on the legal right to strike.

Prime Minister Narendra Modi and his BJP have long touted India as the fastest growing large economy. In reality, India's economy is mired in crisis, with private sector business investment falling or stagnant for most of the past decade.

Moreover, the fruits of economic growth are highly concentrated in the super rich and upper middle class. Tens of millions are unemployed or underemployed—a phenomenon that is only partially concealed in India's notoriously inaccurate economic statistics by the spurt in "self-employment." This spurt can be traced back to New Delhi's criminal mishandling of the COVID-19 pandemic, which caused a huge number of migrants to flee the cities for their rural ancestral family homes.

Boosting big business and India's oligarchy

Indian Finance Minister Nirmala Sitharaman began her budget speech in the Lok Sabha with the usual empty and hypocritical platitudes. "Our Government's *Sankalp* (sacred duty)," she declaimed, "is to focus on our poor, underprivileged, and disadvantaged."

Having dispensed with this falsehood, she went on to present a budget that funnels a still larger share of society's resources to India's nuclear-armed military and to business. In the name of promoting employment and countering the impact of Trump's tariffs, the government is increasing yet again direct subsidies to small, medium and big business under various schemes, while enhancing the "Ease of Doing Business" by gutting regulations and their oversight.

Modi and Sitharaman are also giving corporate India a huge shot in the arm by increasing the funding for government-financed, private sector-built (and frequently, upon completion, managed) infrastructure projects.

Meanwhile, social spending—that is the funding for education, health care, water and sewage, nutrition, old age pensions, food subsidy, and rural development—continues to shrink as a portion of budget outlays. When Modi and the BJP came to power in 2014, the social sector allocation accounted for 22 percent of central government expenditure (2.9 percent of GDP). In the budget for the 2026-2027 FY (fiscal year), it represents 18 percent of the budget (2.5 percent of GDP), although India's population has increased by an estimated 140 million people or more than 10.5 percent in the interim.

The budget's central economic goal is to promote rapid economic growth by using expanding government capital expenditure (CAPEX) to compensate for low private investment. The budget allots 12.2 trillion rupees (\$136 billion) to government capital spending in FY 2026-27, an 11 percent increase from the current fiscal year.

Putting the lie to the government's claims of the resounding success of "Modinomics," business investment has been falling or stagnant for years despite massive tax corporate cuts and other pro-investor "reforms." To avert a major economic and social crisis and in the hopes of spurring private investment, the BJP

government has resorted to massive CAPEX spending in successive budgets.

To date, this has manifestly failed. Private investment reportedly plummeted by 29 percent, from Rs. 7 trillion (\$78 billion) in 2024-25 to a projected Rs. 5 trillion (\$58 billion) in the current fiscal year.

Modi, Sitharaman, and the Indian bourgeoisie as a whole view the building of transport, power and other infrastructure as crucial to realizing their ambition to transform India, in partner with US and European imperialism, into an alternative production chain hub to China. However, progress toward this goal has thus far been quite limited. Despite the headline economic growth, manufacturing has stagnated at roughly 15–17 percent of GDP for decades. Capacity utilization, which is a measure of the percentage of existing production capabilities, is below 75 percent.

In her budget, the Finance Minister projected a real economic growth rate (after inflation is discounted) of between 6.8 and 7.2 percent for the coming fiscal year as compared to a projected 7.4 percent in the 2025-26 fiscal year, which ends March 31.

Real GDP growth is promoted by the International Monetary Fund (IMF) and the World Bank (WB) as the crucial measure of national economic health. In reality, India's economic "rise"—it is now the world's fourth largest economy—has overwhelmingly benefited India's oligarchs, foreign investors, and CEOs at the expense of its workers and rural toilers. Even according to the government's own Household Consumption Survey, over 80 percent of India's population of over 1.1 billion people live on less than \$3 a day, which is below the World Bank poverty line of \$3.20. As opposed to this, India's top 100 richest persons now command a collective wealth of \$1.1 trillion—equivalent to about 30 percent of India's GDP.

Another aspect of the budget that stands out is the rapid rise in India's debt and debt payments. Deficit financing amounts to about 23 percent of the budget expenditure, nearly double the 12.3 percent share that government borrowing represented in FY 2017-18. According to the IMF, in 2024-25 the Indian government's total debt amounted to slightly more than 81 percent of GDP as compared with 69 percent in 2015-16.

As a result of India's swelling accumulated debt, interest payments, at a little over Rs. 14 trillion (\$155.6 billion), are the budget's single largest expense.

Just three items, interest payments, capital or infrastructure expenditure, and the military budget account for some 64 percent of the entire budget.

Record military spending

The budget allocates a record sum of Rs. 7.9 trillion (\$88 billion) to the military, giving India the world's fifth largest military budget, after only the US, China, Russia and Germany.

This allocation constitutes 2 percent of projected GDP. According to the Indian Defence Ministry, the 15 percent surge over military spending in the current fiscal year is due to "military modernization," as the armed forces apply lessons "learned" from Operation Sindo—*the four-day border war India launched on Pakistan last May and which brought South Asia's nuclear powers to the brink of a full-scale conflagration*.

Rs. 2.2 trillion (\$24 billion) is budgeted for weapons acquisition,

including aircraft, missiles, and naval vessels. This is roughly equivalent to the measly Rs. 2.3 trillion (\$26 billion), the BJP's 2026-27 budget allocates to the Public Distribution System (PDS) upon which at least 800 million depend for subsidized staples such as grains, sugar and kerosene.

India's annual defence budget has increased more than five-fold since 2000, when it was around \$13 billion. Expanding India's military might, including building a blue-water navy and a nuclear triad has been a key objective of New Delhi, under BJP and Congress Party governments alike. It is a central element of its anti-China "global strategic partnership" with US imperialism.

Under Modi, India has aggressively sought to establish pre-eminence over Pakistan, while establishing a vast network of bilateral, trilateral and quadrilateral strategic ties with Washington and its principal Asia-Pacific allies, Japan and Australia. According to the Indian elite's reckless strategic ambitions, its military must be ready to wage war on two fronts—against China and Pakistan simultaneously.

The Modi government and India's ruling elite welcomed Trump's return to the White House. But to their shock and dismay, he has destabilized Indo-US ties with his trade war tariffs and demands that New Delhi cease Russian oil imports and otherwise downgrade its ties with Moscow.

In an attempt to placate the Trump administration, Sitharaman's budget speech announced tariff cuts on electronics, electronic components, semiconductors, and other items as demanded by the White House. The very next day, America's would-be dictator president boasted on his Truth social media account that Washington and New Delhi had concluded a trade agreement. Trump claimed India has made numerous concessions to secure the rolling back of US tariffs from 50 to 19 percent, including pledging to halt Russian oil imports and opening the door to large-scale US agricultural imports.

New Delhi subsequently confirmed that an agreement in principle has been reached, but both sides acknowledge key details remain to be hammered out. Without directly challenging Trump's claims of Russian imports, Indian officials have suggested New Delhi has not given any firm commitment to eliminate them. Over the past four years discounted Russian oil has provided a much needed shot in the arm for India's economy.

Meanwhile, a storm of protest is building in rural India over the apparent concessions made to US agri-business in the impending agreement. Although the agriculture sector accounts for less than 18 percent of India's GDP, more than 45 percent of the workforce is engaged in agriculture.



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