

# Government of India Finances

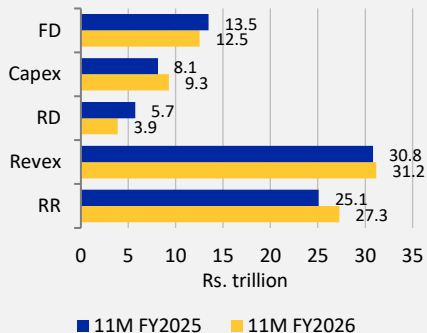
**FY2026 fiscal deficit seen at 4.5% of GDP; G-sec yields to remain sticky, amid rising fiscal risks from excise duty cut, elevated energy prices**

**MARCH 2026**



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**EXHIBIT: Trends in key fiscal metrics in 11M FY2025-2026**



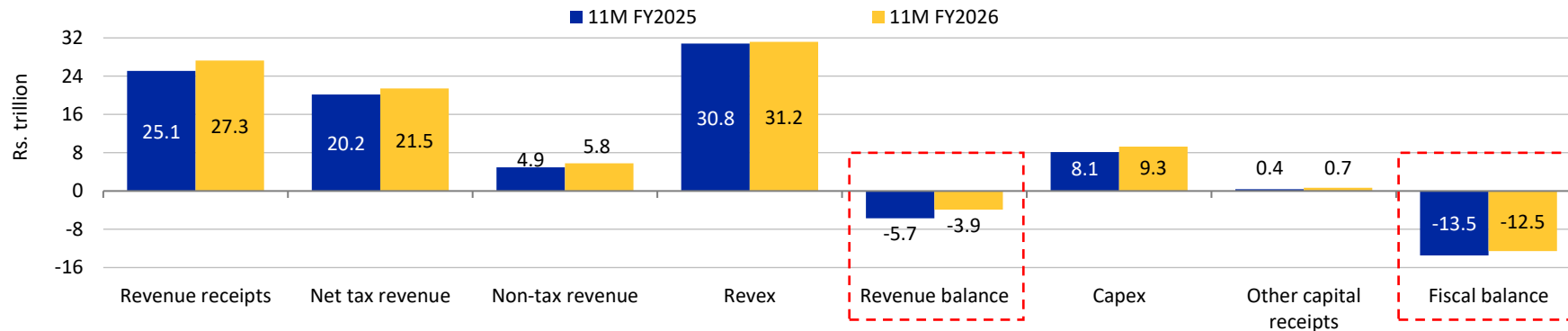
RR: Revenue receipts, Revex/Capex: Revenue/Capital expenditure; RD/FD: Revenue/Fiscal Deficit; Source: Union Budget, CGA, ICRA Research

The Government of India's (Gol's) fiscal deficit narrowed to Rs. 12.5 trillion or ~80.4% of the FY2026 RE during April-February FY2026 from Rs. 13.5 trillion (~86% of Actuals) in the year ago period, led by a lower revenue deficit, even as capex was 15% YoY higher during this period. ICRA expects the fiscal deficit to print at 4.5% of GDP in FY2026, higher than the RE of 4.4%, on the back of a downward revision in the nominal GDP numbers in the 2022-23 series vis-à-vis the 2011-12 series. The Gol has recently cut the excise duty on fuels, which is expected to result in a net revenue loss of ~Rs. 1.0-1.2 trillion in FY2027 (~0.3% of GDP), although this will be partly offset by the amount allocated towards the Economic Stabilisation Fund (ESF). Nevertheless, the West Asia crisis has complicated the Gol's budget math for FY2027, raising material risks on the expenditure and revenue side, especially if the conflict persists for a prolonged period keeping crude oil and natural gas prices elevated, beyond our current baseline forecasts. The 10Y G-sec yield is expected to remain elevated, owing to worsening fiscal risks from excise duty cut, potential rise in subsidies amid high energy prices, despite lower front-loading of gross market borrowings (GMBs) announced for H1 FY2027, vis-à-vis recent years.

- **Gross tax revenues (GTR) to marginally trail the revised target in FY2026:** The Gol's GTR has risen by 6.7% YoY to Rs. 34.2 trillion in 11M FY2026, 84% of the revised target for the fiscal. ICRA expects the direct tax collections to trail the RE by Rs. 200-250 billion, mainly driven by the personal income tax (PIT) head, while customs duty and CGST inflows may modestly surpass the respective targets in FY2026. Thus, the GTR is likely to marginally trail the RE for FY2026 of Rs. 40.8 trillion.
- **FY2026 fiscal deficit to print at 4.5% of new GDP vs. the targeted 4.4%:** While the Gol's capex needs to contract by 31% YoY in March 2026, its revex needs to expand by a sharp 45% in the month. Although the latter appears large, the net cash outgo of Rs. 2.0 trillion announced under the 2nd Supplementary Demand for Grants (SDG) for FY2026, is likely to ensure that expenditure remains elevated in March 2026, and the fiscal deficit is not undershot relative to the FY2026 RE. Overall, we expect the fiscal deficit to print at 4.5% of GDP in FY2026, higher than the RE of 4.4%, on the back of a downward revision in the nominal GDP numbers in the 2022-23 series vis-à-vis the 2011-12 series.
- **Excise duty cut, high energy prices to worsen FY2027 budget math:** The Gol cut the excise duty on fuels, which is expected to result in a net revenue loss of ~Rs. 1.0-1.2 trillion in FY2027, equivalent to ~30 bps as a proportion of GDP. However, this is likely to be partly offset by the amount allocated towards the ESF. Nevertheless, the West Asia crisis has complicated the Gol's budget math for FY2027, raising material risks on the expenditure and revenue side, especially if the conflict persists for a prolonged period, keeping crude oil and natural gas prices elevated, beyond our current forecasts.

# Gol's fiscal deficit narrowed to Rs. 12.5 trillion in 11M FY2026, aided by lower revenue deficit, even as capex rose by 15% YoY

EXHIBIT: Fiscal trends in April-February or 11M FY2025 and 11M FY2026

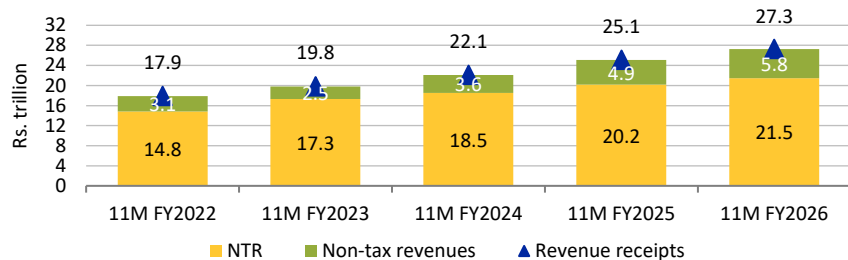


Source: CGA, Ministry of Finance, Gol; ICRA Research

- As per the provisional data released by the CGA, the Gol's revenue deficit narrowed sharply to Rs. 3.9 trillion during April-February or 11M FY2026 (73.8% of FY2026 RE) from Rs. 5.7 trillion in the corresponding period of FY2025 (101.4% of FY2025 Actuals), with the tepid growth in revenue expenditure (+1.1% YoY) being sharply outpaced by the healthy 8.7% expansion in revenue receipts.
- The Gol's capex expanded by a healthy 14.5% to Rs. 9.3 trillion in 11M FY2026 (84.8% of FY2026 RE) from Rs. 8.1 trillion in 11M FY2025 (77.2% of FY2025 A). Nevertheless, benefitting from a lower revenue deficit as well as a surge in non-debt capital receipts (to Rs. 655.5 billion from Rs. 373.6 billion), the Gol's fiscal deficit narrowed to Rs. 12.5 trillion in 11M FY2026 (80.4% of FY2026 RE) from Rs. 13.5 trillion in 11M FY2025 (85.5% of FY2025 A).

