UNION BUDGET 2026-27

Analysis of Expenditure by Ministries

March 2026

PRS Legislative Research March, 2026

Institute of Policy Research Studies
3rd floor, Gandharva Mahavidyalaya
212, Deen Dayal Upadhyaya Marg
New Delhi – 110 002
Tel: (011) 4343-4035, 2323-4801
www.prsindia.org

Contributors:

Prachee Mishra
Ayush Stephan Toppo
Jahanvi Choudhary
Navya Sriram
Niranjana S Menon
Ruchira Sakalle
Saket Surya
Shania Ali
Shrusti Singh
Vaishali Dhariwal
Vedika Bhanote

Table of Contents

Overview

The central government's expenditure is presented and authorised by Parliament through the Union Budget every financial year. Article 113 of the Constitution requires all expenditure (except charged expenditure) to be submitted in the form of Demands for Grants (Ministry-wise) to Lok Sabha. The Demands for Grants are referred to the Ministries' respective Departmentally-Related Standing Committee for further examination. Following this, they are discussed in Lok Sabha and approved. After Lok Sabha's authorisation of the demands, an Appropriation Bill is introduced and passed to permit expenditure out of the Consolidated Fund of India.

This document contains a short analysis of the Union Budget for 2026-27, and an assessment of the allocations made by 16 ministries, which account for 53% of the total union budget. This includes an analysis of key trends in expenditure, various schemes being implemented, and key sectoral issues.

The Union Budget 2026-27 was presented on February 1, 2026 by the Finance Minister Ms. Nirmala Sitharaman. It proposes to spend Rs 53,47,315 crore in the financial year. Out of the total expenditure, revenue expenditure is estimated to be Rs 41,25,494 crore (6.6% increase from revised estimates of 2025-26). Interest expenditure is 40% of revenue receipts. Capital expenditure is estimated to be Rs 12,21,821 crore, a 11.5% increase from revised estimates of 2025-26. The increase in capital expenditure is driven by higher outlay on roads and transport, railways, and defence sector. Receipts (excluding borrowings) are estimated to be Rs 36,51,547 crore (7.2% higher than the revised estimate of 2025-26), with tax receipts expected to grow by 8%. Revenue deficit in 2026-27 is targeted at 1.5% of GDP, which is similar to the revised revenue deficit of 1.5% in 2025-26. Fiscal deficit in 2026-27 is targeted at 4.3% of GDP, lower than the revised fiscal deficit of 4.4% in 2025-26. The highlights of expenditure of various ministries include the following.

S. No.	Ministry	2026-27 BE (in Rs crore)	Share of Union expenditure	Highlights
1	Defence	7,84,678	14.7%	▪ The spending on defence as share of GDP has declined from 2.3% in 2014-15 to 2% in 2026-27. This figure is 1.6% excluding pensions. The spending on defence as share of GDP is also lower than the recommended level of 3%. ▪ Salary and pension constitute around 44% of the expenditure. ▪ 29% of the Ministry's expenditure is towards capital outlay. This is lower than the recommended level of 40%.
2	Road	3,09,875	5.8%	▪ Around 60% of the allocation is towards development and maintenance of national highways. ▪ Share of private sector in road construction has decreased from 51% in 2014-15 to 15% in 2023-24. ▪ Outstanding debt of NHAI has reduced from Rs 3.5 lakh crore in 2021-22 to Rs 2.4 lakh crore in November 2025.
3	Railways	2,81,377	5.3%	▪ Freight revenue is estimated to constitute 62% of the total internal revenue. Coal contributes 48% to freight revenue. ▪ Around 90% of the revenue is committed to salary, pension, and lease liabilities. ▪ In 2026-27, operating ratio is estimated to be 98.4%, lower than the revised estimate of 2025-26 (98.8%).
4	Home Affairs	2,55,234	4.8%	▪ Around 68% of the expenditure under the Ministry is allocated towards Police. CAPFs accounts for 67% of the police allocation. ▪ Jammu and Kashmir accounts for 62% of the total transfers to the union territories. ▪ As of 2024, around 8% of the sanctioned CAPFs posts were lying vacant. Vacancies were highest in CISF (19%) and CRPF (10%).
5	Food and Public Distribution	2,39,521	4.5%	▪ Rice and wheat are the two main foodgrains provided under NFSA. ▪ Procurement of foodgrains for NFSA is concentrated in a few states, with 92% of the wheat being procured from three states. ▪ Rise in procurement cost and the central issue price being zero has led to an increase in the food subsidy bill.
6	Rural Development	1,97,023	3.7%	▪ VB-G RAM G has been allocated Rs 95,692 crore. The scheme will provide 125 days of employment per year to each household. ▪ Over the last decade, employment provided under MGNREGS averaged around 48 days per household per year, ▪ Schemes like PMAY-Gramin has seen low fund allocation. Around 50% of the funds allocated were utilised in 2025-26.

S. No.	Ministry	2026-27 BE (in Rs crore)	Share of Union expenditure	Highlights
7	Agriculture and Farmers Welfare	1,40,529	2.6%	▪ Agriculture employs nearly 46% of the workforce in India, which it contributes 18% to the country's total economic output. ▪ Yields of crops like paddy, wheat and maize is less than in other countries like China, Russia, and USA. ▪ India heavily depends on imports for fertilizers with China. ▪ 89% of potassic and 28% of phosphatic requirements fulfilled through imports.
8	Education	1,39,289	2.6%	▪ Around 30% of the Ministry's expenditure is estimated towards Samagra Shiksha Abhiyan. ▪ The funds allocated for research and innovation in higher education has remained under-utilised between 2017-18 and 2024-25. ▪ Some of the issues in education include low enrolment in grades 9 to 12, and vacancy in posts of Professor (56%) and Associate Professor (38%) in central universities.
9	Health	1,06,530	2.0%	▪ The National Health Mission is the largest component (37%) under the Ministry's budget ▪ As of 2021-22, out-of-pocket expenditure by individuals is 45% of the total health expenditure (excluding capital investment).
10	Jal Shakti	94,808	1.8%	▪ The Jal Jeevan Mission received the highest allocation (Rs 67,670 crore) for 2026-27. The revised estimate for 2025-26 is Rs 17,000 crore but no funds have been released to states until February 2026. ▪ Funds under schemes like Swachh Bharat Mission- Gramin, Namami Gange, and PM Krishi Sinchai Yojana have been underutilised.
11	Housing	85,522	1.6%	▪ PMAY-U (low cost urban housing) observed an average underspending of 34% between 2017-18 and 2025-26 (revised estimates). ▪ Over one-third of the Ministry's budget is allocated to metro and mass rapid transit projects.
12	Telecom	73,991	1.4%	▪ Around 41% of the total allocation is towards the revival package for BSNL and MTNL Both of these entities have continued to register losses since 2017-18. ▪ Funds allocated under Bharatnet have been underutilised since 2022-23.
13	Power and Renewable Energy	62,912	1.2%	▪ The sector remains import-dependent on countries like China for critical minerals used in development of solar panels. ▪ Distribution utilities continue to register losses, although losses have reduced in recent years.
14	Petroleum and Natural Gases	30,443	0.6%	▪ Revenue generated from petroleum accounts for 14% of central tax revenue and 15% of the states' own tax revenue. ▪ India imports 85% of its crude oil requirement. Top three suppliers include Russia, Iraq, and Saudi Arabia.
15	Electronics and IT	21,633	0.4%	▪ Funds under schemes like PLI for IT hardware, semicon India, and IndiaAI mission have been underutilised. ▪ India's IT sector exports are concentrated in USA and EU.
16	Environment	3,759	0.1%	▪ 72% of the budget has been allocated for Project Tiger and Elephant. ▪ As of March 2023, 33% of the sanctioned posts of CPCB were lying vacant.

