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Impact of the Budget 2025 & 26 on Agricultural Sector and Tax Implications

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ABSTRACT: The current paper critically reviews the most significant announcements in presenting the "Union Budget (2025-26)" by Hon'ble Finance Minister Mrs. Nirmala Sitharaman, specifically from the viewpoint of their tax policy and economic development implications. It emphasizes how the government seeks to meet the fiscal requirements of diverse socio-economic groups, including the middle class and lower-income communities. By analysing changes in tax slab rates and implementing new tax policies, the research will determine the problems and advantages that these measures have for taxpayers and service sectors looking for relief and opportunities for growth. The paper also discusses how these fiscal policies are structured to spur economic activity, increase disposable income, and encourage investment in major sectors. It examines the likely effect of these changes on consumer expenditure, savings, and overall economic stability. The research also attempts to forecast future economic cycles and their probable implications for sustainable development and social well-being in India. Based on an examination of the all-round approach adopted in the Union Budget, this study attempts to offer insights into how effective the proposed tax reforms are going to be and how they contribute towards creating a more inclusive and robust economy, leading to the prosperity of the nation.

KEY WORDS: Tax Policy, Fiscal Policy, Agricultural Sector, Public Finance; Disposable Income, Consumer Expenditure, Socio-economic Impact

I. INTRODUCTION

The study mainly focuses on analysing the impact of budgetary policies implemented on farmers and other individuals in terms of minimum support prices (MSPs), construction of urea plants in Bihar, etc. and focused on the agricultural reforms implemented, prevailing climatic conditions influencing the growth of a farmer. To understand these factors, it is important to conduct a study on it to contribute for the betterment of the economy and for the economic growth in a broader sense.

Agriculture is the backbone of the Indian economy, contributing notably to GDP, employment, and food security. Budgetary policies of the government, like Minimum Support Prices (MSPs), subsidies, and investments in infrastructure, directly affect farmers' and rural communities' livelihoods. Urea plant establishment, particularly in Bihar and other states, is for the purpose of increasing fertilizer availability, lowering the cost, and increasing agricultural productivity. Furthermore, agricultural reforms such as shifts in market regulation and credit availability shape the sector's growth and sustainability. Nonetheless, existing climatic conditions like irregular monsoons, droughts, and floods are serious challenges to farmers. It is imperative to understand the effects of these factors to design policies that foster sustainable agricultural development and economic development in general. This research seeks to examine these areas in order to offer insights into the efficacy of budgetary policies and their role in the development of the agricultural sector and the overall economy.

Moreover, the interplay between government interventions and farmers' adaptability plays a crucial role in determining agricultural success. Policies such as loan waivers, direct income support schemes, and technological advancements in irrigation and farming techniques significantly influence agricultural productivity and rural prosperity. Additionally,

addressing issues like supply chain inefficiencies, inadequate storage facilities, and market access can enhance farmers' earnings and reduce post-harvest losses. By examining these factors, this study aims to provide a comprehensive understanding of the effectiveness of budgetary measures in addressing agricultural challenges. Ultimately, well-designed policies can help create a resilient agricultural sector that not only supports farmers' well-being but also contributes to broader economic growth and food security.

II. REVIEW OF LITERATURE

1. **Taxation in Agriculture (OECD 2020)**
    The OECD's in-depth review of taxation in agriculture presents a detailed analysis of tax measures impacting the agricultural sector in 35 OECD member countries and emerging economies. The report delves into the richness of tax provisions, noting the ubiquity of agricultural tax concessions and their impact on innovation, productivity, and sustainability. It discusses how tax measures affect rural investments and identifies strategies for balancing revenue collection and sectoral development.

2. **Taxability of Agricultural Income in India (S. S. S. R. Anjaneyulu and S. S. R. Anjaneyulu 2023)**
    This study provides an in-depth analysis of the taxation framework governing agricultural income in India, focusing on the provisions of the Income Tax Act. It specifically examines the exemption of agricultural income under Section 10(1) and identifies instances where agricultural earnings may be subject to state taxation. The research highlights the complexities associated with taxing agricultural income, particularly in distinguishing between small-scale farmers and high-income agriculturalists.

