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**ESG RATINGS**

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# Union Budget

## 2025-26

### Key ESG Highlights

**ICRA ESG Comments**  
**February 2025**





## Union Budget FY 2025-26

ICRA ESG aims to provide a comprehensive overview of the key ESG announcements covered in the Union Budget for FY2025-26, highlighting key initiatives, budget allocations, progress achieved and the expected impact of the key announcements. This will give an overview of budget's impact on environmental sustainability, social equity, and community development.

# Environmental Announcements

## Electric Vehicle (EV) Adoption

Support to Clean Tech manufacturing, including EV batteries, motors, and controllers

- Exemption of Basic Customs Duty (BCD) on 35 capital goods for EV battery manufacturing
- Increased investment in Lithium-ion battery production, with 28 additional capital goods added to the list of exempted imports for mobile phone and EV battery manufacturing

## Clean Energy Initiatives

Nuclear Energy Mission for Viksit Bharat aimed to develop 100 GW of nuclear energy by 2047

- Nuclear R&D initiative for Small Modular Reactors (SMRs) with a new allocation of Rs.20,000 crore.
- Investment in solar PV cells, wind turbines, electrolyzers, and grid-scale batteries to strengthen domestic clean energy ecosystem

## Sustainable Urban Development

- Urban Challenge Fund of Rs. 100,000 crore for projects on Cities as Growth Hubs, Creative Redevelopment, Water & Sanitation
- Focus on municipal governance, urban land reforms, and better infrastructure

## IMPACT

- Accelerating India's transition journey to achieve its Net Zero goals while ensuring improved clean energy availability for the masses with the adoption of nuclear energy technologies.
- Boost in domestic low-cost EV production and penetration with the support for clean tech and BCD exemptions.
- Reducing the cost of renewable energy production, thereby improving faster adoption, especially for captive power generation from rooftop solar.
- Probable integration of sustainability initiatives in urban development, through the Urban Challenge Fund, to make them more resilient to climate change by improving adaptive capacity through creative redevelopment, better water and sanitation, etc.

# Environmental Announcements

## Circular Economy & Waste Management

- Shipbuilding Financial Assistance Policy revamped to include shipbreaking incentives in Indian yards.
- Exemptions on critical minerals like lithium-ion battery scrap, cobalt powder, lead, and zinc

## Sustainable & Climate Resilient Agriculture

- Mission for Cotton Productivity announced to ensure sustainability in cotton farming and promote extra-long staple cotton varieties
- Sustainable Fisheries Framework for better harnessing of marine resources in Andaman & Nicobar and Lakshadweep
- National Mission on High Yielding seeds
- The 2nd Gene Bank, with 1 million germplasm lines, will ensure future food and nutritional security, supporting genetic resource conservation for both public and private sectors.

## IMPACT

- A positive impact on the circular economy due to the Shipbuilding Financial Assistance Policy, which includes shipbreaking initiatives in Indian yards.
- The focus on climate-resilient and sustainable agriculture through various initiatives like sustainable cotton farming, high-yielding seeds, and a second gene bank will help farmers combat the adverse effects of climate change to ensure sustainable income from agriculture. However, the effectiveness of this will depend on the timely and successful implementation of the program.

# Social Announcements

## Skill Development

- **National Centres of Excellence:** The government announced the establishment of five National Centres of Excellence for Skilling to boost manufacturing and create job opportunities.
- **Global Capability Centers:** The Indian government announced a national framework to boost Global Capability Centers (GCCs) in tier II cities. This initiative aims to decentralize the growth of GCCs, which have been predominantly concentrated in major metropolitan areas, and promote balanced regional development.
- **Teacher Training:** A 33% increase in allocation for the teacher training mission has been proposed to enhance the quality of education.
- **Atal Tinkering Labs:** The government plans to establish 50,000 Atal Tinkering Labs in government schools over the next five years to foster innovation and critical thinking among students.

## IMPACT

- Focus on skill development will better utilize India's demographic dividend to meet the growing labor demand of India Inc. This will indirectly help improve rural livelihood opportunities and income generation.

# Social Announcements

## Job creation, inclusivity and benefits

- **Budget of MGNREGS** : Rs. 86,000 crore allocated to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).
- **Prime Minister Dhan-Dhanya Krishi Yojana - Developing Agri Districts Programme**: To cover 100 districts and likely to help 1.7 crore farmers.
- **Enhanced Credit through KCC**: Facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers with enhanced loan of ₹5 lakh.
- **PM Vishwakarma Scheme**: The budget significantly increases funding for the PM Vishwakarma scheme, which aims to provide end-to-end support to artisans and craftspeople, fostering employment in the informal sector.
- **Measures for Labour Intensive Sectors**: Focus Product Scheme for Footwear & Leather Sectors is expected to facilitate employment for 22 lakh persons
- **Mental Health Support**: Enhanced nutritional support under the Saksham Anganwadi and POSHAN 2.0 programs with focus on mental health.
- **GIG Workers Welfare**: Social security scheme and healthcare benefits for 1 crore gig workers, enhancing their welfare and formalizing the gig economy.