Note: BE is Budget Estimate.

Budget at a Glance 2026-27

Budget Highlights

- **Expenditure:** The government is estimated to spend Rs 53,47,315 crore in 2026-27, 7.7% higher than the revised estimate of 2025-26. Interest payments account for 26% of the total expenditure, and 40% of revenue receipts.
- **Receipts:** The receipts (other than borrowings) in 2026-27 are estimated to be Rs 36,51,547 crore, about 7.2% higher than the revised estimate of 2025-26. Tax revenue which forms major part of the receipts is also expected to increase by 8% over the revised estimate for 2025-26.
- **GDP:** The government has estimated a nominal GDP growth rate of 10% in 2026-27 (i.e., real growth plus inflation).
- **Deficits:** Revenue deficit in 2026-27 is targeted at 1.5% of GDP. This is similar to the revised estimate of 1.5% in 2025-26. Fiscal deficit in 2026-27 is targeted at 4.3% of GDP, lower than the revised estimate of 4.4% of GDP in 2025-26.
- **Debt:** The central government aims to reduce its outstanding liabilities to around 50% of GDP by March 2031. In 2026-27, outstanding liabilities are estimated to be 55.6% of the GDP.

Main Tax Proposals in the Finance Bill

- **No change in income tax slabs:** Tax structure for assessment year 2026-27 remains unchanged from the previous year.
- **Tax holidays:** A tax holiday until 2047 has been granted to foreign companies providing global cloud services using Indian data centres, provided services to Indian customers are routed through an Indian reseller. Further, the tax holiday for units in International Financial Services Centre (IFSC) and Offshore Banking Units has been increased from 10 to 20 years. Income of IFSC units will be taxed at 15% after this period.
- **Tax on share buybacks:** All share buybacks are proposed to be taxed as capital gains, with an additional buyback tax for promoters. This makes the effective rate 22% for corporate and 30% for non-corporate promoters.
- **Increase in Securities Transaction Tax (STT):** STT rates have been increased as follows: from 0.1% to 0.15% on options, from 0.125% to 0.15% on options exercised, and from 0.02% to 0.05% on futures.
- **Deductions against income from mutual funds:** No deduction shall be allowed for interest expenditure incurred in earning dividend income or income from mutual fund units. Such deduction was allowed previously up to 20% of gross dividend or income from mutual fund units.
- **Minimum Alternate Tax (MAT):** No credit accumulation shall be available for MAT from April 1, 2026. MAT rate is being reduced from 15% to 14%. MAT credits can be set off up to 25% of the tax liability only in the new tax regime.
- **Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026:** A timebound scheme for disclosure of foreign assets by certain small taxpayers such as returning non-residents has been introduced. It provides graded relief, including immunity from penalty and prosecution, subject to payment of tax, additional levy, or a fixed fee, depending on the category of non-disclosure.
- **Relaxations for non-residents:** These include: (i) a five-year income tax exemption for supplying capital goods to electronics manufacturers, (ii) exemption of global income for expert non-residents working in India for up to five years under notified schemes, and (iii) MAT exemption has been extended to more categories of non-residents.
- **Rationalisation of penalty and prosecution:** Several offences have been decriminalised, or entail a maximum imprisonment of two years.
- **Tax collected at source (TCS):** TCS on remittance of more than Rs 10 lakh for the purposes of education or medical treatment has been reduced from 5% to 2%. TCS on sale of overseas tour package, including expenses for travel or hotel stay, has been reduced from 5% and 20% (depending on the amount) to 2%.

Policy Highlights

- **Finance and Economy:** A 'High Level Committee on Banking for Viksit Bharat' will be set up to review the sector. The Foreign Exchange Management (Non-debt Instruments) Rules will be reviewed to simplify framework for foreign investments. Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. The investment limit under this scheme will be increased from 5% to 10% for individual PROI. A market making framework (with access to funds and derivatives on corporate bond indices) and total return swaps on corporate bonds have been proposed. An incentive of Rs 100 crore has been announced for single bond issuance of more than Rs 1,000 crore to encourage issuance of municipal bonds.
- **Industry and Commerce:** A scheme will be introduced to revive 200 legacy industrial clusters through updated technology and infrastructure. An integrated programme for the textile sector will be introduced with five sub-parts: (i) National Fibre Scheme, (ii) Textile Expansion and Employment Scheme, (iii) National Handloom and Handicraft Scheme, (iv) Tex-Eco Initiative, and (v) Samarth 2.0. To strengthen khadi, handloom and handicrafts, Mahatma Gandhi Gram Swaraj initiative has been proposed. To enable the creation of 'Champion SMEs,' following initiatives are proposed: (i) SME Growth Fund, with outlay of Rs 10,000 crore, (ii) top up of Self-Reliant India Fund, and (iii) liquidity support.
- **Infrastructure:** Public capex will be increased from Rs 11.2 lakh crore to Rs 12.2 lakh crore. An Infrastructure Risk Guarantee Fund will be set up to strengthen the confidence of private developers. Five tourism destinations will be developed in the Purvodaya states and 4,000 electric buses will be allocated to the region. A dedicated freight corridor will connect Surat to Dankuni and 20 new national waterways will be operationalised over the next five years. Schemes will be launched for Enhancement of Construction and Infrastructure Equipments and for container manufacturing.
- **Urban development:** City Economic Regions (CERs) will be mapped based on specific growth drivers, with allocation of Rs 5,000 crore per CER over five years. Seven high speed rail corridors will be developed between select cities.
- **Labour and Employment:** A Standing Committee on 'Education to Employment and Enterprise' will be established to develop the service sector. The Committee will also assess the impact of artificial intelligence on jobs.
- **Education:** Five university townships will be created in the industrial and logistic corridors. Support will be provided to the Indian Institute of Creative Technologies, Mumbai to establish animation, visual effects, gaming and comics content creator labs in 15,000 secondary schools and 500 colleges.
- **Energy:** Outlay of the Electronics Component Manufacturing Scheme will be raised from Rs 22,919 crore to Rs 40,000 crore. Dedicated Rare Earth Corridors will be established in Odisha, Kerala, Andhra Pradesh and Tamil Nadu. Rs 20,000 crore will be allocated over five years for carbon capture utilisation and storage. Semiconductor Mission 2.0 will be launched.
- **Health:** New Allied Health Professional institutions will be established in both public and private sectors, in disciplines such as radiology, anaesthesia, and behavioural health. To promote medical tourism, five regional medical hubs will be established. Three All India Institutes of Ayurveda will also be established.
- **Pharmaceuticals:** To enable domestic production of biologics and biosimilars, the Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology, and Innovation) scheme will be implemented for five years with an outlay of Rs 10,000 crore. Three National Institutes of Pharmaceutical Education and Research will be established and seven existing institutions will be upgraded.
- **Agriculture:** Deductions will be extended to cooperative members engaged in supplying cotton seeds and cattle feed. The animal husbandry sector will be supported through a credit linked subsidy programme. A coconut promotion scheme will be implemented to increase production.