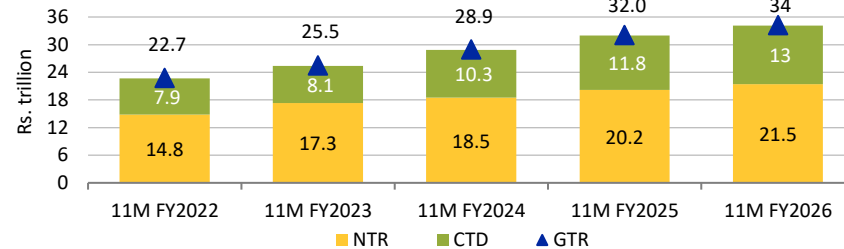
# GTR rose by ~7% YoY in 11M FY2026 amid healthy growth in corporate and indirect taxes

**EXHIBIT: The Gol's revenue receipts rose by 8.7% YoY in 11M FY2026, led by both net tax revenues (+6.4%) as well as non-tax revenues (+17.8%)**



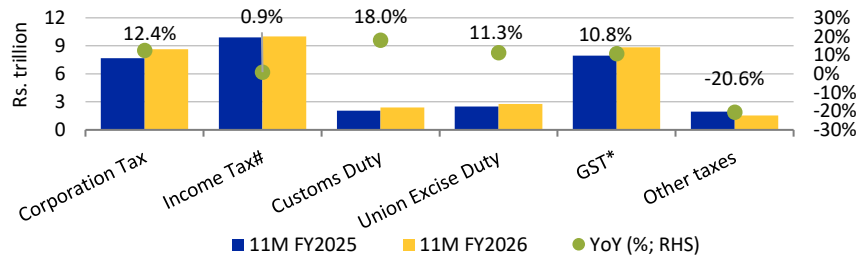
NTR: Net tax revenues; Source: CGA, Ministry of Finance, Gol, ICRA Research

**EXHIBIT: Tax devolution to states rose by 7.3% to Rs. 12.7 trillion during 11M FY2026; consequently, the Gol's net tax revenues increased by 6.4% YoY during this period, slightly lower than the 6.7% growth in gross tax revenues**



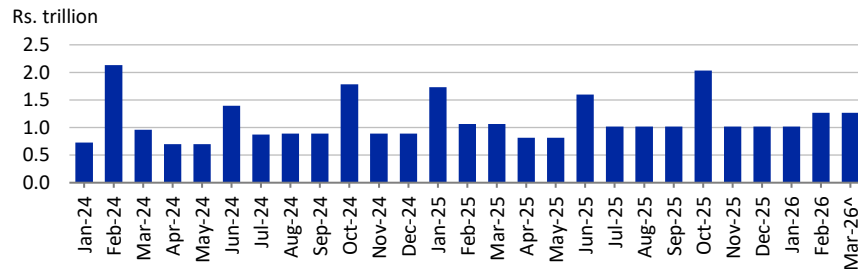
CTD: Central tax devolution; Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: The 6.7% YoY growth in gross tax revenues was driven by corporate tax collections (+12.4%), and a 6-18% YoY growth in indirect taxes, even as the growth in income tax collections (+0.9%) remained muted in 11M FY2026**



#excluding Security transaction tax (STT); \*Includes Central Goods and Services Tax (CGST), Integrated GST (IGST), Union territory GST (UT-GST); Source: CGA, Ministry of Finance, Gol; ICRA Research

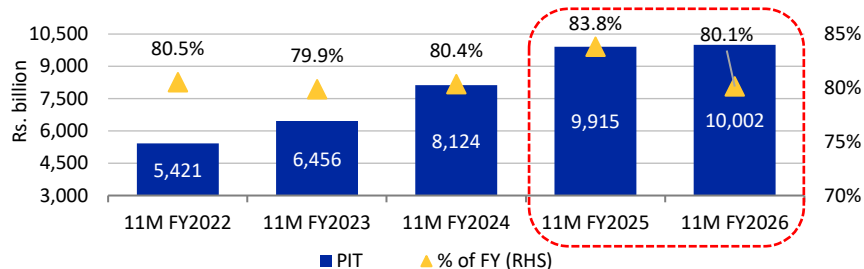
**EXHIBIT: The Gol has devolved Rs. 13.9 trillion to states in FY2026<sup>^</sup>, in line with the RE, while being 8.2% higher than the year ago level of Rs. 12.9 trillion in FY2025**



<sup>^</sup>Data for March 2026 is based on press release; Source: CGA, Ministry of Finance, Gol; ICRA Research

# Direct tax collections rose by ~6% YoY in 11M FY2026; expected to miss FY2026 RE by ~Rs. 200-250 billion

**EXHIBIT: PIT collections rose by a weak 0.9% YoY to Rs. 10.0 trillion in 11M FY2026, much lower than the targeted growth of 5.5% (as per RE); such revenues amounted to 80.1% of FY2026 RE, lower than 83.8% in the year ago period**



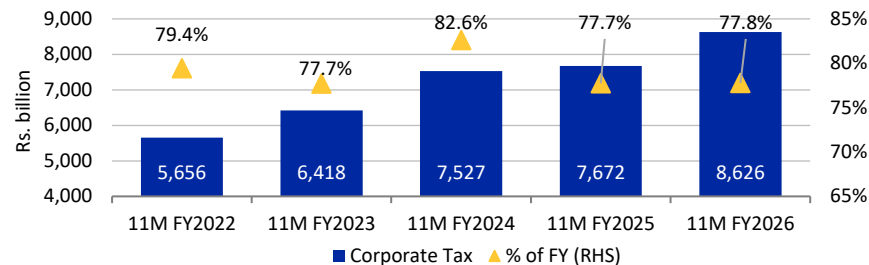
PIT: Personal income tax; Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: As per the latest available data, net (of refunds), PIT collections grew by a tepid 2.7% YoY as on March 17, 2026, despite a fall in refunds, while net corporate tax collections were up by a stronger 12.8%**

Rs. trillion	Gross	Refunds	Net
FY2025 (Up to March 17)			
Corporation Tax (CT)	12.41	2.72	9.68
Non-Corporation Tax (PIT)	12.92	1.89	11.03
FY2026 (Up to March 17)			
Corporation Tax (CT)	13.47 (+8.6%)	2.56 (-6.2%)	10.92 (+12.8%)
Non-Corporation Tax (PIT)	13.11 (+1.5%)	1.79 (-5.4%)	11.32 (+2.7%)

Figures in parenthesis depict YoY change; Source: Income tax department, Gol; ICRA Research

**EXHIBIT: Corporate tax inflows shrank to Rs. 6.0 billion in February 2026 from Rs. 158 billion in February 2025; nevertheless, such collections rose by ~12% YoY to Rs. 8.6 trillion in 11M FY2026 (77.8% of FY2026 RE vs. 77.7% of FY2025 A)**

