

Budget 2025 and Agricultural Development in Indian Economy

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Abstract:

The Union Budget plays a critical role in shaping India's rural economy, particularly in the agricultural sector, which remains the backbone of the nation's workforce and food security. This study examines the budget's key policy measures, financial allocations, and reforms aimed at fostering agricultural growth and rural development. Key areas of focus include government initiatives for credit accessibility, subsidies, rural infrastructure, and technology-driven advancements such as digital agriculture and climate-resilient farming.

Despite ambitious reforms, several challenges persist, including financial constraints, market volatility, land reform concerns, and technological adoption barriers among small farmers. The study critically analyses the effectiveness of these budgetary provisions in addressing these challenges while evaluating the growth prospects of Indian agriculture in a post-budget scenario. Special emphasis is placed on sustainability, public-private partnerships, and global trade opportunities to determine their role in enhancing rural livelihoods.

The findings suggest that while Budget 2025 presents significant opportunities for economic transformation in rural India, the success of these initiatives will depend on their implementation, stakeholder participation, and long-term sustainability. The paper concludes with policy recommendations to ensure inclusive and resilient agricultural growth, contributing to the vision of a self-reliant and prosperous rural economy.

Keywords: Agricultural Policy, Rural Development, Budget 2025, Sustainable Farming.

Introduction

The Union Budget 2025 serves as a crucial financial blueprint for India's economic growth, with a significant emphasis on rural development and agriculture. Given that nearly 60% of India's population depends on agriculture and allied activities for their livelihood, the budget plays a vital role in ensuring sustainable rural progress. In recent years, policymakers have increasingly focused on enhancing agricultural productivity, improving rural infrastructure, and integrating technology into farming practices. The 2025 budget introduces key measures aimed at addressing persistent challenges such as low farm incomes, climate resilience, and financial accessibility for small and marginal farmers. These

policy interventions seek to promote rural prosperity by strengthening the agricultural sector and ensuring that farmers benefit from economic growth.

Objectives:

This study aims to analyze the budgetary provisions for agriculture and rural India in 2025, assess their effectiveness in addressing key challenges, and explore the potential growth prospects for the sector. By examining financial allocations, policy initiatives, and implementation strategies, this research will provide insights into how the budget influences rural economic development. Additionally, the study will evaluate the impact of these measures on farmers, agribusinesses, and rural employment, offering policy recommendations for enhancing agricultural sustainability and productivity. Through this comprehensive assessment, the research seeks to contribute to the ongoing discourse on rural economic policies and their role in shaping India's agricultural future.

Literature Review

Agriculture plays a crucial role in India's economy, contributing approximately 18% to the GDP and providing employment to nearly 60% of the population (Sharma & Gupta, 2021). The sector is not only essential for food security but also significantly impacts rural livelihoods and economic stability. Studies have highlighted that government interventions through subsidies, credit accessibility, and market reforms have improved agricultural productivity and rural income levels (Rao et al., 2022). However, challenges such as climate change, water scarcity, and outdated farming techniques continue to hinder progress (Kumar & Singh, 2023).

Several studies have examined the impact of budgetary provisions on the agricultural sector. Research by Mishra and Patel (2020) emphasized that increased investment in irrigation, warehousing, and mechanization leads to higher crop yields and better income distribution in rural areas. The Union Budget in previous years has focused on initiatives like the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), which provides direct income support to farmers, and the Agricultural Infrastructure Fund, which aims to enhance supply chain efficiency (Jha et al., 2021). However, concerns regarding the timely implementation and equitable distribution of these funds remain key challenges (Das & Mehta, 2022).

Access to credit plays a vital role in agricultural development, enabling farmers to invest in better inputs and technology. Studies have shown that initiatives like the Kisan Credit Card (KCC) scheme have improved financial inclusion for small and marginal farmers, allowing them to access institutional credit at lower interest rates (Chatterjee, 2021). However, research by Verma et al. (2023) points out that despite these efforts, many farmers still rely on informal credit sources due to bureaucratic hurdles and lack of awareness about government schemes. The 2025 Budget's focus on expanding rural banking and financial technology (fintech) solutions is expected to bridge this gap.