Budget estimates of 2026-27 as compared to revised estimates of 2025-26

- **Total Expenditure:** The government is estimated to spend Rs 53,47,315 crore in 2026-27. This is an increase of 7.7% over the revised estimate of 2025-26.
- **Revenue expenditure** is estimated to increase by 6.6% and capital expenditure by 11.5% over the revised estimate of 2025-26. Allocations towards rural employment guarantee scheme (VB-G RAM G which replaced MGNREGA) increased by 42.8 % over the revised estimate for 2025-26. Interest payments are expected to increase by 10.2%. About 65.3% of the revenue receipts are spent on committed expenditure (salaries, pensions, and interest payments).
- **Total Receipts:** Government receipts (excluding borrowings) are estimated to be Rs 36,51,547 crore, 7.2% higher than the revised estimate of 2025-26. The gap between these receipts and the expenditure will be plugged by borrowings, budgeted to be Rs 16,95,768 crore, 8.8% higher than the revised estimate of 2025-26.
- **Transfer to states:** The central government will transfer Rs 26,20,769 crore to states in 2026-27, an increase of 12.2% over the revised estimate of 2025-26. Transfer to states includes tax devolution of Rs 15,26,255 crore and grants and loans worth Rs 10,94,514 crore. Within this, Rs 1,85,000 crore has been allocated to states as capital expenditure loans.
- **Deficits:** Revenue deficit is targeted at 1.5% of GDP, similar to the revised estimate for 2025-26 (1.5% of GDP). Fiscal deficit is targeted at 4.3% of GDP in 2026-27, lower than the revised estimate for 2025-26 (4.4% of GDP).
- **GDP growth estimate:** The nominal GDP is estimated to grow at a rate of 10% in 2026-27.

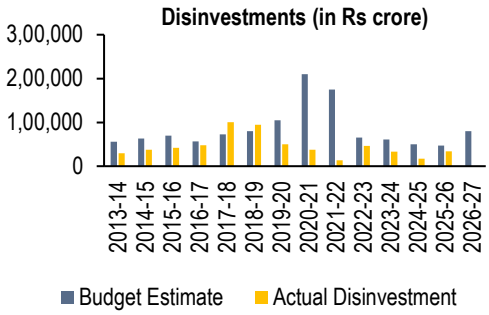
Table 1: Budget at a Glance 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Revenue Expenditure	36,00,914	39,44,255	38,69,087	41,25,494	6.6%
Capital Expenditure	10,51,953	11,21,090	10,95,755	12,21,821	11.5%
of which:					
Capital Outlay	8,55,244	8,95,245	8,87,364	9,43,042	6.3%
Loans and Advances	1,96,710	2,25,844	2,08,391	2,78,780	33.8%
Total Expenditure	**46,52,867**	**50,65,345**	**49,64,842**	**53,47,315**	**7.7%**
Revenue Receipts	30,36,619	34,20,409	33,42,323	35,33,150	5.7%
Capital Receipts	41,818	76,000	64,027	1,18,397	84.9%
of which:					
Recoveries of Loans	24,617	29,000	30,190	38,397	27.2%
Disinvestments	17,202	47,000	33,837	80,000	136.4%
Total Receipts (excluding borrowings)	**30,78,436**	**34,96,409**	**34,06,350**	**36,51,547**	**7.2%**
Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344	12.4%
% of GDP	**1.7%**	**1.5%**	**1.5%**	**1.5%**	
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768	8.8%
% of GDP	**4.8%**	**4.4%**	**4.4%**	**4.3%**	
Primary Deficit	4,58,856	2,92,598	2,84,154	2,91,796	2.7%
% of GDP	**1.4%**	**0.8%**	**0.8%**	**0.7%**	

Sources: Budget at a Glance, Union Budget Documents 2026-27; PRS.

Expenditure which brings a change to the government's assets or liabilities (such as construction of roads or recovery of loans) is capital expenditure, and all other expenses are revenue expenditure (such as payment of salaries or interest payments). In 2026-27, **capital expenditure** is expected to increase by about 11.5% over the revised estimates of 2025-26. **Revenue expenditure** is expected to increase by 6.6% over the revised estimates of 2025-26.

Disinvestment is the government selling its stakes in Public Sector Undertakings (PSUs). In 2025-26, the government is estimated to meet 71.9% of its disinvestment target. The disinvestment target for 2026-27 is Rs 80,000 crore, higher than the budget target of 2025-26 (Rs 47,000 crore). This marks the first increase in the disinvestment target after five consecutive years of downward revisions and shortfalls in achieving the targets.



Note: Revised Estimate for 2025-26 taken as Actuals.
Sources: Union Budget Documents (various years); PRS.

Receipts Highlights for 2026-27

- **Receipts** (excluding borrowings) in 2026-27 are estimated to be Rs 36,51,547 crore, an increase of 7.2% over the revised estimates for 2025-26. This is mainly on account of centre's net tax revenue growing by 7.2%.
- **Gross tax revenue** is budgeted to increase by 8% in 2026-27, over the revised estimates for 2025-26. This is lower than the estimated growth in nominal GDP of 10% in 2026-27. Corporation tax and income tax for 2026-27 are expected to grow by about 11% and 11.7% over the revised estimates of 2025-26, respectively. Revenue from CGST in 2026-27 is expected to register an increase of 6.3% over the revised estimate of 2025-26.
- **Devolution to states** from centre's tax revenue is estimated to be Rs 15,26,255 crore in 2026-27, an increase of 9.6% over the revised estimates for 2025-26. In 2025-26, devolution to states is estimated to be Rs 13,92,971 crore, 2% lower than the budgeted (Rs 14,22,444 crore).
- **Net tax revenue** (excluding states' share in taxes) is estimated to be Rs 28,66,922 crore in 2026-27, which is an increase of 7.2% over the revised estimate for 2025-26. In 2025-26, net tax revenue at the revised stage is expected to be 5.7% lower than the budget estimate. This is mainly due to lower than budgeted receipts from Income Tax and GST.
- **Non-tax revenue** includes interest receipts on loans given by the centre, dividends, license fees, tolls, and charges for government services. Non-tax revenue is estimated at Rs 6,66,228 crore in 2026-27, roughly same as the revised estimate for 2025-26. 59% of the non-tax revenue in 2026-27 is estimated to come from dividend and profits.
- **Capital receipts** (excluding borrowings) are targeted at Rs 1,18,397 crore, an increase of 85% over the revised estimates for 2025-26. This increase is driven by higher receipt estimated from disinvestment. The revised estimates for 2025-26 are 15.7% lower than the budgeted amount for that year. This is mainly due to underachievement of disinvestment targets.

Table 2: Break up of central government receipts in 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
A. Gross Tax Revenue	**37,96,382**	**42,70,233**	**40,77,772**	**44,04,086**	**8%**
of which					
Corporation Tax	9,86,767	10,82,000	11,09,000	12,31,000	11%
Taxes on Income	12,35,171	14,38,000	13,12,000	14,66,000	11.7%
Goods and Services Tax	10,27,041	11,78,000	10,46,480	10,19,020	-2.6%
CGST	*8,76,471*	*10,10,890*	*9,58,480*	*10,19,020*	*6.3%*
GST Compensation Cess	*1,50,570*	*1,67,110*	*88,000*	*0*	-
Customs	2,33,201	2,40,000	2,58,290	2,71,200	5%
Union Excise Duties	3,00,253	3,17,000	3,36,550	3,88,910	15.6%
B. Devolution to States	**12,86,885**	**14,22,444**	**13,92,971**	**15,26,255**	**9.6%**
C. Centre's Net Tax Revenue	**25,00,039**	**28,37,409**	**26,74,661**	**28,66,922**	**7.2%**
D. Non-Tax Revenue	5,36,580	5,83,000	6,67,662	6,66,228	**-0.2%**
of which:					
Interest Receipts	40,435	47,738	40,165	41,763	4%
Dividends and Profits	3,08,424	3,25,000	3,75,590	3,91,000	4.1%
Other Non-Tax Revenue	1,84,206	2,05,668	2,48,461	2,29,373	-7.7%
E. Capital Receipts (without borrowings)	**41,818**	**76,000**	**64,027**	**1,18,397**	**84.9%**
of which:					
Disinvestment	17,202	47,000	33,837	80,000	136.4%
Receipts (without borrowings) (C+D+E)	**30,78,437**	**34,96,409**	**34,06,350**	**36,51,547**	**7.2%**
Borrowings	**15,74,431**	**15,68,936**	**15,58,492**	**16,95,768**	**8.8%**

Sources: Receipts Budget, Union Budget Documents 2026-27; PRS.

