

India Budget Proposes One of the Largest Tax Cuts in Decades

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Key Takeaways

- India's latest budget introduces one of the most significant tax cuts in decades, boosting disposable income and supporting domestic consumption in key sectors like FMCG, retail and automobiles.
- With a record \$135 billion allocation to infrastructure and targeted financial sector reforms, India is reinforcing its position as a long-term growth engine through industrial expansion and enhanced credit access.
- WisdomTree's India-focused ETFs provide differentiated exposure to this evolving market, with the [WisdomTree India Earnings ETF \(EPI\)](#) delivering strong outperformance over the past five years versus the iShares MSCI India ETF (INDA).

India stands at a pivotal moment in its economic evolution, bolstered by forward-looking policy initiatives and structural reforms that seek to sustain high growth while ensuring fiscal prudence. The Union Budget for Financial Year 2025–26 underscores India's long-term commitment to macroeconomic stability, infrastructure expansion and industrial resurgence, making it an increasingly attractive investment destination for global and domestic stakeholders.

As the global economy grapples with geopolitical shifts and financial uncertainties, India's demographic dividend, robust policy framework and economic resilience position it as a beacon of sustainable growth.

Key Drivers of Long-Term Growth

- **Tax Cuts Support Expanding Domestic Consumption** – With a burgeoning middle class and rising per capita income, India's domestic consumption continues to be a crucial economic driver. The budget more than doubled the personal income tax exemption limit to ₹12 lakh (~\$14,500) and is expected to bolster consumer spending, significantly benefiting the fast-moving consumer goods (FMCG), retail and automobile sectors. The income tax threshold applicable for the highest rate of 30% was also raised further and now stands at more than twice the level in 2014 when Modi assumed power.

- **Infrastructure Development Boom** – The government's commitment to capital expenditure was reinforced with an allocation of ~\$135 billion, focusing on highways, railways and urban infrastructure. These investments will not only enhance industrial productivity but also generate employment and improve logistics efficiency, reinforcing long-term economic fundamentals.
- **Financial Sector Strengthening** – The expansion of credit access, particularly for micro, small and medium enterprises (MSMEs) and rural sectors, is expected to drive financial inclusion. Enhanced credit guarantees, an increased Kisan Credit Card (KCC) limit to 15 lakh (~\$6,000) and digital banking advancements will stimulate economic activity by ensuring liquidity for small businesses and agriculture.
- **Manufacturing and “Make in India” Push** – The budget prioritizes self-reliance through incentives for domestic production, policy support for high-tech manufacturing and increased foreign direct investment (FDI) inflows. Industries such as electronics, renewable energy and industrial goods are expected to be key beneficiaries, positioning India as a competitive manufacturing hub on the global stage.
- **Digital Economy and Technological Advancements** – The continued emphasis on digital transformation, artificial intelligence and fintech is reinforcing India's status as an innovation powerhouse. Government initiatives to modernize digital infrastructure and promote automation will drive efficiencies across industries and accelerate technological adoption in key economic sectors.

Long-Term Market Impacts

- **Resilient Equity Markets and Rising Investor Participation** – India's equity markets are poised to benefit from strategic tax reforms, increased retail investor participation and a stable macroeconomic environment. Rationalization of capital gains tax and GST simplifications are expected to enhance investor confidence, leading to greater capital market participation from both domestic and international investors.
- **Real Estate and Urban Expansion** – India's rapid urbanization, coupled with sustained government support for affordable housing and smart city initiatives, is expected to drive real estate demand over the next decade. The capital investment in urban infrastructure projects and the continued support for real estate credit accessibility should create a favorable long-term investment environment.
- **Energy Transition and Sustainability Focus** – India's commitment to renewable energy and sustainable development is a crucial aspect of its long-term investment outlook. The government's strong push for solar, wind and electric mobility—backed by regulatory support and financial incentives—is expected to create significant investment opportunities in the clean energy and green technology sectors.