The adoption of modern technology, such as precision farming, AI-based monitoring systems, and digital platforms for market access, has the potential to revolutionize Indian agriculture (Prasad & Reddy, 2022). Several studies indicate that digitalization can enhance productivity, reduce post-harvest losses, and improve supply chain management (Ramesh et al., 2023). However, a study by Sen and Mukherjee (2023) highlights that the digital divide in rural areas remains a significant barrier to the widespread

adoption of these technologies. Policies promoting farmer education and rural digital infrastructure will be crucial in ensuring the success of agri-tech innovations.

Given the increasing impact of climate change on Indian agriculture, sustainable farming practices have gained prominence in policy discussions. Studies by Aggarwal et al. (2021) emphasize the need for climate-resilient crops, efficient water management, and organic farming to mitigate environmental risks. The government's push for sustainable agriculture through programs promoting natural farming and renewable energy solutions for irrigation aligns with global sustainability goals (Sinha & Roy, 2022). However, ensuring that these policies reach small and marginal farmers remains a challenge.

While the Union Budget 2025 introduces several positive measures for rural and agricultural development, past research suggests that implementation gaps, lack of coordination among stakeholders, and inadequate rural infrastructure can limit its effectiveness (Gupta & Sharma, 2023). A holistic approach involving government agencies, private sector participation, and grassroots-level farmer organizations is necessary for the long-term growth of the agricultural sector (Das, 2024).

Budget 2025: Key Allocations for Rural and Agricultural Sector

The Union Budget 2025 prioritizes agricultural growth and rural development through increased allocations, policy interventions, and financial incentives. Recognizing agriculture as the backbone of the Indian economy, the budget emphasizes infrastructure enhancement, technology adoption, and financial support for farmers. Below are the key budgetary provisions aimed at strengthening the rural economy.

The budget allocates a substantial increase in funds for agriculture and rural development, focusing on irrigation projects, agri-infrastructure, and farmer welfare programs. Investments in agricultural research, climate-resilient farming, and rural employment schemes aim to boost productivity and ensure economic stability in rural areas. The government has also increased funding for agrarian crisis management, ensuring financial resilience for farmers during climate uncertainties and market fluctuations.

Subsidies and Financial Support

Minimum Support Price (MSP) Provisions

The government continues its commitment to MSP to safeguard farmers against market volatility. Budget 2025 enhances MSP procurement mechanisms, ensuring timely payments and expanding coverage to more crops. Strengthened procurement centers and digital payment integration aim to make the process more efficient and transparent.

Fertilizer, Irrigation, and Power Subsidies

Recognizing the rising costs of agricultural inputs, the budget enhances fertilizer subsidies to reduce the financial burden on farmers. Special incentives are allocated for organic and sustainable fertilizers to promote eco-friendly farming. Additional funds have been earmarked for expanding irrigation networks and improving rural electrification to support uninterrupted power supply for farming activities.

Credit and Loan Schemes for Farmers

Kisan Credit Card (KCC) Reforms

The KCC scheme has been expanded to include more farmers, particularly small and marginal landholders, livestock owners, and fisheries. The interest subvention on short-term crop loans has been revised to provide farmers with easier access to affordable credit, reducing dependency on informal money lenders.

Rural Banking and Financial Inclusion Initiatives

Budget 2025 strengthens rural banking infrastructure by increasing the number of financial institutions offering agricultural loans. Special attention has been given to fintech solutions, digital banking, and mobile-based credit access to ensure financial inclusion in remote areas. Efforts are being made to integrate blockchain for transparent transactions and prevent financial fraud in rural banking.

Technological Interventions and Digital Agriculture

Use of AI, IoT, and Blockchain in Farming

The government is promoting the use of artificial intelligence (AI), the Internet of Things (IoT), and blockchain technology in agriculture to enhance productivity and efficiency. AI-driven predictive analytics will assist farmers in weather forecasting, pest control, and soil health monitoring. Blockchain-based smart contracts are being introduced to ensure transparency in supply chains and minimize exploitation by intermediaries.