- **Indirect taxes:** Total indirect tax collections are estimated to be Rs 16,79,130 crore in 2026-27. Of this, the government has estimated to raise Rs 10,19,020 crore from CGST.
- **Corporation tax:** In 2026-27, the collection from taxes on companies is expected to increase by 11% over the revised estimates for 2025-26.
- **Taxes on income:** Income tax collection is expected to increase by 11.7% in 2026-27. In 2025-26, income tax rates were cut and the government estimated a revenue of Rs 14,38,000 crore after factoring revenue foregone of one lakh crore rupees. As per revised estimates, income tax revenue is Rs 13,12,000 crore, a further shortfall of Rs 1,26,000 crore.
- **Non-tax revenue:** Non-tax revenue in 2025-26 is estimated to be 14.3% higher than budgeted. This is driven by a higher than budgeted receipt from: (i) dividend/surplus of RBI, Nationalised Banks and Financial Institutions, and (ii) communication services (charges for telecom spectrum and licencing fees).

Expenditure Highlights for 2026-27

- **Total expenditure** in 2026-27 is expected to be Rs 53,47,315 crore, which is an increase of 7.7% over the revised estimate of 2025-26. Out of this: (i) Rs 17,71,928 crore is proposed to be spent on central sector schemes (8.2% increase over the revised estimate of 2025-26), and (ii) Rs 9,89,885 crore is proposed to be spent on centrally sponsored schemes (17.1% increase over the revised estimate of 2025-26).
- According to the revised estimates of 2025-26, government expenditure on centrally sponsored schemes and other transfers is estimated to be lower by Rs 2,03,802 crore (19%) from budget estimates. This is primarily due to underspending in Jal Jeevan Mission (Rs 50,000 crore unspent) and Pradhan Mantri Awas Yojana- Urban and Rural (Rs 40,226 crore unspent).
- The government has estimated to spend Rs 2,96,214 crore on pension in 2026-27, which is 3% higher than the revised estimate of 2025-26. Expenditure on interest payment in 2026-27 is estimated to be Rs 14,03,972 crore, which is 26% of the government's total expenditure. In 2026-27, interest payments are expected to increase by 10% as compared to revised estimates of 2025-26. Other grants, loans, and transfers (Rs 3,11,691 crore) include Rs 1,85,000 crore as special loans to states for capital expenditure.
- As per the recommendations of the 16th Finance Commission (FC), FC grants for 2026-27 are estimated at Rs 1,29,397 crore. This is 15% lower than the revised estimates of 2025-26 (see Annexure for details on FC recommendations).

Table 3: Break up of central government expenditure in 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Central Expenditure	**37,44,781**	**40,16,003**	**41,19,301**	**43,57,429**	**5.8%**
Establishment Expenditure of Centre	8,29,423	8,68,096	7,82,701	8,24,114	5.3%
Central Sector Schemes	14,94,392	16,21,899	16,37,156	17,71,928	8.2%
Other Expenditure	14,20,966	15,26,008	16,99,445	17,61,387	3.6%
of which Interest Payments	11,15,575	12,76,338	12,74,338	14,03,972	10.2%
Centrally Sponsored Schemes and other transfers	**9,08,086**	**10,49,343**	**8,45,540**	**9,89,885**	**17.1%**
Centrally Sponsored Schemes	4,02,368	5,41,850	4,20,078	5,48,798	30.6%
Finance Commission Grants	1,20,858	1,32,767	1,52,953	1,29,397	-15.4%
of which:					
Rural Local Bodies	*41,262*	*48,573*	*54,314*	*55,909*	*2.9%*
Urban Local Bodies	*19,260*	*26,158*	*26,023*	*45,272*	*74.0%*
Disaster Management Grants	*25,249*	*26,969*	*33,515*	*28,216*	*-15.8%*
Post Devolution Revenue Deficit Grants	*24,483*	*13,705*	*13,705*	*0*	
Other Grants	3,84,860	3,74,725	2,72,510	3,11,691	14.4%
of which Capex Loans to States	*1,49,484*	*1,50,000*	*1,44,000*	*1,85,000*	28.0%
Total Expenditure	**46,52,867**	**50,65,345**	**49,64,842**	**53,47,315**	**7.7%**

Sources: Budget at a Glance, Union Budget Documents 2026-27; PRS.

Expenditure by Ministries

In 2026-27, the top 13 ministries in terms of allocations account for 54% of the estimated total expenditure (Table 4). Of these, the Ministry of Defence has the highest allocation in 2026-27, at Rs 7,84,678 crore, accounting for 15% of the total budgeted expenditure of the central government. Other ministries with high allocations include: (i) Road Transport and Highways (6% of total expenditure), (ii) Railways (5%), and (iii) Home Affairs (5%).

Table 4: Ministry-wise expenditure in 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Defence	6,36,003	6,81,210	7,32,512	7,84,678	7.1%
Road Transport and Highways	2,99,460	2,87,333	2,87,142	3,09,875	7.9%
Railways	2,55,263	2,55,445	2,55,466	2,81,377	10.1%
Home Affairs	2,24,585	2,33,211	2,41,485	2,55,234	5.7%
Consumer Affairs, Food and Public Distribution	2,15,009	2,15,767	2,38,409	2,39,521	0.5%
Rural Development	1,79,307	1,90,406	1,88,753	1,97,023	4.4%
Chemicals and Fertilisers	1,84,993	1,61,965	1,91,186	1,77,061	-7.4%
Agriculture and Farmers' Welfare	1,39,744	1,37,757	1,33,370	1,40,529	5.4%
Education	1,10,736	1,28,650	1,21,949	1,39,289	14.2%
Health and Family Welfare	90,684	99,859	96,854	1,06,530	10.0%
Communications	1,47,832	1,08,105	79,768	1,02,267	28.2%
Jal Shakti	46,720	99,503	41,437	94,808	128.8%
Housing and Urban Affairs	53,255	96,777	57,204	85,522	49.5%
Total Expenditure	**46,52,867**	**50,65,345**	**49,64,842**	**53,47,315**	**7.7%**

Sources: Expenditure Budget, Union Budget 2026-27; PRS.