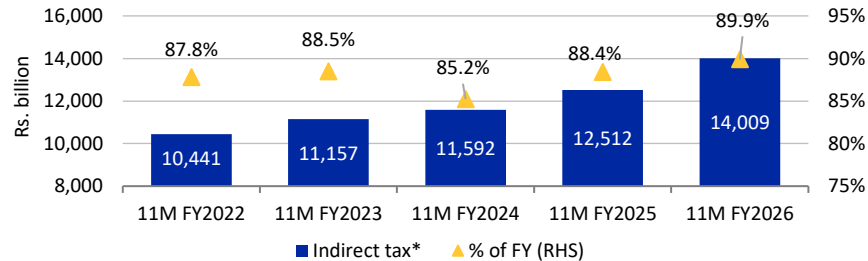


Source: CGA, Ministry of Finance, Gol; ICRA Research

- As per the latest data released by the IT department, the gross direct tax collections had risen by a modest 4.9% YoY to Rs. 27.1 trillion in FY2026 so far (up to March 17, 2026). While gross CT collections saw a healthy growth of 8.6%, the YoY performance of gross PIT (+1.5%) and gross security transaction tax (+4.9%) collections was relatively weaker.
- After adjusting for refunds, net direct tax inflows were up by 7.2% YoY up to March 17, 2026. Based on this, the required growth in the remaining part of the month to meet the FY2026 RE seems quite high.
- ICRA expects a ~Rs. 200-250 billion miss in direct tax collections in FY2026 vis-à-vis the revised target for the fiscal, largely stemming from PIT.**

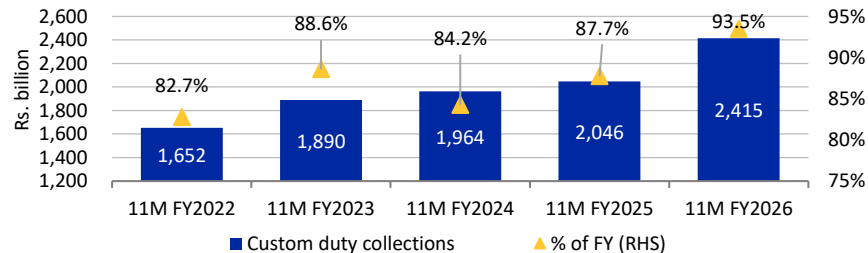
# Growth in indirect taxes was healthy at ~12% in 11M FY2026, reflecting robust expansion in GST, customs and excise duty collections

**EXHIBIT: Indirect tax revenues rose by a healthy 12.0% to Rs. 14.0 trillion in 11M FY2026 (vs. growth target: +10.1%), aided by a healthy expansion across most tax sub-heads**



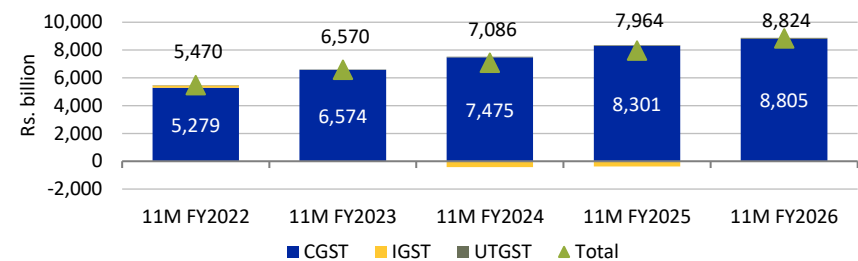
\*Computed as CGST+UTGST+IGST+ Customs duty + Excise duty + Services tax; Source: CGA, Ministry of Finance, GoI; ICRA Research

**EXHIBIT: Partly aided by the sharp pick-up in gold imports\*, customs duty collections were 18.0% YoY higher in 11M FY2026 (vs. +10.8% target in RE); inflows amounted to 93.5% of RE in 11M FY2026 vs. ~88% in 11M FY2025 Actuals**



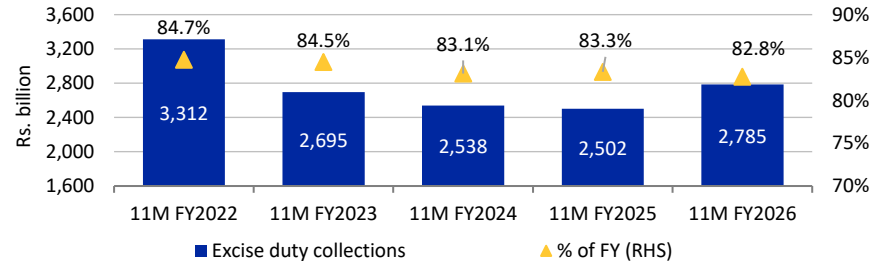
\*+35.5% YoY (in INR terms) in 11M FY2026; Source: CGA, Ministry of Finance, GoI; ICRA Research

**EXHIBIT: GST collections were up 10.8% YoY in 11M FY2026, led by growth in CGST (+6.1% vs. target +5.4%), and narrower outflows on account of IGST in 11M FY2026 (-Rs. 44.9 billion from -Rs. 376.1 billion)**



Source: CGA, Ministry of Finance, GoI; ICRA Research

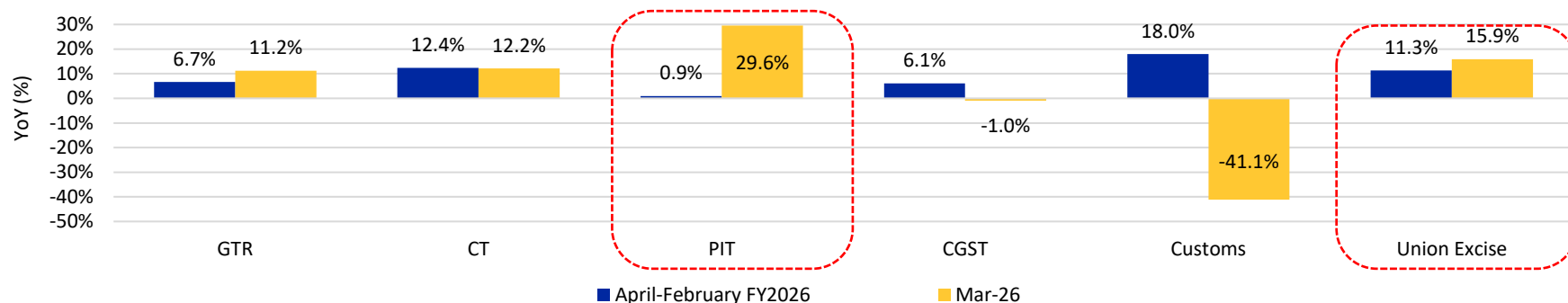
**EXHIBIT: Excise collections rose by a healthy 11.3% to Rs. 2.8 trillion in 11M FY2026 (~83% of FY2026 RE) from Rs. 2.5 trillion in 11M FY2025 (83.3% of FY2025 Actuals); the pace of growth was slightly lower than the target of 12.1%**



Source: CGA, Ministry of Finance, GoI; ICRA Research

# Gross tax revenues to marginally trail the FY2026 RE target of Rs. 40.8 trillion

**EXHIBIT: Provisional actual growth in key tax heads in 11M FY2026 and required growth in March 2026 to meet the respective revised targets**