Challenges and Mitigation Strategies

- **Fiscal Discipline and Growth Balance** – While the projected fiscal deficit remains at **4.4% of GDP**, the government's fiscal consolidation strategy aims to ensure stability while maintaining an accommodative stance on capital investments. Effective revenue mobilization and expenditure rationalization will be key to sustaining growth.
- **Inflation Control** – With rising disposable incomes and increased consumer spending, inflationary pressures may emerge. The Reserve Bank of India (RBI) must remain vigilant in implementing prudent monetary policies to maintain inflation within targeted levels.
- **Execution of Policy Reforms** – Ensuring the timely implementation of infrastructure projects, regulatory reforms and financial sector liberalization will be critical in unlocking the full potential of India's economic growth agenda.

Conclusion: India Remains a Bright Spot in an Increasingly Uncertain Geopolitical Environment

India's long-term investment landscape remains compelling, underpinned by structural reforms, fiscal prudence and dynamic policy measures. The combination of strong domestic consumption, rapid urbanization, robust digital transformation and a resilient financial sector sets the stage for sustainable economic expansion. As the global economic axis increasingly tilts toward emerging markets, India continues to lead the charge, presenting investors with unparalleled opportunities for wealth creation and capital appreciation.

WisdomTree's offerings, in the form of the [WisdomTree India Earnings ETF \(EPI\)](#) and the WisdomTree India Hedged Equity ETF, offer investors differentiated India exposures, with the former providing a broad-based exposure that's weighted by earnings to tackle the comparatively expensive Indian markets and the latter providing exposure to large-cap Indian stocks while hedging the currency exposure, leading to a lower volatility exposure to India, with reduced currency risks.

It is notable that the WisdomTree India Earnings ETF has delivered strong outperformance over the common history of the Fund versus the iShares MSCI India ETF (INDA), which continues to be the largest ETF by AUM providing exposure to Indian markets. In the last five years to January 31, 2025, **EPI delivered a strong 4.67% annualized outperformance versus INDA.**



Source: WisdomTree PATH tool. Performance from 2/3/12–1/31/25 – Cumulative Total Return. Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment may be worth more or less than their original cost.

CUMULATIVE PERFORMANCE as of 31/01/2025			Average Annual Total Returns					
Ticker	Fund	Inception Date	1- Year	3- Year	5- Year	10- Year	Since Inception	Common Period 03/02/2012 - 31/01/2025
EPI	WisdomTree India Earnings Fund (NAV)	22/02/2008	4.88%	9.06%	14.23%	7.96%	4.63%	7.60%
INDA	iShares MSCI India ETF (NAV)	02/02/2012	4.31%	4.78%	9.56%	6.03%	6.52%	6.52%

Source: WisdomTree PATH tool. Performance from 2/3/12–1/31/25 – Cumulative Total Return. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment may be worth more or less than their original cost. For standardized performance, please click the respective ticker: [EPI](#), [INDA](#).**

Important Information

Fundamentals	WisdomTree India Earnings Fund (EPI)	iShares MSCI India ETF (INDA)
Objective	WisdomTree India Earnings Fund seeks to track the investment results of profitable companies in the Indian equity market.	The iShares MSCI India ETF seeks to track the investment results of an index composed of Indian equities.
Inception Date	2/22/08	2/2/12
Expense Ratio	0.87%	0.62%
Index	WisdomTree India Earnings Index	MSCI India Index
Assets Under Management	\$2,953,665,450	\$8,373,942,952

Sources: WisdomTree, iShares, as of 3/10/25. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment may be worth more or less than their original cost. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, please click the respective ticker: [EPI](#), [INDA](#).**

Important Risks Related to this Article

EPI: There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in India, thereby increasing the impact of events and developments associated with the region, which can adversely affect performance. Investments in emerging, offshore or frontier markets such as India are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. As this Fund has a high concentration in some sectors, the Fund can be adversely affected by changes in those sectors. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

INDA: Carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's prospectus and, if available, summary prospectus, which may be obtained by calling 1-800-iShares (1-800-474-2737) or by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic, or other developments. These risks are often heightened for investments in emerging/developing markets or in concentrations of single countries.

Diversification may not protect against market risk or loss of principal. Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Any applicable brokerage commissions will reduce returns.