- **Ministry of Defence:** Allocation is estimated to increase by Rs 52,166 crore (7%) in 2026-27, over the revised estimate of 2025-26. The allocation towards capital outlay for defence services in 2026-27 is estimated to be Rs 2,19,306 crore, 17.6% higher than the revised estimates of 2025-26.
- **Ministry of Jal Shakti:** Allocation is estimated to increase by Rs 53,371 crore in 2026-27, over the revised estimates of 2025-26. Revised estimate for 2025-26 was Rs 41,437 crore as compared to budgeted Rs 99,503 crore. This underspending is mainly due to Jal Jeevan Mission, where the expenditure is lower by Rs 50,000 in the revised estimates as compared to budgeted estimates of 2025-26 (see Table 6).
- **Ministry of Housing and Urban Affairs:** Allocation towards Housing and Urban Affairs is estimated to increase by Rs 28,318 crore (49.5%) to Rs 85,522 crore in 2026-27. This is primarily due to increased allocation towards PMAY-Urban, with underspending of 17,894 crore between budgeted and revised estimates of 2025-26 (see Table 6).
- **Ministry of Chemicals and Fertilisers:** Allocation towards Chemicals and Fertilisers is estimated to decrease by Rs 14,125 crore (7.4%) to Rs 1,77,061 crore in 2025-26. This is primarily due to decrease in fertiliser subsidy (see Table 5).

Expenditure on Subsidies

In 2026-27, the total expenditure on subsidies is estimated to be Rs 4,54,773 crore, lower than the revised estimate of 2025-26 by 3.1% (Table 5). In 2025-26, at the revised estimates stage, food subsidy was 12% more than budgeted estimate and fertiliser subsidy was 11% higher. In 2026-27, food subsidy is estimated at Rs 2,27,629 crore and fertiliser subsidy at Rs 1,70,799 crore, together constituting 87% of the total subsidy bill. LPG subsidy constitutes 2.6% of the total subsidy bill.

Table 5: Subsidies in 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Food subsidy	1,99,867	2,03,420	2,28,154	2,27,629	-0.2%
Fertiliser subsidy	1,70,683	1,67,887	1,86,460	1,70,799	-8.4%
Interest subsidy	21,885	27,840	24,666	27,441	11.3%
LPG subsidy	14,479	12,100	15,121	12,085	-20.1%
Other subsidies	15,692	14,969	15,105	16,820	11.3%
Total	**4,22,606**	**4,26,216**	**4,69,505**	**4,54,773**	**-3.1%**

Sources: Expenditure Profile, Union Budget 2026-27; PRS.

Expenditure on Major Schemes

Table 6: Scheme-wise allocation in 2026-27 (Rs crore)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
VB-G RAM G	0	0	0	95,692	-
MGNREGS	85,834	86,000	88,000	30,000	-66%
Jal Jeevan Mission/National Rural Drinking Water ission	22,612	67,000	17,000	67,670	298%
PM-KISAN	66,121	63,500	63,500	63,500	0%
Pradhan Mantri Awas Yojana – Rural	32,327	54,832	32,500	54,917	69%
Samagra Shiksha	36,288	41,250	38,000	42,100	11%
National Health Mission	38,889	37,227	37,100	39,390	6%
Saksham Anganwadi and POSHAN 2.0	21,014	21,960	20,949	23,100	10%
Modified Interest Subvention Scheme	22,600	22,600	22,600	22,600	0%
Pradhan Mantri Awas Yojana – Urban	5,865	25,794	7,900	22,025	179%
PM Surya Ghar Muft Bijli Yojana	7,818	20,000	17,000	22,000	29%
PM Viksit Bharat Rozgar Yojana	0	0	0	20,083	-
Bharatnet	3,995	22,000	5,500	20,000	264%
Research, Development and Innovation (RDI) Scheme	0	20,000	3,000	20,000	567%

Sources: Expenditure Profile, Union Budget 2026-27; PRS.

- VB-G RAM G has the highest allocation in 2026-27 (Rs 95,692 crore). In December 2025, MGNREGA was replaced by the VB-G RAM G Act. In 2026-27, MGNREGS has also been allocated Rs 30,000 crore.
- Jal Jeevan Mission has been allocated Rs 67,670 crore in 2026-27. In 2025-26, the revised estimate (Rs 17,000 crore) is significantly lower than the budget estimate (Rs 67,000 crore).
- Pradhan Mantri Awas Yojana-Urban has been allocated Rs 22,025 crore in 2026-27, an increase of 179%

over the revised estimate for 2025-26. The Pradhan Mantri Awas Yojana-Rural has an allocation of Rs 54,917 crore in 2026-27, an increase of 69% over the revised estimate of 2025-26. Revised estimates for both schemes for 2025-26 is significantly lower than the budget estimates. The budget allocation in 2026-27 is similar to amounts originally budgeted in 2025-26.

- The Viksit Bharat Rozgar Yojana has an allocation of Rs 20,083 crore in 2026-27. The scheme provides incentives to newly employed youth and employers.
- The Bharatnet and the Research, Development and Innovation Scheme have been allocated Rs 20,000 crore each in 2026-27. In 2025-26, as per revised estimates, spending under Bharatnet is expected to be 25% of the budgeted amount, and under RDI scheme, at 15% of the budgeted amount.

Loans to states for capital expenditure

- Rs 1,85,000 crore rupees has been budgeted for special interest-free loans to states for capital expenditure in 2026-27. The revised estimates for 2025-26 is Rs 1,44,000 crore, against a budget allocation of Rs 1,50,000 crore.

Expenditure on Scheduled Caste and Scheduled Tribe sub-plans and schemes for the welfare of women, children, and the North Eastern Region (NER)

- Programmes for the welfare of women and children have been allocated Rs 6,33,176 crore in 2026-27, an increase of 25% over the revised estimate of 2025-26. These allocations include programmes being implemented across all ministries.

Table 7: Allocations for women, children, SCs, STs and NER (Rs crore)

	Actuals 2024-25	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Welfare of Women	3,59,722	3,97,885	5,00,879	25.9%
Welfare of Children	99,099	1,07,945	1,32,297	22.6%
Scheduled Castes	1,23,372	1,61,205	1,96,400	21.8%
Scheduled Tribes	1,05,711	1,23,435	1,41,089	14.3%
North Eastern Region	87,736*	88,741	1,08,335	22.1%

Note: *Revised estimates taken as actuals
Sources: Expenditure Profile, Union Budget 2026-27; PRS.

- Allocation towards the welfare of women is estimated to increase due to increased allocation towards the Pradhan Mantri Awas Yojana. Under the Awas Yojana, the female head of the family must be the owner or co-owner of the house.
- Allocation towards the welfare of children is estimated to increase due to a higher allocation towards school education under POSHAN, PM-SHRI, and the Samagra Shiksha scheme. Allocation for Scheduled Castes is estimated to be higher due to increased allocation under the Jal Jeevan Mission and the Viksit Bharat Rozgar Yojana.

Deficits and Debt

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the central government to progressively reduce its outstanding debt, revenue deficit and fiscal deficit, and to give three-year rolling targets for these. Note that the Medium-Term Fiscal Policy Statement has not provided rolling targets for deficits since 2021-22.

Fiscal deficit is an indicator of borrowings by the government for financing its expenditure. The fiscal deficit in 2026-27 is estimated to be 4.3% of GDP, lower than 2025-26 (4.4% of GDP).

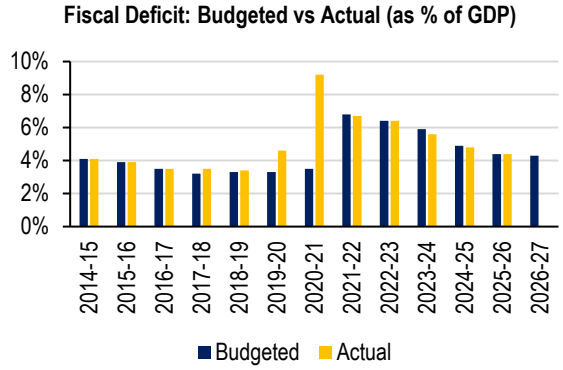
Revenue deficit is the excess of revenue expenditure over revenue receipts. Such a deficit implies that the government needs to borrow funds to meet recurring expenses which may not provide future returns. The revenue deficit in 2026-27 is estimated to be 1.5% of GDP, same as 2025-26.