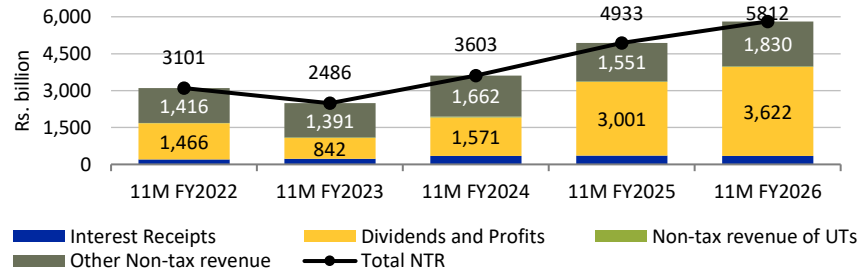


Source: Union Budget, CGA, Ministry of Finance, Gol; ICRA Research

- Based on the provisional 11M trends, the Gol's GTR needs to grow by 11.2% YoY in March 2026 to meet the revised target for FY2026 (Rs. 40.8 trillion).
- On the direct taxes side, the implicit growth in corporate tax collections appears achievable at 12.2% in March 2026, while the required rate of growth in PIT collections is pegged at a robust ~30% in the month, partly on the back of a low base (-4%). **ICRA expects direct tax inflows to modestly trail the FY2026 RE by Rs. 200-250 billion, largely stemming from the PIT head.**
- Within the GST component of indirect taxes, CGST revenues can contract by 1% in March 2026 and still meet the revised target of FY2026 - if such collections grow by 5% similar to the average pace seen during October-February FY2026, a modest upside of Rs. 50 billion seems likely over the RE. Besides, customs duty inflows can decline by a sharper 41% YoY in March 2026; this suggests that such collections may surpass the FY2026 RE by Rs. 100-130 billion (assuming a reasonable growth of 0-5% in March 2026), partly supported by the growth in gold imports. In contrast, union excise duty inflows are projected to rise by 16% in the last month of FY2026 to meet its revised target on a favourable base (-3% in March 2025), slightly stronger than the expansion seen in 11M FY2026.
- Overall, gross tax revenues are likely to marginally trail the FY2026 RE of Rs. 40.8 trillion.**

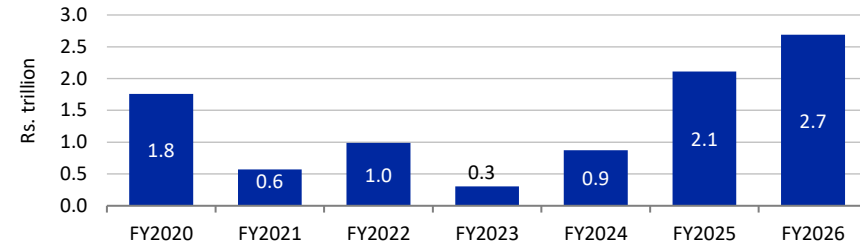
# Non-tax revenue collections may mildly miss full-year target, although this would be offset by excess inflows under miscellaneous capital receipts

**EXHIBIT: Non-tax revenues surged by 17.8% YoY to Rs. 5.8 trillion in 11M FY2026 (~87% of FY2026 RE vs. 92% of FY2025 A), mainly led by dividends and profits (+21% YoY) and other non-tax revenues (+18%)**



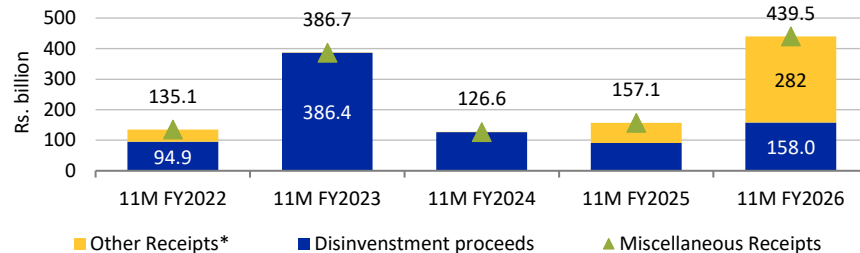
Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: The RBI surplus transfer to the Gol stood at an all-time high of Rs. 2.7 trillion in FY2026, supporting the non-tax revenues**



Source: RBI; ICRA Research

**EXHIBIT: Miscellaneous capital receipts stood at Rs. 440 billion in 11M FY2026, exceeding its FY2026 RE (130% of FY2026 RE) by ~Rs. 100 billion, aided by monetisation-related inflows**

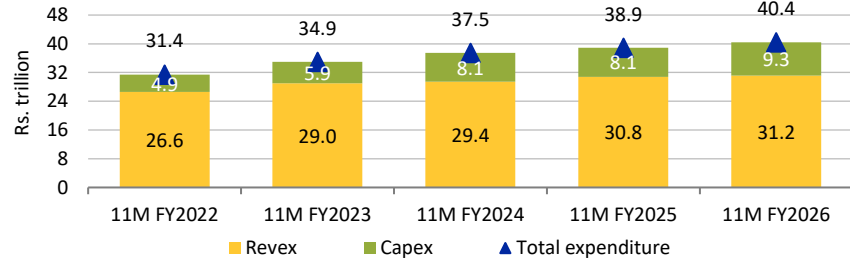


\*Includes monetisation and other receipts; Source: CGA, Ministry of Finance, Gol; ICRA Research

- The RBI surplus transfer to the Gol stood at a record high of Rs. 2.7 trillion in FY2026, supporting the Gol's non-tax revenue. Notably, in 11M FY2026, dividends and profits stood at Rs. 3.6 trillion (~96% of FY2026 RE).
- Despite the healthy growth seen during 11M FY2026 (+17.8%), non-tax revenues need to double to Rs. 864.9 billion in March 2026 from Rs. 432.6 billion in the year ago month, to meet the FY2026 RE. Thus, a modest miss is likely on this account relative to the target.
- Miscellaneous capital receipts, on the other hand, have exceeded their full-year revised target of FY2026 by ~Rs. 100 billion in 11M FY2026. This is in contrast, to the slippage seen on this account over the years and is expected to partly offset the likely miss on the non-tax receipts front.

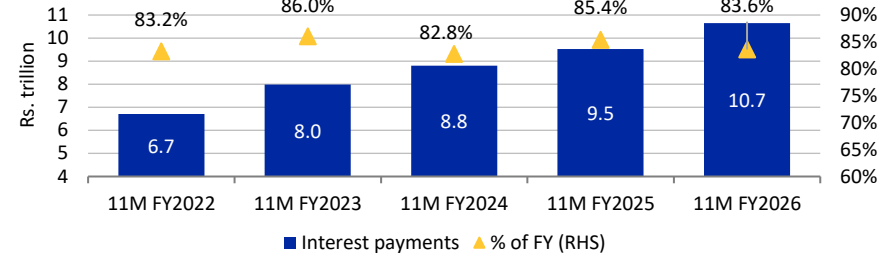
# Substantial headroom left in non-interest non-subsidy revex in March 2026 may accommodate some of the net cash outgo included in 2<sup>nd</sup> SDG

**EXHIBIT: The Gol's total expenditure rose by 3.9% YoY in 11 FY2026, led by the 14.5% expansion in capex, even as revex growth was low at just 1.1% during this period**