### IMPACT

- Improved income generation for low-income groups through the promotion of rural artisans, the leather and footwear sectors, and better access to credit for farmers.
- Programs on mental health bring a critical issue to the spotlight but will have to navigate associated social challenges during the implementation stage.

# Social Announcements

## MSME and domestic value chains

**Scheme for first time Entrepreneurs:** The Union Budget 2025-26 includes a scheme offering up to ₹2 crore loans to first-time women entrepreneurs from SC/ST communities, aiming to support 5 lakh women over five years and promote inclusive economic growth.

**Customized Credit Cards:** Introduction of credit cards for micro enterprises with a ₹5 lakh limit, aiming to issue 10 lakh cards in the first year.

**Increased Credit Guarantee:** The credit guarantee cover for MSMEs has been raised to ₹10 crore, expected to provide an additional ₹1.5 lakh crore in credit over five years.

**Revised MSME Classification:** Investment and turnover limits for MSMEs have been increased by 2.5 times and 2 times respectively, facilitating growth and access to better resources.

**Boosting Manufacturing:** Significant incentives for technology adoption and infrastructure development to enhance manufacturing capabilities.

**Streamlining Customs Duties:** Simplification of tariff rates by removing seven rates, leaving only eight to improve efficiency.

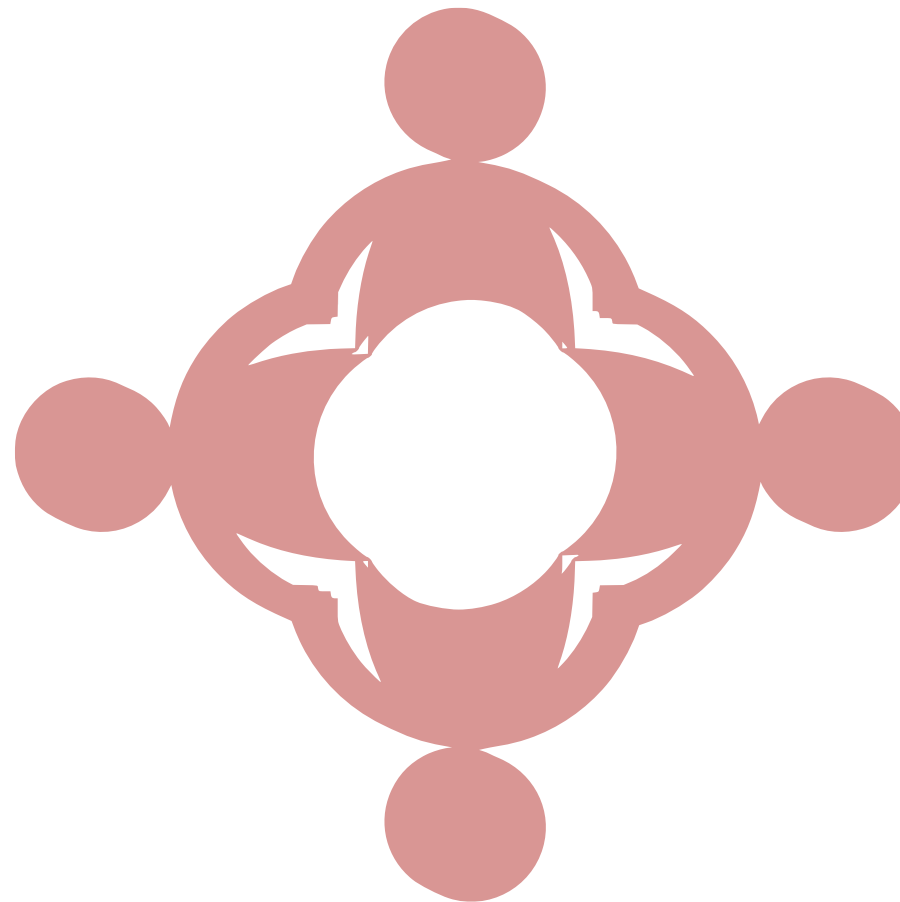
### IMPACT

- Schemes to promote entrepreneurship and MSMEs will help bring not only innovation but also the capability to produce locally to meet domestic demands. This will help boost supply chain sustainability in the long run.