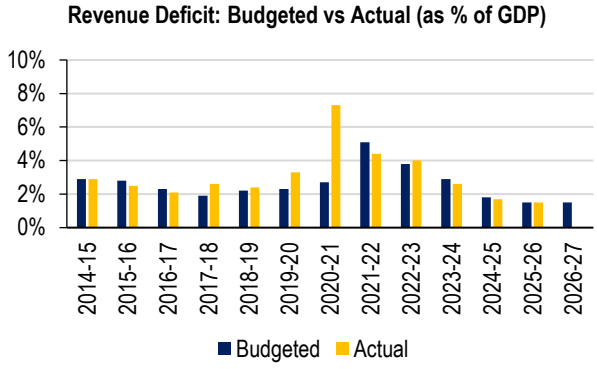
Table 8: Deficits (as % of GDP)

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27
Fiscal Deficit	4.8%	4.4%	4.4%	z4.3%
Revenue Deficit	1.7%	1.5%	1.5%	1.5%
Primary Deficit	1.4%	0.8%	0.8%	0.7%

Sources: Budget at a Glance, Union Budget 2026-27; PRS.

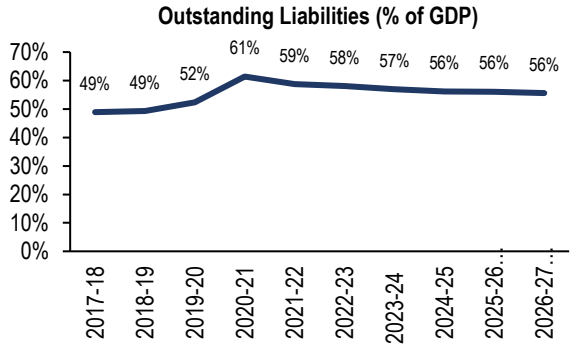
Primary deficit is fiscal deficit less interest payments. It is estimated to be 0.7% of GDP in 2026-27.

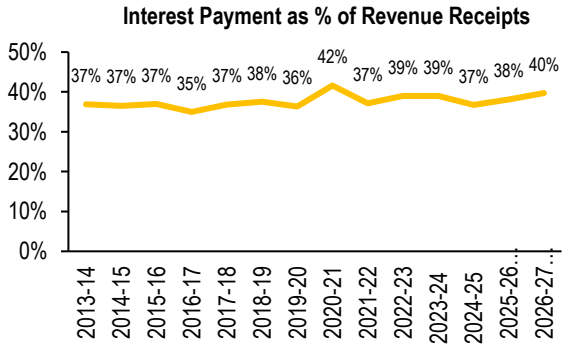




Note: Revised Estimate for 2025-26 taken as Actuals.
Sources: Budget at a Glance, Union Budget (various years); PRS.

- **Outstanding liabilities** is the accumulation of borrowings over the years. A higher debt implies that the government has a higher loan repayment obligation over the years.
- Centre's outstanding liabilities in 2026-27 are estimated to be 55.6% of GDP. Outstanding liabilities rose between 2018-19 and 2020-21, reaching a high of 61% of GDP in 2020-21, and have moderated thereafter. The government aims to reduce the outstanding liabilities to around 50% ± 1% of GDP by March 2031.
- Interest payments as a percentage of revenue receipts increased from 37% in 2013-14 to 42% in 2020-21. It is estimated to be 40% of revenue receipts in 2026-27.





Note: RE is revised estimate and BE is budget estimate.
Sources: Handbook of Statistics on Indian Economy, RBI; MOSPI, Union Budget Documents 2026-27; PRS.

Annexure: Recommendations of the 16th Finance Commission

The Report of the 16th Finance Commission (Chair: Dr. Arvind Panagariya) was tabled in Parliament on February 1, 2026. The recommendations will apply for the five-year period between 2026-27 and 2030-31. Key recommendations of the Commission include:

- **Share of states in central taxes:** The 16th Commission (FC) has recommended the share of states in the divisible pool of central taxes at 41%. Divisible pool is arrived at after excluding cost of collection and cesses and surcharges from the gross tax revenue collected by the central government. The share remains unchanged from the 15th Finance Commission award period (2021-26).
- **Devolution Criteria**: To determine distribution of central taxes among states, the Finance Commissions come up with a formula with weightage for certain parameters. The 16th FC has given the highest weightage to income distance (Table 9). Income distance is the distance of a state's per capita GSDP from the state with the highest per capita GSDP. On this parameter, a state with lower per capita GSDP will have a higher share in devolution to maintain equity among states. The 15th FC had also used this criterion with a comparatively higher weightage.
- The 16th FC has introduced a new parameter which accounts for the contribution to national GDP. This replaces the tax and fiscal efforts parameter used by the 15th FC which rewarded states with a higher tax collection efficiency. Contribution to GDP has also been given a comparatively higher weightage.
- Other parameters include population, area, and forest cover. These parameters are similar to the 15th FC. Weightage for area has been reduced.
- **Grants-in-aid:** The 16th FC has recommended grants worth Rs 9.47 lakh crore over the five-year period. These comprise grants for: (i) urban and rural local bodies, and (ii) disaster management. The 16th FC has discontinued the following grants recommended by the 15th FC: (i) revenue deficit grants, (ii) sector-specific grants for education, justice, statistics, and agriculture, and (iii) state-specific grants.

Table 9: Criteria for devolution

Criteria	14th FC 2015-20	15th FC 2021-26	16th FC 2026-31
Income Distance	50.0	45.0	42.5
Area	15.0	15.0	10.0
Population (1971)	17.5	-	-
Population (2011)	10.0	15.0	17.5
Demographic Performance#	-	12.5	10.0
Forest^	7.5	10.0	10.0
Tax and fiscal effort	-	2.5	-
Contribution to GDP	-	-	10.0
Total	**100**	**100**	**100**

Note: #rewards efforts made by states in controlling their population relative to 1971 population.
^The 14th and 15th FC accounted for the share in moderately dense and very dense forest cover. The 16th FC has also considered open forest cover and increase in overall forest cover.
Sources: Reports of the 14th, 15th, and 16th Finance Commissions; PRS.

Table 10: Grants for the 2026-31 period (Rs crore)

Grants	Amount
Local governments	**7,91,493**
Rural local bodies	*4,35,236*
Basic Grant	*3,48,188*
Performance Grant	*87,048*
Urban local bodies	*3,56,257*
Basic Grant	*2,32,125*
Performance Grant	*58,032*
Special Infrastructure Component	*56,100*
Urbanisation Premium	*10,000*
Disaster management	**1,55,916**
Total	**9,47,409**

Source: Report of the 16th Finance Commission; PRS.

- A certain percentage of grants to local bodies will be performance-linked with an aim to incentivise growth in revenue from own sources. Special infrastructure component aims to facilitate interventions in comprehensive wastewater management. Urbanisation premium is aimed at incentivising rural to urban transition.
- **Fiscal roadmap**: The 16th FC has recommended that the Centre should bring down fiscal deficit to 3.5% of GDP by 2030-31. It recommended the annual fiscal deficit limit for states to be 3% of GSDP. It also recommended strictly discontinuing the practice of off-budget borrowings for states and bringing all such borrowings onto their budgets. The definition of fiscal deficit and debt should be expanded to uniformly include all off-budget borrowings.