3. **GST in India: Reflections from Food and Agriculture (N. P Singh 2024)**
    This research assesses the effect of the Goods and Services Tax (GST) on India's agricultural industry, with emphasis on how GST affects input costs, farm profitability, and food supply chains. The study reviews exemptions and tax rates imposed on different agricultural commodities and points out imbalances in taxation across segments of the sector. Further, the research evaluates the impact of GST on farmers' access to credit and financial services and the challenges and opportunities offered by the tax system.

4. **The Taxation of Agricultural Income in India (K.V Sridhar Golagani 2024)**
    The paper offers a thorough examination of agricultural income taxation in India, with emphasis on the exemption under Section 10(1) of the Income Tax Act. Although agricultural income is exempt from taxation at the centre, the paper brings to light the fact that the states are allowed to tax farmers if income crosses ₹5,000 per annum. The paper analyses the repercussions of the tax exemptions on government revenue, fiscal sustainability, and farmer welfare. The paper also examines the current controversy on whether to tax high-income farmers and weighs the likely effect on rural development and income distribution.

5. **Union Budget: Trends and Allocations for the Development of Agriculture Sector in India (Alpana Srivastava and Chayya Yadav 2024)**
    This research offers detailed budgetary expenditure and policy trend analysis of the Indian agricultural sector during the period 2014 to 2024. It looks into the financial commitments of the government in tackling the important agricultural issues, such as fragmented holdings, low productivity, and poor rural infrastructure. The study analyses government expenditure trends on important areas like irrigation development, infrastructure development, and subsidies and determines their effect on the overall agricultural growth.

III. OBJECTIVES OF THE STUDY

-   To understand the impact of tax liabilities for examining the effects of budget policies on agriculture.
-   To evaluate the role of taxation in the agricultural sector and the spending mechanism on minimum support prices.
-   To Analyze the Impact of GST on Agriculture.
-   To analyze the economic impacts of agricultural taxation for the development of economic welfare and better standard of living.
-   To conduct a study on incentive promotion and sustainable farming practices to promote an eco-friendly economy.

IV. RESEARCH METHODOLOGY AND DATA ANALYSIS TECHNIQUES USED

1. Research Design
The research makes use of a descriptive research design to examine how budget allocations and tax regimes influence the agricultural sector. Descriptive research assists in the comprehension of trends, policy, and influence on agricultural stakeholders.

2. Data Collection Method
The main data collection for this research was done via a structured questionnaire, which was created to solicit responses from individuals who are in the agriculture sector, such as farmers, owners of agribusiness, and financial specialists. The questionnaire was distributed online and offline to cover a wide range of responses.

3. Sampling Technique
The research embraces a non-probability convenience sampling approach on account of convenient access to participants. Convenience sampling was utilized considering it permits easy data collection using quick data processing from available, willing respondents while guaranteeing ease of collecting necessary information regarding agriculture-influenced budget and taxation policies.

4. Sample Size
A survey of 111 respondents was done. The population sampled consists of farmers, agriculture traders, and finance experts involved in the sector to ensure the diversity of opinion on how the tax policies and budgetary spending affect agricultural growth.

5. Data Analysis
The data collected is analyzed through descriptive statistical techniques, such as percentage analysis and graphical presentation. Qualitative information from open-ended questions, if any, is coded thematically to recognize common patterns and salient issues on taxation and budgetary policies in agriculture.

6. Scope and Limitations
Although this research offers keen insights on the role of budget and taxation policies on agriculture, the small sample size of respondents at 111 may not capture the richness of experiences across regions. More generalized conclusions can be offered by future studies with larger and more randomized samples.

V. FINDINGS AND INTERPRETATION

Descriptive statistics
The study presents descriptive statistical technique to evaluate the perceived impact of Budget 2025–26 on the agricultural sector by analysing the previous year's data base on budget presented for the fiscal year.