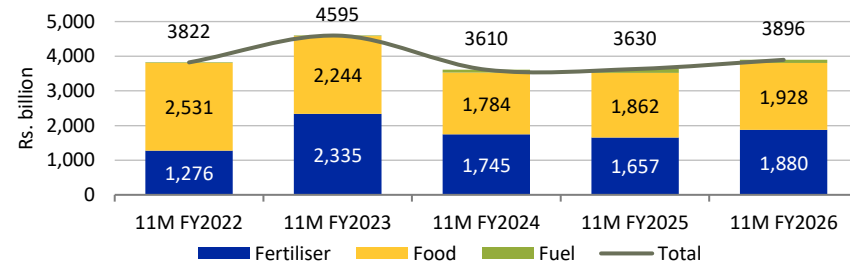
Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: The Gol's interest payments rose by 11.8% YoY to Rs. 10.7 trillion in 11M FY2026 (83.6% of RE vs. 85.4% of Actuals in FY2025); outgo on this account needs to surge by 28.5% YoY in March 2026, albeit on a low base (-11.1% in Mar 2025)**



Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: The Gol's subsidy outgo rose by 7.3% YoY to Rs. 3.9 trillion in 11M FY2026, led by fertiliser (+13.4% YoY) and food subsidy (+3.6%); WMA reversal may lead to spike in the latter in March 2026 (while reducing capex)**



Source: CGA, Ministry of Finance, Gol; ICRA Research

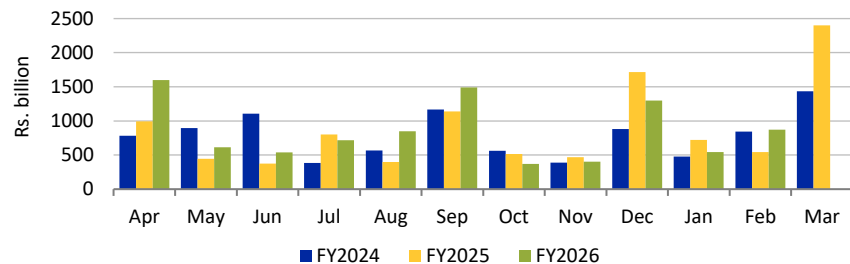
**EXHIBIT: The Gol's non-interest non-subsidy revex fell by 6.0% YoY in 11M FY2026; while this needs to expand by ~51% YoY (+Rs. 1.7 trillion) in March 2026, outgo of Rs. 2.0 trillion under 2nd SDG will ensure that spending is elevated in the month**

(% YoY)	Apr-Feb FY2026	Mar FY2026*	FY2026 RE
Revenue expenditure	1.1%	45.1%	+7.4%
Interest Payments	11.8%	28.5%	+14.2%
Subsidies	7.3%	82.2%	+11.6%
Non-interest non-subsidy revex	-6.0%	50.7%	+3.1%

\*Required growth rate based on FY2026 RE and April-February FY2026 data; Source: CGA, Ministry of Finance, Gol; ICRA Research

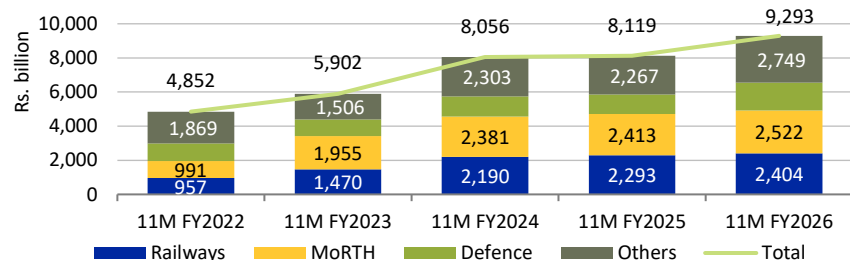
# Capex rose by 14.5% YoY to Rs. 9.3 trillion in 11M FY2026; needs to contract by 31% in March 2026 to meet FY2026 RE

**EXHIBIT: The Gol's capex surged by 59.6% YoY in February 2026, after contracting in each of the last four months; capex had risen by 11.7% in January-February FY2026 after declining by 23.4% in Q3 FY2026**



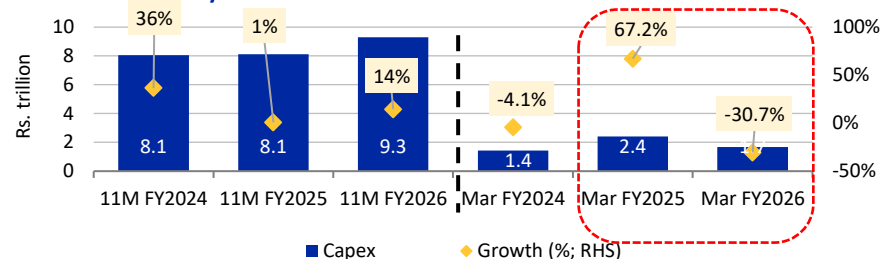
Source: CGA, Ministry of Finance, Gol; ICRA Research

**EXHIBIT: The 14.5% YoY expansion in capex during 11M FY2026, was largely led by defence (+41.1%); capex by railways (+4.8%) and MoRTH (+4.5%) posted relatively slower growth during this period**



MoRTH: Ministry of Railways, Road Transport and Highways; DFPD: Department of Food and Public Distribution; Source: CGA, Ministry of Finance, Gol; CEIC; ICRA Research

**EXHIBIT: Capex rose by a healthy 14.5% to Rs. 9.3 trillion in 11M FY2026; despite the downward revision in the FY2026 RE vis-à-vis BE (by ~Rs. 250 billion), capex needs to contract by ~31% YoY in March 2026 to meet the RE**



\*Headroom available in Mar FY2025 and Mar FY2026 is based on FY2025 Actuals and FY2026 RE, respectively; Source: Union Budget; CGA; Ministry of Finance, Gol; ICRA Research

- Capex in 11M FY2026 has reached 85% of the FY2026 RE, higher than 77% of FY2025 Actuals in 11M FY2025, aided by the accelerated spending in H1 FY2026 (up +40.0% YoY to Rs. 5.8 trillion, supported by election curtailed base). Thereafter, it declined by 12.2% YoY to Rs. 3.5 trillion during October-February FY2026.
- Overall, the Gol's capex remained healthy, rising by 14.5% or Rs. 1.17 trillion YoY in 11M FY2026. This largely stemmed from Defence (YoY: +41.4% or +Rs. 472 bn), while capex by railways (+4.8% or +Rs. 111 bn), and MoRTH (+4.5% or Rs. 109 bn) rose at a relatively moderate pace during the period.
- The capital transfers to states (which includes 50Y capex loan, targeted at an unchanged Rs. 1.5 trillion in FY2026 RE) rose sharply in February 2026 (+271.6% YoY and +28.9% MoM to Rs. 304.8 billion). With this, capital transfers to the states is up by 15.5% YoY to Rs. 1.53 trillion in 11M FY2026, exceeding its FY2026 RE.