Smart Agriculture Policies and Digital Platforms

Budget 2025 introduces policies for precision farming, smart irrigation systems, and satellite-based crop monitoring. Digital platforms for direct farmer-to-market transactions are being strengthened to reduce dependence on middlemen, ensuring better price realization for farmers. The promotion of eNAM (National Agriculture Market) and mobile-based advisory services will empower farmers with real-time data on market trends and best farming practices.

Infrastructure Development and Rural Connectivity

Roads, Storage, and Cold Chain Development

Improving rural connectivity remains a priority, with increased budgetary allocations for road development under the Pradhan Mantri Gram Sadak Yojana (PMGSY). Investments in cold storage facilities and warehousing aim to minimize post-harvest losses, ensuring better market linkages for perishable agricultural commodities. The government is also incentivizing private sector participation in rural agri-infrastructure projects.

Electrification and Irrigation Schemes

Recognizing the importance of uninterrupted power supply for agriculture, the budget focuses on expanding rural electrification projects. Solar-powered irrigation systems are being promoted to reduce reliance on conventional energy sources and lower input costs for farmers. Expansion of micro-irrigation projects and water conservation initiatives are also emphasized to combat water scarcity and ensure sustainable farming practices.

These budgetary provisions highlight the government's commitment to modernizing agriculture, improving farmer welfare, and fostering rural economic growth. However, effective implementation,

timely fund disbursement, and monitoring mechanisms will be critical in ensuring the success of these initiatives.

Policy Measures and Government Initiatives

The Union Budget 2025 outlines several policy measures aimed at strengthening the agricultural sector, ensuring sustainable farming practices, fostering innovation through public-private partnerships, and enhancing rural employment opportunities. These initiatives are designed to accelerate rural economic growth while addressing long-standing challenges faced by farmers.

Doubling Farmers' Income by 2025: Progress and Strategies

The government's ambitious goal of doubling farmers' income was first proposed in 2016, with a focus on enhancing productivity, reducing input costs, and expanding market access. Budget 2025 continues this initiative by strengthening price support mechanisms, improving agricultural credit access, and expanding agri-value chains. Key strategies include:

- Enhancing Minimum Support Price (MSP) procurement efficiency.
- Promoting diversification into high-value crops, dairy, and fisheries.
- Strengthening eNAM (National Agriculture Market) and direct farm-to-market linkages.
- Encouraging contract farming and cooperative models to empower small-scale farmers.

Sustainable Agriculture and Climate Resilience

Organic Farming and Natural Farming Promotion

Recognizing the long-term benefits of sustainable farming, Budget 2025 expands incentives for organic and natural farming. Initiatives such as the Paramparagat Krishi Vikas Yojana (PKVY) and the National Mission for Sustainable Agriculture (NMSA) receive increased funding to encourage farmers to transition away from chemical-intensive practices. Additionally, financial assistance is being provided for organic certification, training programs, and organic input subsidies.

Policy Recommendations for Inclusive and Sustainable Rural Growth

- **Enhancing Credit Accessibility:** Simplifying loan application processes and expanding microfinance options for small farmers.
- **Strengthening Supply Chains:** Investing in cold storage, rural logistics, and direct farmer-to-consumer market linkages.
- **Promoting Climate-Resilient Agriculture:** Expanding research on drought-resistant crops, soil conservation practices, and water management systems.
- **Bridging the Digital Divide:** Increasing rural internet connectivity, digital literacy programs, and subsidizing smart farming tools.
- **Land Reforms and Legal Clarity:** Ensuring transparent land ownership records and implementing farmer-friendly contract farming policies.

Future Research Directions on Agricultural Policy and Economic Development

Further research is needed to evaluate the long-term impact of budgetary policies on rural employment, income distribution, and climate resilience. Empirical studies on digital agriculture adoption and comparative analyses of successful global agricultural models can provide insights for future policy enhancements.

By implementing these recommendations effectively, Budget 2025 can serve as a catalyst for transforming India's rural economy, ensuring long-term agricultural sustainability and economic prosperity for farmers.

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