# Women in focus

## Announcements

- Setting up more working women hostels (WWH), establishing daycares, and implementing women-centric skilling programs in partnership with industry
- Rs. 2 crore loans to SC and ST and women entrepreneurs



## Progress Achieved wrt previous budget

- 10,609 Anganwadi cum Creche Centres, with 1,241 operational.
- 523 working women hostels functional, 68 more in progress.
- Guidelines for WWH being modified to encourage state/UT participation
- National database with quality ratings is planned.

## IMPACT

- Helps to improve women's participation in the formal workforce, enhancing their income, and bringing positive changes to household well-being.



# Outlay On Major Schemes

Initiatives	Areas impacted	RE 2024-25` (Rs. In Crore)	BE 2025-26(Rs. In Crore)
Urban Challenge Fund	Urban development	NA	100,000
PM Surya Ghar Muft Bijli yojana	Renewable Energy	11,100	20,000
New Internship Programme	Skill Development	380	10,831
Swachh Bharat Mission (Gramin)	Waste	7,192	7,192
Swachh Bharat Mission (SBM)-Urban	Waste	2,159	5,000
PM Electric Drive Revolution in Innovative vehicle Enhancement (PM E-DRIVE) Scheme	Electronic vehicle	1,871	4,000
Mission Shakti	Women empowerment	1,451	3,150
New ITI Upgradation Scheme	Skill Development	294	3,000
Skill India Programme	Skill Development	2318	2,700
Nuclear Power Projects	Renewable Energy	NA	2,086
India AI Mission	Skill Development	173	2,000
Vigyan Dhara	Skill Development	331	1,425
PM-2Bus Sewa Scheme	Electronic vehicles	500	1,310
R & D projects of Bhabha atomic Research centre (BARC)	Renewable Energy	NA	1,100
National Critical Mineral Mission	Agriculture, Supply chain sustainability	NA	410
National Mission on Hybrid seeds and other similar missions*	Agriculture	NA	100
Manufacturing Mission-Furthering Make in India	Skill Development	NA	100

# Budget 2024-25 Implementation Status

## PM Surya Ghar Muft Bijli Yojana (Solar Rooftop)

- Budget Allocated: Rs 75,021 crore
- Scheme launched for 1 crore households to install rooftop solar systems.
- 1.54 crore registrations and 31.98 lakh applications received.
- 7.38 lakh households have benefited so far

## Energy Transition Policy

- NITI Aayog working on an integrated roadmap for energy-efficient economic growth.
- Various inter-ministerial working groups formed for sectoral analysis of Transport, Industry, Buildings, Agriculture, Power, Climate finance and critical minerals.
- An interest subvention scheme for MSMEs adopting clean energy and efficiency, pending approval, will operate from FY2025-26 to 2027-28.

## Pumped Storage Policy

- Draft policy prepared in consultation with Central Electricity Authority (CEA), Geological Survey of India (GSI), and others.
- Under process for final government approval.

## Taxonomy for Climate Finance

- Concept Note Circulation: Circulated for comments/suggestion to the concerned ministries.
- Framework Documents: Being prepared based on the received inputs.
- Sectoral Technical committees have been constituted to guide taxonomy.

## Advanced Ultra Super Critical (AUSC) Thermal Power Plants

- 800 MW plant to be set up in Korba, Chhattisgarh by NTPC-BHEL Power Projects Pvt. Ltd.
- Supply chain and technical specifications finalized.
- Draft PIB memorandum under review.

## Roadmap for Hard-to-Abate Industries

- Budget Allocated: Rs 1,000 crore (under ADEETIE scheme)
- Emission targets being established for nine sectors (Steel, Cement, Refinery, etc.).
- Transition from "Perform, Achieve & Trade" (PAT) mode to "Indian Carbon Market".
- Carbon trading expected by 2026-27.

# TAKEAWAYS

- The budget's announcements on climate friendly technologies and support to electric vehicles ecosystem will facilitate India's journey to its Net zero goals. Moreover, higher allocations to solar and nuclear power related schemes are positive for energy transition. A healthy allocation to infrastructure, including an Urban challenge fund could help in the development of adaptation infrastructure projects. This apart, announcement on gene banks and a mission for hybrid seeds demonstrates the focus of developing crop resilience in the wake of climate change risks.
- The budget's announcements on support to MSMEs through a manufacturing mission, improved classification norms and enhanced credit shall facilitate sustainable and indigenous supply chain development.
- Moreover, the focus on skill development and women gives opportunities to India Inc to create a positive social impact while fostering inclusive growth and enhancing productivity.



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