# Gol's total expenditure unlikely to overshoot the FY2026 RE of Rs. 49.6 trillion

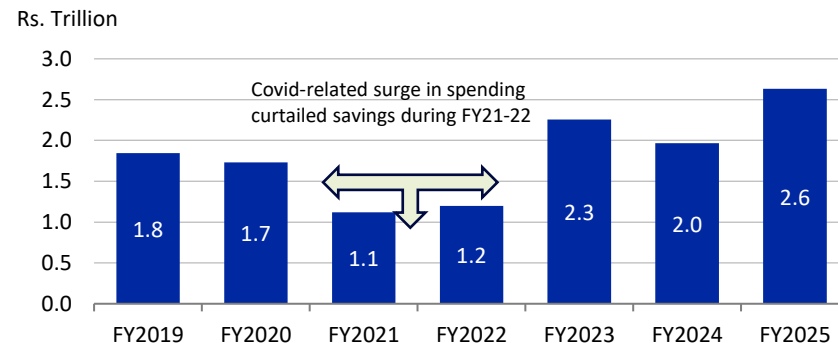
**EXHIBIT: Net cash outgo under the 2<sup>nd</sup> supplementary demand for grants announced in March 2026**

Head	Expenditure (Rs. Billion)	% share
DEA-Inter Account Transfers under the Economic Stabilisation Fund	574	28.5%
Transfers to States	301	15.0%
Defence-revenue	262	13.0%
Fertiliser	192	9.6%
Food subsidy- PMGKAY	236	11.8%
Others	446	22.2%
<b>Net Cash Outgo</b>	<b>2,011</b>	<b>100.0%</b>

Source: Ministry of Finance, Gol; ICRA Research

- On March 10, 2026, the Gol announced a net cash outgo of Rs. 2.0 trillion in its 2<sup>nd</sup> SDG for FY2026. Of this, a substantial Rs. 574 billion was allocated towards inter-account transfers under the ESF (wherein Rs. 426 billion is to be met through expenditure savings), to respond to challenges arising from the ongoing West Asia conflict.
- This would ensure that the Gol's spending growth remains elevated in March 2026 (in line with the implicit estimates based on the FY2026 RE and 11M FY2026 data), utilising the available fiscal space, while preventing an undershooting in the fiscal deficit in FY2026. On an implicit basis, the Gol's total expenditure needs to rise by 21.1% YoY or Rs. 1.6 trillion in the month to meet the FY2026 RE of Rs. 49.6 trillion.
- Moreover, the Gol's actual total expenditure typically trails the budgeted amount and the net cash outgo announced in SDGs, owing to savings by departments and ministries. **ICRA estimates that expenditure savings have typically averaged around ~Rs. 1.8 trillion/annum during FY2019-2025. Consequently, the Gol's total expenditure is unlikely to overshoot the FY2026 RE of Rs. 49.6 trillion.**

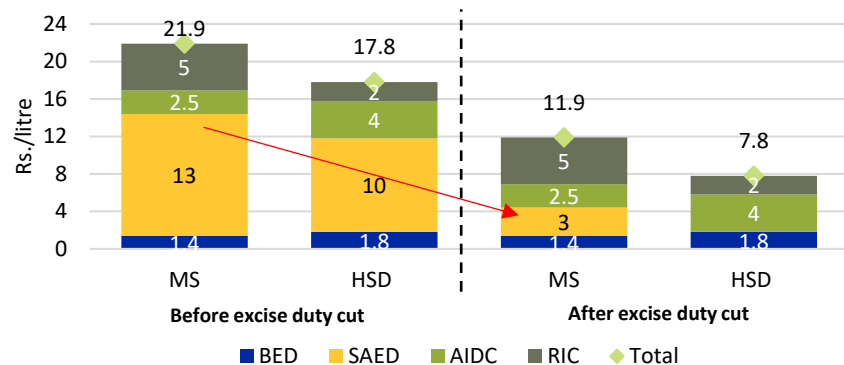
**EXHIBIT: Budgeted total expenditure + net cash outgo announced under supplementary demand for grants and actual expenditure**



NSDG: Net outgo under Supplementary Demand for Grants; Actuals for FY2019-25; Aggregate expenditure savings of the Gol are computed by adding net cash outgo under the SDG to the budgeted total expenditure and subtracting actual spending incurred in each fiscal; \*Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; Source: Union Budget, Gol; ICRA Research

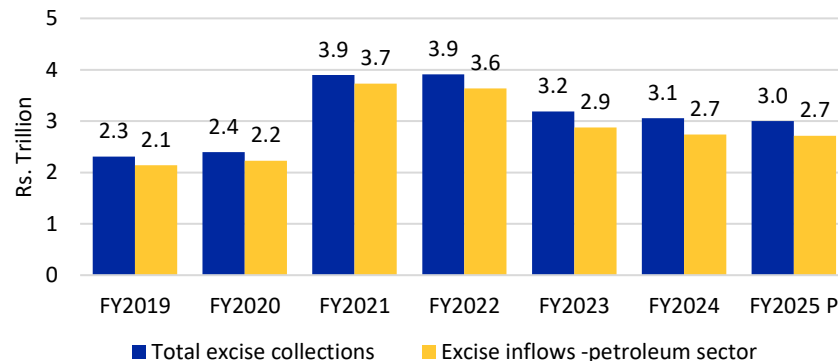
# Excise duty cut on auto fuels to cost ~Rs. 1.0-1.2 trillion to Gol in FY2027; Economic Stabilisation Fund to partly offset these losses

**EXHIBIT: Central excise tariff structure before and after excise duty cut on March 27, 2026**



*BED: Basic Excise Duty; SAE: Special Additional Excise duty; AIDC: Agriculture and Infrastructure Development Cess; RIC: Road and Infrastructure Cess; Source: PPAC, ICRA Research*

**EXHIBIT: Gol's aggregate excise duty collections and excise inflows on crude and petroleum products**



*Source: Ministry of Finance, Gol, ICRA Research*

- The Gol [reduced its special additional excise duty \(SAED\) on unblended petrol and diesel](#) by Rs. 10/litre each with immediate effect from March 27, 2026, in view of the 75% surge in international crude oil prices (to \$122/bbl during March 1-27, 2026 from \$69/bbl in Feb 2026) following supply disruptions triggered by the West Asia conflict. This is expected to partly offset the under-recoveries being absorbed by the OMCs, while keeping the retail pump prices unchanged. The excise duty cut on auto fuels is likely to result in revenue compression of ~Rs. 1.5-1.7 trillion to the Gol in FY2027.
- Concurrently, the Gol has raised SAED on exports of diesel by Rs. 18.5/litre, which would lead to additional inflows of around Rs. 500-600 billion (based on FY2026 estimates), providing some respite against the aforesaid losses on duty cut on domestic sales.
- **As a result, ICRA estimates combined net revenue loss of ~Rs. 1.0-1.2 trillion in the excise duty collections in FY2027, equivalent to 30 bps as a proportion of GDP. This poses downside risk to the budgeted target of Rs. 3.8 trillion from this head in FY2027 (15.6% rise over FY2026 RE). We believe that a large part of this can be financed by the amount allocated towards the ESF and prevent a large undershooting of the Gol's revenue receipts in FY2027 against the BE (Rs. 35.3 trillion).**

# Sustenance of West Asia conflict to pose upside risks to Gol's fiscal position, despite some buffers

## Risks

- Escalation of the West Asia conflict and the consequent upward pressure on fertiliser input costs is **likely to push up the fertiliser subsidy requirement** by ~Rs. 400 billion in FY2027 vs. the BE of Rs. 1.7 trillion, as per ICRA's estimates.
- **LPG under recoveries are estimated to rise to ~Rs. 200 billion** in FY2027 (assuming average crude oil price at ~\$85/bbl), amid severe supply shortages owing to the West Asia conflict and the consequent increase in international LPG prices; this would exert pressure on the fuel subsidy bill (FY2027 BE: Rs. 121 billion).
- To compensate OMCs for refining losses, the Gol has **reduced excise duty on petrol and diesel** by Rs. 10/litre each, while raising duty on exports of diesel. **ICRA expects net revenue loss of ~Rs. 1.0-1.2 trillion to Gol in FY2027. Further cuts are likely if the crisis is prolonged.**
- Elevated crude oil prices for a prolonged period would also **dampen the Gol's revenues, including corporate tax collections and dividend receipts, both from the downstream oil companies as well as other entities.**