Variable	Mean	Median	Mode	Std Deviatiom
Govt fund allocation to agriculture	2.10	2	2	0.78
GST impact on agricultural inputs	1.57	2	1&2	01.03

Interpretation:
The analysis reveals important insights into public perception regarding agricultural funding and taxation from the Budget 2025–26, the mean score for Govt fund allocation to agriculture (2.10) suggests a mixed opinion from the public point of view in terms of wilful agreement that the government allocates enough funds. On the other hand, impact on agricultural inputs under GST, derives a mean value (1.57) and the mode value (1 & 2) indicating that most respondents believe GST has a negative or uncertain impact on agriculture. The relatively high standard deviation for

GST impact on agricultural inputs (1.03) suggests difference in opinions on GST's effect than on fund allocation by the government.

T-TEST

To assess whether there is a statistically significant difference in public perception of government fund allocation to agriculture based on respondents' opinions about the impact of GST on agricultural products and inputs, an independent samples t-test was conducted:

Variables:
⊢ **Dependent Variable:** We are measuring how respondents rate the adequacy of budget allocations for agriculture.
⊢ **Independent Variable:** We are dividing respondents into groups based on their opinion about the impact of GST, to see if that influences their views on the budget.

Hypothesis:
- **Ho (Null Hypothesis):**
There is no significant difference in perceptions of fund allocation between those who believe GST impacts negatively and others.
- **H1 (Alternative Hypothesis):**
There is a significant difference in perceptions of fund allocation between the two groups.

T-Test Results

Metric	Value
Sample Size(n)	111
T-Statistic(t)	3.91
P-Value	0.0002
F-Statistic(F)	8.92
Degrees of Freedom	109
Significance Level	0.05(5%)

Interpretation:
Based on statistical data and after conducting T- test it is clearly derived that p-value (0.0002) < 0.05, which denotes that the said hypothesis is rejected. The data practically signifies difference in how people perceive budget allocations to agriculture based on GST rates and the impact on it. Precisely, those who believe GST negatively affects farmers believe on mixed hopes that the government allocate enough funds to agriculture.

VI. CHI-SQUARE TEST

To determine whether there is a statistically significant association between public perception of government budget allocation to agriculture and the perceived impact of GST on agricultural products and inputs.

Variables
Independent Variable- Government fund allocation to agriculture
Dependent Variable- GST impact on agricultural inputs

Hypothesis
- **H₀ (Null Hypothesis):**
There is no association between perceptions of GST's impact and perceptions of government fund allocation.
- **H₁ (Alternative Hypothesis):**
There is a significant association between the two variables.

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Observed Frequency Table

	Yes Positively	Yes, Negatively	Not Sure	No Impact	Total
Govt Allocates – Yes	16	12	10	2	40
Govt Allocates – No	4	12	10	2	28
Govt Allocates – Not Sure	9	12	16	6	43
Total	29	36	36	10	111

Expected Frequency Table

	Yes Positively	Yes, Negatively	Not Sure	No Impact
Govt-Yes	10.45	12.97	12.97	3.6
Govt-No	7.32	9.08	9.08	2.52
Govt-Not Sure	11.22	13.95	13.95	3.87

Chi Square Results

Metric	Value
Chi Square Statistic	8.67
Degrees of Freedom	(3-1)(4-1)=6
P-Value	0.193
Significance Value	0.05

Interpretation

The analysis of data for the p-value shows that (0.193) > 0.05 stating that the said hypothesis is accepted. This implies that there is no statistically significant relationship between, the opinions of respondents as to whether the government provides sufficient funds, responses as to how GST impacts farmers. Although there may be a trend which indicates some relationship, it is too weak statistically to establish a dependency between the two variables.

VII. ANNOVA

To assess whether there is a significant difference in how respondents perceive the government's fund allocation to agriculture, based on how they perceive the impact of GST on agricultural products and inputs.

Variables:
Independent Variable- Government fund allocation to agriculture
Dependent Variable- GST impact on agricultural inputs

Hypothesis
H_0 (Null Hypothesis):
The average perception of government fund distribution does not vary by GST impact groups.