Demand for Grants 2026-27 Analysis
Defence

Highlights

- Defence budget as % of GDP is estimated at 2.0% in 2026-27. This is lower than the level recommended by the Standing Committee on Defence (3% of GDP). Excluding pension spending, defence expenditure amounts to 1.6% of GDP in 2026-27.
- Salary and pension are estimated to constitute 44% of the total defence expenditure in 2026-27. The 8th Pay Commission recommendations may increase expenditure pressure on these fronts in the next few years.
- Spending on capital expenditure has averaged 27% of the total defence budget in the last decade, against the recommended 40%.
- India was the second largest importer of arms between 2020 and 2024. In recent years, domestic production has seen a rise. Key challenges include limited presence in high-tech manufacturing, shortfall in R&D spending, and quality concerns.

The Ministry of Defence frames policies on defence and security-related matters, and ensures its implementation by the defence services (Army, Navy, and Air Force). It is also responsible for production establishments such as defence public sector undertakings, and research and development organisations. Additionally, it oversees ancillary services that assist the defence services, such as the Armed Forces Medical Services. This note analyses budgetary allocation and expenditure trends of the Ministry. It also discusses certain issues in the sector.

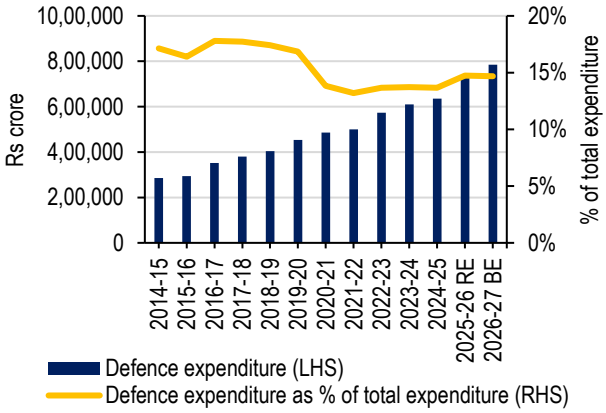
Overview of Finances

The Budget of the Ministry of Defence includes the allocation towards the three defence services along with the expenditure on research and development, and border roads. In 2026-27, the Ministry has been allocated Rs 7,84,678 crore. This includes expenditure on salaries of the armed forces and civilians, pension, modernisation of armed forces, production establishments, maintenance, and research and development organisations. The allocation towards the Defence Ministry is the highest across all ministries and accounts for 14.7% of the total expenditure of the central government (Rs 53,47,315 crore). The Revised Estimates (RE) for 2025-26 are 8% higher compared to the Budget Estimates (BE) for the year. This is mainly due to additional expenditure of Rs 36,131 crore estimated at the revised stage towards spectrum charges. In 2026-27, Rs 37,200 crore has been allocated towards spectrum charges. These include payment of current spectrum charges and previous dues of principal and late fee components payable to the Department of Telecommunications.

Defence spending remains the largest budget head, but its share in government expenditure and GDP has declined

Defence constitutes the highest proportion of the central government's budget. However, the share of central budget spent on defence has decreased over the years. Expenditure on defence has fallen from 17.1% of the total expenditure by the central government in 2014-15 to 14.7% in 2026-27 (see Figure 1). Between 2014-15 and 2026-27, the expenditure of the central government is estimated to increase at an annualised rate of 10.2%. In comparison, the defence expenditure is estimated to increase at an annualised rate of 8.8% during the same period.

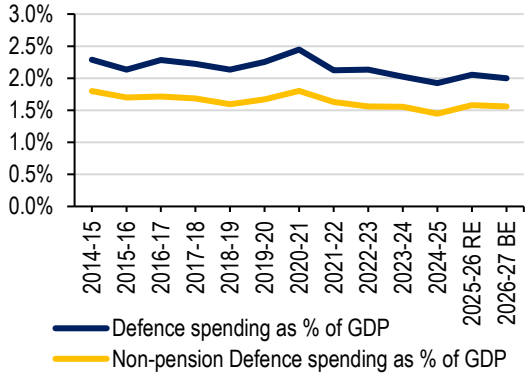
Figure 1: Share of defence expenditure in centre's expenditure has seen a decline



Note: BE: Budget Estimates; RE: Revised Estimates.
Sources: Union budget documents (various years); PRS.

The Standing Committee on Defence (2018) had recommended that the Ministry of Defence should be allocated a fixed budget of about 3% of GDP to ensure adequate preparedness of the armed forces.[1] In response, the Ministry of Finance had noted that allocations at the Revised Estimates stage depend on expenditure progress, committed liabilities, and the government's resource position.[1] As resources are allocated based on need and competing priorities, defence expenditure cannot be fixed as a share of total expenditure or GDP.[1] India's spending on defence has consistently been lower than this recommended level. Spending on defence has decreased from 2.3% of GDP in 2014-15 to 2.0% of GDP in 2026-27. If spending on defence pension is excluded, defence expenditure as a percentage of GDP will be about 0.5% lower in each year (Figure 2 on the next page).

Figure 2: Defence expenditure has decreased as a percentage of GDP



Sources: Union budget documents (various years); PRS.

According to data from the Stockholm International Peace Research Institute (SIPRI), India's spending on defence was the fifth highest in 2024.[2] This includes spending on paramilitary forces. In absolute terms, China's defence spending in 2024 was 3.6 times India's defence spending.

Table 1: Top military spenders in 2024

Country	Defence Expenditure (USD billion)	% of General Government Expenditure
USA	997	9.1%
China	314	5.1%
Russia	149	18.9%
Germany	88	3.9%
India	86	7.6%
UK	82	5.3%
Saudi Arabia	80	22.3%
Ukraine	65	54.0%
France	65	3.6%
Japan	55	3.3%
Pakistan*	10	13.8%

Note: *Pakistan was ranked 29 in military spending in 2024. ^as a percentage of general government expenditure
Sources: SIPRI Military Expenditure Database; PRS.

Composition of defence budget

In 2026-27, the central government has allocated Rs 7,84,678 crore for the Ministry of Defence which is an increase of 7% over the revised estimate of 2025-26 (see Table 2). Within the defence budget, expenditure on salaries is estimated to increase by 3% while that on pension is seen increasing by 1%. Salaries and pension account for 44% of the estimated spending on defence in 2026-27. Between 2014-15 and 2026-27, defence expenditure on salary and pension are estimated to grow at an annualised rate of about 8%. Note that expenditure on salaries could be an underestimate as detailed breakup for revenue expenditure on Rashtriya Rifles, National Cadet Corps, and the Agnipath cadre is not available. Other expenses have grown in 2025-26 and 2026-27 mainly on account of expenditure towards spectrum charges payable to the Department of Telecommunications.

Capital outlay, which includes spending on acquisition of arms, ammunition, and other equipment, is estimated to increase by 17% in 2026-27 as compared to the revised estimate of 2025-26. Between 2014-15 and 2026-27, capital outlay in defence grew at an annualised rate of around 9%. Other expenses include spending on transportation, Rashtriya Rifles, Agnipath scheme, and other establishment expenditure of the Ministry.

The 16th Finance Commission projects defence pay and allowances to grow at about 6% annually during the award period (2026-31).[3] Non-salary expenditure is expected to grow much faster, at around 15% per annum, to meet increasing defence requirements.