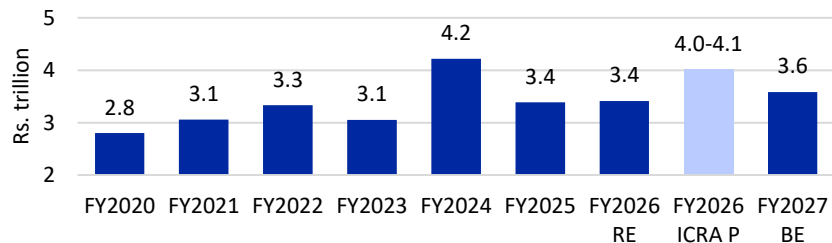
## Buffers

- The amount allocated under the **ESF\* can be used to partly absorb revenue losses to the Gol in FY2027 from the excise duty cut.** However, this may not be adequate to offset losses from other sources like corporate tax, upside risks to subsidy etc. At present, we do not expect a sharp fiscal slippage over the target of 4.5% of GDP (as per 2022-23 GDP series); upside risks persist if the conflict continues for a prolonged period.
- The expectation of an **overshooting in small savings collections relative to the FY2026 RE may lead to a carry forward of cash balances to FY2027**, providing some buffer to limit market borrowings in the event of a fiscal overshooting in the coming fiscal.
- Additionally, the lower gross market borrowings for FY2027 (Rs. 16.1 trillion vs. BE: Rs. 17.2 trillion), post the switches of G-secs, would provide some respite to the Gol's borrowing requirement in FY2027.
- **Expenditure savings are likely to create fiscal space for supplementary allocations** towards subsidies and/or one-time special grants, if any, in FY2027.

\*ESF was pegged at Rs. 0.5 trillion in the FY2026 RE, and at Rs. 1.0 trillion as per the 2nd SDG; Source: ICRA Research

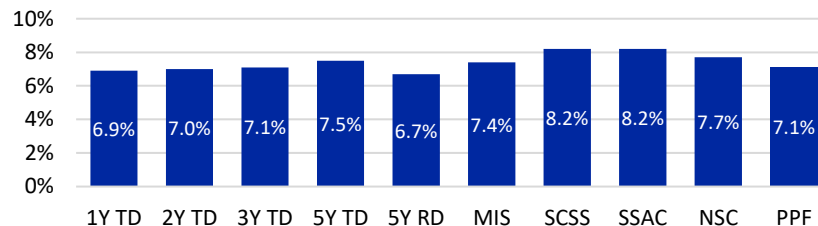
# Small savings rates kept unchanged for 9th consecutive quarter in Q1 FY2027

**EXHIBIT: Inflows under savings deposit and certificates, and PPF likely to exceed FY2026 RE by at least ~Rs. 600-700 billion, amid strong 39% growth in 11M FY2026 (Rs. 2.9 trillion); FY2027 target pegged at Rs. 3.6 trillion**



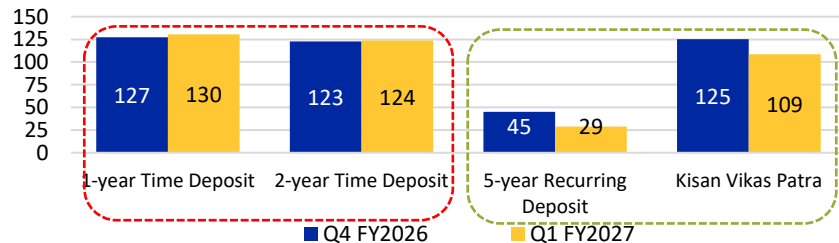
RE/BE: Revised/Budgeted Estimates; Source: CGA, Ministry of Finance, GoI; ICRA Research

**EXHIBIT: The interest rates on all small savings schemes have been kept stable for the ninth consecutive quarter for Q1 FY2027**

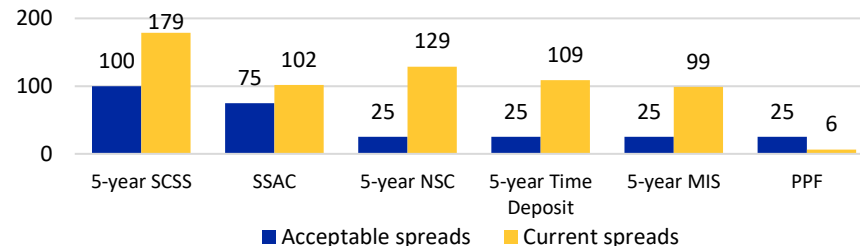


TD: Time Deposit; RD: Recurring Deposit; MIS: Monthly Income Scheme; SCSS: Senior Citizen Savings scheme; SSAC: Sukanya Samridhi Account Scheme; NSC: National Savings Certificate; PPF: Public Provident Fund; Source: DEA, ICRA Research

**EXHIBIT: Spreads on schemes such as 1-2Y time deposits (without pre-defined spreads) over corresponding G-secs yields have risen in Q1 FY2027 relative to Q4 FY2026, while those for 5Y RD and Kisan Vikas Patra eased**



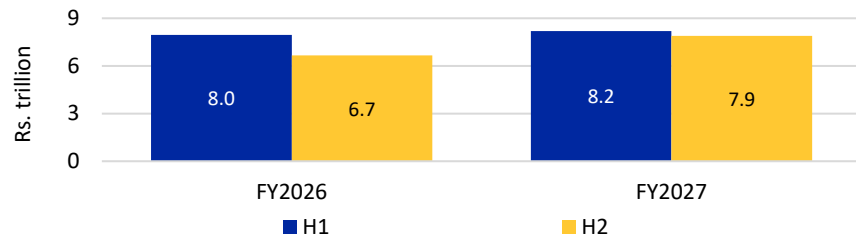
**EXHIBIT: Current spreads for most small savings schemes (with pre-defined spreads) for Q1 FY2027 are trending significantly higher than the acceptable levels indicated by the GoI (except for PPF), even as yields have risen in March**



Note: Small saving schemes are categorised under three broad heads (i) postal deposits, comprising savings account, recurring deposits, time deposits of varying maturities and MIS; (ii) savings certificates, including NSC and KVP; and (iii) social security schemes such as PPF and SCSS; The interest rates on small saving schemes are fixed on a quarterly basis and are linked to the average end-month G-Sec yields of corresponding maturity in the trailing three months (termed as the reference period). Notably, for the 1Y and 2Y term deposit schemes, 5Y RD and 5Y KVP, the interest rates are calibrated to move closer to the interest rates of similar instruments of the banking sector, and hence, do not enjoy a spread over comparable G-sec yields since April 2016; Source: DEA, Ministry of Finance, GoI; ICRA Research;

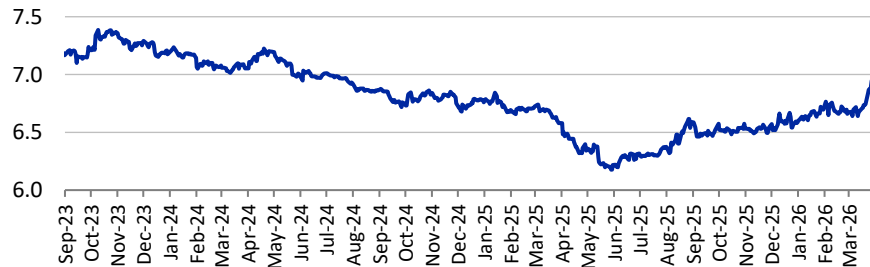
# Gol's H1 borrowing calendar appears less front-loaded than recent years, amid recent spike in G-sec yields owing to ongoing geopolitical uncertainty