H_1 (Alternative Hypothesis):
The average perception of government funding distribution varies considerably among one or more GST affect groups

ANOVA Results

Metric	Value
F-Statistic	3.64
P Value	0.015
Significance Level	0.05

Interpretation of Results

Since, the p-value (0.015) < 0.05, it is taken into consideration that the said hypothesis is rejected. From the above data, there is an existence significant statistical variation in the average perception of the allocation of funds by the government among the groups of respondents in terms of their perception of GST's effect on agriculture. Perceptions regarding tax policies such as GST shape the way people perceive the government's seriousness towards financing agriculture in the budget.

VIII. FINDINGS

Awareness of Budget Impacts:

Most of the respondents (over 70%) said that they were either very or quite sure about the impact of the Union Budget on agriculture.

Perception of Government Fund Allocation:

The average response score on fund allocation was 2.10 (1–3 scale), reflecting that the majority of respondents were unsure or felt the funds are inadequate.

GST Impact on Agriculture

Almost 32.4% opined that GST negatively impacts farmers, and just 26% opined that it has a positive impact. This suggests an over-all apprehension regarding the burden of the tax structure on agriculture.

T-Test Analysis:

The groups differed significantly statistically—individuals who perceived GST as having a negative effect on agriculture also perceived government expenditure as lacking (p-value = 0.0002).

Chi-Square Analysis:

Even though there seemed to be tendencies, the Chi-Square test indicated no association between the perception of GST and budget allocation perception (p-value = 0.193), indicating independence.

ANOVA Analysis:

The fund allocation perception mean differed significantly between various groups of GST perception (F = 3.64, p-value = 0.015), indicating that GST opinions have an effect on the perception of the budget.

Suggestions:
Transparent Allocation and Communication:

The allocations of the agriculture budget must be clearly defined and made simple and understandable to farmers, students, and policy drivers.

GST Rationalization on Agricultural Inputs:

Tax burden must be eased by offering reduced or exemption of GST for agricultural machinery, seeds, and fertilizers to small and marginal farmers.

Targeted Financial Support:

Implement additional subsidies, credit facilities, and insurance for climate-hit and small-scale farmers specifically.

Strengthen MSP and Market Access

Stabilizing Minimum Support Prices (MSP) and enhancing market infrastructure will increase farmers' income and confidence in budget policies.

Farmer Awareness Campaigns:
Organize educational outreach programs to enable farmers to comprehend how budgetary provisions and tax reforms impact their livelihood and rights.

X. CONCLUSION

The outlays and revenue measures within the Indian agricultural sector have recently been undertaken and showcase the government's effort in promoting productivity growth, achieving sustainability, and improving the livelihood of farmers. The increase in budget spending signifies a shift towards modernization, self-sufficiency in vital crops, and greater lending to farmers. The Initiative programmes introduced like the Prime Minister Dhan-Dhaanya Krishi Yojana and Mission for Aatmanirbharta in Pulses capture the attention on agricultural development, expansion of necessary infrastructure and monetization of agriculture.

On the other hand, more stringent control have been imposed on farmland sales to reduce tax avoidance, and income derived from agriculture will continue to be free from income tax. These steps make sure that tax advantages are targeted and not abused by non-genuine agricultural operations. In addition, increasing the amount availed under the Kisan Credit Card (KCC) scheme from 3 lakh rupees to 5 lakh rupees makes finances more accessible, hence, farmers can secure better technology and resources.

Furthermore, the budget emphasizes the role of technological advancements, digitalization, and sustainable farming practices in driving agricultural growth. Increased investment in agri-infrastructure, irrigation facilities, and supply chain efficiency aims to reduce post-harvest losses and improve market linkages for farmers. The push for organic farming, climate-resilient crops, and precision agriculture aligns with long-term sustainability goals, ensuring food security while addressing environmental concerns. The integration of financial, technological, and policy-driven measures creates a comprehensive framework for the agricultural sector's transformation. By balancing short-term relief with long-term structural changes, the government's approach ensures inclusive growth, benefiting small and marginal farmers. These reforms position Indian agriculture on a trajectory toward modernization, resilience, and global competitiveness, making it a crucial pillar of the country's economic development.

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