West Bengal Budget (2026-27): An Empirical Analysis

Nearly one and a half months after coming to power, West Bengal's BJP government has unveiled its maiden budget. Finance Minister Dr. Swapan Dasgupta placed before the West Bengal Assembly a total budget of ₹4,38,775.29 crore for 2026-27. This is a very large jump from the previous year's (2024-25) actual total expenditure of about ₹3,07,216 crore, representing an increase of more than ₹1.3 lakh crore in a single year. According to Finance Minister's budget speech, "Our government's mission is to restore State's glory, build Viksit Bengal as part of Viksit Bharat". This budget is also a means to build a more cooperative relationship with Central Government, referencing central programmes like Viksit Bharat 2047, Digital India, Ayushman Bharat, PMAY-G, and the Purvodaya initiative throughout the document.



To understand what this budget implies, it is necessary to look at how the State's economy is performing and where West Bengal stands in the national picture. According to the budget's Medium-Term Fiscal Policy Statement, West Bengal's Gross State Domestic Product (GSDP) grew at 7.62 per cent in 2025-26 at constant price, after adjusting for

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inflation. In the same year, the national GDP of India grew at 7.41 per cent at constant price. Similarly, West Bengal's GSDP growth at current prices in 2025-26 is estimated at 9.85 per cent, while India's GDP growth at current price is 8 (eight) per cent. This reinforces the picture of a State whose economy is performing reasonably well compared to the national benchmark.

The good news is that both the revenue deficit and fiscal deficit are projected to improve in 2026-27. The revenue deficit is expected to come down from 2.07 per cent of GSDP in 2025-26 to 1.02 per cent in 2026-27— cutting in half. Similarly, the fiscal deficit is projected to fall from 3.40 per cent to 2.91 per cent of GSDP. This looks encouraging. But here is what the numbers also reveal: in 2024-25, the revenue deficit actually increased sharply to ₹39,727 crore, that is nearly 55 per cent higher than the year before (₹25,691 crore in 2023-24). The fiscal deficit similarly climbed from ₹53,993 crore to ₹61,924 crore. So, this sharp deterioration in just one year is the fiscal backdrop against which this new government has presented its budget and its optimistic projections must be read with that in mind.

The State's revenue expenditure for 2026-27 is estimated at ₹3,42,469 crore against revenue receipts of ₹3,20,485 crore which means revenue expenditure exceeds revenue receipts by ₹21,984 crore. Simply put, even in the year with improved financial parameters, the State would spend more on regular running costs than it earns. In such an event, every rupee of that gap must come from borrowed fund.

Observed wisdom would want to know given these fiscal constraints, what has the government chosen to prioritise in its very first budget? One would get the answer from the headline announcements in this budget which touch nearly every section of society, and they have been crafted with clear political intent: to signal that the new government is serious about both welfare and growth. For government employees and pensioners, the most significant announcement is an additional 20 (twenty) per cent Dearness Allowance hike. This takes the cumulative DA for State government employees to 38 per cent, a substantial increase that will put more money in the hands of lakhs of State Government employees and retired personnel across West Bengal. For the youth, the budget introduces a scheme called *Banglar Yuva Sathi*, a financial support initiative for eligible unemployed

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youth between the ages of 21 and 40. For students, the *Swami Vivekananda Merit Scholarship* will be extended to fully cover tuition fees and health insurance for students gaining admission to the world's top 100 universities.