**EXHIBIT:** The Gol plans to borrow Rs. 8.2 trillion in H1 FY2027 (YoY: +3.1%); based on this and GMBs of Rs. 16.1 trillion for FY2027 (after incorporating switches of Rs. 1.1 trillion), borrowings are pegged at Rs. 7.9 trillion in H2 (+18.5% YoY)



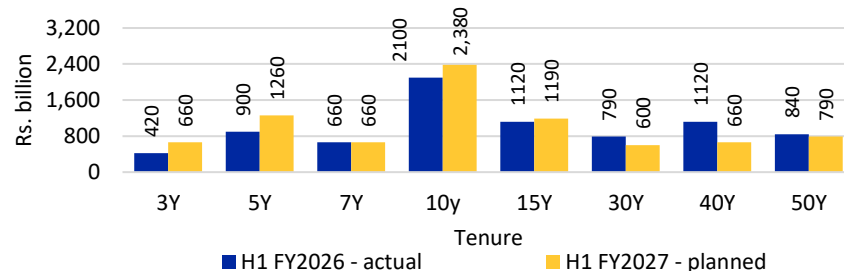
Actuals for FY2026 and planned data for FY2027 has been used; Data for H2 FY2027 is implicitly calculated based on the FY2027 data of Rs. 16.1 trillion and planned borrowings for H1 FY2027; Source: RBI, ICRA Research

**EXHIBIT:** India's 10Y G-sec yield had eased marginally to 6.64% on March 5, 2026 from 6.70% at end-February 2026; thereafter, it surged to 7.02% on March 30, 2026, amid the adverse impact of the West Asia conflict on the USD/INR pair and oil prices



Source: Refinitiv; ICRA Research

**EXHIBIT:** Share of G-sec issuances in 3Y (8% in H1 FY2027 vs. 5% in H1 FY2026), 5Y (15% vs. 11%), 10Y (29% vs. 26%), 15Y (15% vs. 14%) tenures is estimated to rise, while that in 30Y (7% vs. 10%), 40Y (8% vs. 14%) and 50Y (10% vs. 11%) is set to dip vs. H1 FY2026



Source: RBI, ICRA Research

- The Gol conducted switches of Rs. 1.1 trillion during February-March 2026 worth Rs. 1.1 trillion, which were not indicated earlier in the Union Budget FY2027. This translates to lower redemption of G-secs for FY2027, at Rs. 4.4 trillion (vs. Rs. 5.5 trillion in FY2027 BE).
- Consequently, the Gol's gross market borrowings for FY2027 is now estimated at Rs. 16.1 trillion (BE: Rs. 17.2 trillion), while the net market borrowings remains unchanged at Rs. 11.7 trillion. Of this, the Gol has planned to borrow Rs. 8.2 trillion (51.0% of total) in H1 FY2027 (vs. 54.0% in H1 FY2026), which appears to be less front-loaded than that seen in the recent years.
- It would be prudent to defer some borrowings until the G-sec yields ease once the conflict in West Asia resolves, although the timelines for the same remains uncertain.

**Table A.1: Trends in Tax Revenue Receipts**

	FY2025	FY2026 RE		April-February FY2026			March 2026 <sup>^</sup>
	Rs. billion	Rs. billion	Growth %	Rs. billion	% of RE	Growth % ~	Implicit Growth %
<b>Gross Tax Revenues<sup>^</sup></b>	<b>37,963.8</b>	<b>40,778</b>	<b>7.4%</b>	<b>34,195.1</b>	<b>83.9%</b>	<b>6.7%</b>	<b>11.2%</b>
<b>Direct Taxes</b>	<b>21,697.4</b>	<b>23,573</b>	<b>8.6%</b>	<b>18,627.8</b>	<b>79.0%</b>	<b>5.9%</b>	<b>20.3%</b>
Corporation Tax	9,867.7	11,090	12.4%	8,625.5	77.8%	12.4%	12.2%
Income Tax*	11,829.7	12,483	5.5%	10,002.3	80.1%	0.9%	29.6%
<b>Indirect Taxes</b>	<b>14,153.1</b>	<b>15,583</b>	<b>10.1%</b>	<b>14,008.8</b>	<b>89.9%</b>	<b>12.0%</b>	<b>-4.0%</b>
Central GST (CGST)	9,089.5	9,584.8	5.4%	8,804.9	91.9%	6.1%	-1.0%
Union Territory GST (UTGST)	54.0	50.2	-7.0%	64.1	127.7%	65.9%	NA
IGST	-324.8	0.0	NA	-44.9	NA	NA	NA
Customs Duty	2,332.0	2,582.9	10.8%	2,414.5	93.5%	18.0%	-41.1%
Excise Duty	3,002.5	3,365.5	12.1%	2,785.1	82.8%	11.3%	15.9%
GST Compensation Cess	<b>1,505.7</b>	<b>880.0</b>	<b>-41.6%</b>	<b>1,003</b>	<b>114.0%</b>	<b>-27.5%</b>	<b>NA</b>

<sup>^</sup>Net of Refunds, Gross of States' share in Central Taxes; \*excluding security transaction tax; ~Relative to FY2025 Actuals; <sup>^</sup>Based on FY2026 RE, FY2025 Actuals and the data for 11M FY2025/FY2026; Source: CGA, Ministry of Finance, Gol; Union Budget; ICRA Research

**Table A.2: Trends in key fiscal metrics**

	FY2025	FY2026 RE		April-February FY2026		March 2026 <sup>^</sup>	
	Rs. billion	Rs. billion	Growth	Rs. billion	% of RE	Growth <sup>~</sup>	Implicit Growth %
Revenue Receipts	30,366.2	33,423.2	10.1%	27,264.0	81.6%	8.7%	16.7%
Tax Revenues <sup>\$</sup>	25,000.4	26,746.6	7.0%	21,452.2	80.2%	6.4%	9.3%
Non-Tax Revenues	5,365.8	6,676.6	24.4%	5,811.7	87.0%	17.8%	99.9%
Revenue Expenditure	36,009.1	38,690.9	7.4%	31,152.7	80.5%	1.1%	45.1%
<b>Revenue Balance</b>	<b>-5,643.0</b>	<b>-5,267.6</b>		<b>-3,888.7</b>	<b>73.8%</b>		
Capital Receipts	172.0	338.4	96.7%	439.5	129.9%	179.8%	NA
Capital Expenditure, Net Lending	10,273.4	10,655.7	3.7%	9,077.3	85.2%	14.9%	-33.4%
<b>Fiscal Balance</b>	<b>-15,744.3</b>	<b>-15,584.9</b>		<b>-12,526.5</b>	<b>80.4%</b>		

<sup>\$</sup>Net of Refunds, Net of States' share in Central Taxes; <sup>~</sup>Relative to FY2025 Actuals; <sup>^</sup>Based on FY2026 RE, FY2025 Actuals and the data for 11M FY2025/FY2026;  
Source: CGA, Ministry of Finance, GoI; Union Budget; ICRA Research



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