Amongst all these proclamations aiming at social benefits for all sections of the society, the most striking feature of the 2026-27 Budget is its unmistakable focus on women. The flagship scheme is the *Annapurna Yojana*, for which the government has allocated ₹36,000 crore for women. Under this scheme, eligible women between the age of 25 and 60 will receive a direct cash transfer of ₹3,000 every month into their bank accounts. This replaces the earlier *Lakshmibhandar* scheme and offers significantly higher support. The second major announcement is the *Pink Card scheme*, a ₹550 crore allocation that will allow women across West Bengal to travel free of cost on State government buses. This is not merely a welfare measure; it is an economic mobility intervention. On education, the government has announced a ₹50,000 scholarship for girl students of State government and government-aided schools, and a separate one-time grant of ₹50,000 for girls entering undergraduate courses. On employment, the government has proposed the recruitment of one lakh new government jobs, with 33 per cent reservation for women. If executed, this means approximately 33,000 new government jobs will go exclusively to women. Simultaneously, the proposed cloud-kitchen policy aims to promote women-led micro-enterprises through access to finance, digital skills and market linkages. Taken together, these allocations suggest that women occupy a uniquely prominent place in the State's fiscal priorities. A conservative estimate indicates that woman-centric allocations exceed ₹37,000 crore, which is approximately 9 per cent of the total budget outlay and 1.72 per cent of projected GSDP.

But then, can these promises actually be delivered? As of 2024-25, the State's total outstanding debt stands at ₹6,98,997 crore. By the end of 2026-27, this is projected to rise further to ₹8,15,891 crore. In other words, even as the government presents this ambitious budget, the State is on track to owe about ₹8.16 lakh crore by March 2027. To capture what this means in relative terms, we have to look into Debt-to-GSDP ratio which measures debt as a share of the State's total annual economic output. It currently stands at 38.57 per cent in 2024-25. The budget projects this will fall marginally to 37.98 per cent

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by 2026-27. While this marginal improvement is welcome, a ratio close to 38 per cent is among the highest for any major State in India, and it means that the State owes nearly 38 paise for every rupee of economic output it generates in a year. Besides, the interest burden alone is enormous. In 2026-27, the State is expected to pay ₹53,034 crore just in interest on its existing debt that is equivalent to 16.55 per cent of total revenue receipts.

If we consider the Annapurna Yojana alone which involves outlay of ₹36,000 crores, this allocation is more than what the State spent on Agriculture and allied sectors (₹24,107 crore in 2024-25), and on physical infrastructure (₹6,844 crore in 2024-25). It is, in fact, almost as large as 68 per cent of the annual interest payment on the State's debt. Sustaining this scheme year after year will, therefore, require either substantial growth in revenue receipt through ambitious tax targets or dependence on further borrowing from year to year. Another hurdle that cannot be ignored is the continuous increase in revenue deficit over the past ten years.

Despite the projected improvement in 2026-27, the government is still expected to spend ₹21,984 crore more on its day-to-day operating expenses than it earns through many sources of revenue receipt. This means borrowings would continue to fund revenue expenditure, a practice that adds to debt burden without corresponding increase in revenue income. Budget allocation reveals that the revenue expenditure as percentage of revenue receipt is estimated at 106.86 for 2026-27 which means that the government will spend ₹106.86 for every ₹100 it earns, with the extra ₹6.86 coming from borrowings. This will further add to the misery.

Another issue which is relevant in this context is whether the revenue projections are realistic. The revenue receipts are projected at ₹3,20,485 crore for 2026-27. This represents a jump of nearly 31 per cent from ₹2,44,867 crore in 2025-26 (RE). The State's own tax revenue is projected to jump from ₹1,11,737 crore to ₹1,30,670 crore. Looking at the past trend based on time series data, these appear to be optimistic numbers. If actual revenue falls short, as has happened in previous years, the fiscal deficit will widen, more borrowing will be needed, and the programmes announced today may face mid-year cuts. The recently published HSBC Flash India Purchasing Manager Index (PMI) shows that manufacturing output index has been declining over the recent past amid softening

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demand for goods and services. In such a situation revenue receipt may face adverse variance.



In this background, the real question is not whether these promises are worth making. They are. The anxiety is whether the fund will actually be available to keep the promises. For the women of Bengal who are counting on these schemes, real situation matters more than any budget speech. The uncertainty notwithstanding, silver line in this budget is that a number of measures have been announced to bring back manufacturing and agricultural growth on track. It is thus expected that there would be increase in GSDP growth followed by increase in revenue receipt which will act as a saviour.

THANK YOU

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