Table 2: Composition of defence budget

Major Heads	2024-25	2025-26 RE	2026-27 BE	% change (25-26 RE to 26-27 BE)
Salaries	1,62,384	1,66,064	1,71,044	3%
Pensions	1,57,654	1,69,187	1,71,338	1%
Capital Outlay	1,70,617	1,97,417	2,31,010	17%
Maintenance	83,220	93,321	92,870	0%
Other Expenses	62,128	1,06,523	1,18,416	11%
Total	**6,36,003**	**7,32,512**	**7,84,678**	**7%**

Note: Salaries include pay and allowances of the armed forces, auxiliary forces, civilians, and research and development. Capital outlay includes capital expenditure of the Ministry and the armed forces. Maintenance includes expenditure on stores, works, repairs, and refits.
Sources: Expenditure Budget, Union Budget 2026-27; PRS.

In 2026-27, revenue expenditure on the army is estimated to increase by 6% over the revised estimate of 2025-26, while for navy it is expected to increase by 7% (see Table 3). The increase in the revenue expenditure of the air force is negligible. Note that revenue expenditure on pension in 2026-27 is adjusted for recovery of Rs 8,000 crore from public account. Its disaggregated impact on the pension expenditure of the three defence services is not provided. From 2024-25, the government has been consolidating capital expenditure demands of the three services into common categories such as Aircraft and Aero engines and Heavy and Medium Vehicles.[4] This is to promote jointness and provide the Ministry of Defence with greater flexibility to reallocate funds across services based on priorities.[4]

Table 3: Revenue expenditure by service (Rs crore)

Service	2024-25 Actuals	2025-26 RE	2026-27 BE	% change (25-26 RE to 26-27 BE)
Army	3,33,761	3,75,416	3,96,977	6%
Navy	45,299	57,060	61,216	7%
Air Force	64,690	80,756	80,796	0%
Others	21,604	16,965	17,601	4%
Total	**4,65,355**	**5,30,197**	**5,56,590**	**5%**

Note: Others include Directorate of Ordnance, research and development, and Ministry of Defence (Civil).
Sources: Expenditure Budget, Union Budget 2026-27; PRS.

Table 4: Salary and pension spending by service in 2026-27 as per budget estimates (Rs crore)

Service	Salary	% of Service Revex	Pension	% of Service Revex
Army	1,29,516	33%	1,51,631	38%
Navy	13,460	22%	10,024	16%
Air Force	22,768	28%	17,646	22%

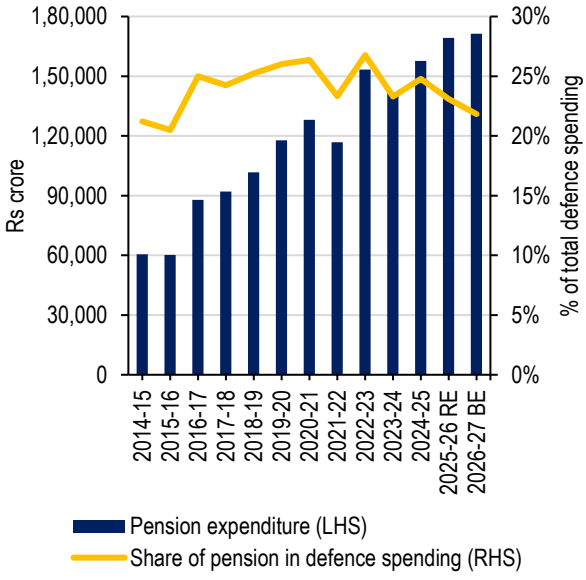
Note: Revex refers to revenue expenditure.
Sources: Expenditure Budget, Union Budget 2026-27; PRS.

Pension payments constitute more than 20% of the defence budget

Defence pension covers pensionary benefits for retired defence personnel of the three services (including civilian employees).[5] It covers payment of service pension, gratuity, family pension, disability pension, commuted value of pension, and leave encashment.[5] The total number of defence pensioners in the country is 32,94,181.[6] Pension payments account for a substantial share of defence spending. Defence pension outlays have grown at an annualised rate of about 20%, increasing from Rs 10,539 crore in 2000-01 to Rs 1,71,338 crore in 2026-27. In comparison, non-pension defence expenditure grew at a slower annualised rate of 17%, rising from Rs 54,800 crore in 2000-01 to Rs 6,13,340 crore in 2026-27. Pensions accounted for 16% of the defence budget in 2000-01 and are estimated to contribute 22% to the total defence expenditure in 2026-27 (see Figure 3).

Defence pensions are at about the same level as salaries for defence personnel (Table 2 on previous page). In contrast, for the rest of the central government, pension (Rs 1,24,876 crore) is budgeted at about one-third of salaries and allowances (Rs 3,67,182 crore) in 2026-27.

Figure 3: Pensions accounted for about one-fourth of the defence spending between 2014-15 and 2026-27



Note: BE is budget estimate and RE is revised estimate.
Sources: Union Budget Documents (various years); PRS.

Several factors have contributed to the rise in defence pension expenditure. These include: (i) an increase in the length of colour service, (ii) implementation of the recommendations of successive Pay Commissions, and (iii) the introduction of the One Rank One Pension (OROP) scheme. Colour service refers to the period of service rendered by personnel while on active duty in the Armed Forces. Since 1965, the minimum colour service required of Personnel Below Officer Rank (PBORs) has increased from seven years to 17 years, while the minimum qualifying service for pension has remained unchanged at 15 years.[7,8] As a result, nearly all personnel retiring after completing colour service qualify for a pension.

The implementation of the Seventh Central Pay Commission (CPC) from January 2016 led to a sharp rise in defence pensions, which increased by about 46% between 2015-16 and 2016-17.[9] The revised pay structure as per the recommendations of the Eighth CPC is expected to take effect from January 1, 2026.[10] This will lead to a further increase in defence pension spending.

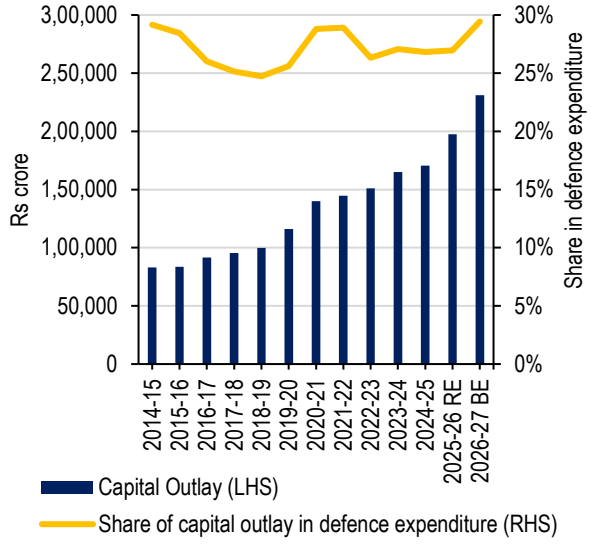
In November 2015, the government approved the implementation of OROP, with benefits effective from July 1, 2014.[11] Under OROP, personnel retiring at the same rank with the same length of service are entitled to the same pension, irrespective of their date of retirement.[12] Pensions under OROP are revised every five years.[12] Over the eight-year period beginning July 1, 2014, expenditure on OROP averaged about Rs 7,123 crore per year.[11] Financial implication of the latest OROP revision, effective from July 1, 2024, has been assessed at Rs 6,703 crore per annum.[13]

The 15th Finance Commission had recommended that the Ministry should take steps to reduce salaries and pension liabilities.[14] The Agnipath scheme for recruiting soldiers, sailors, and airmen into the armed forces may help in reducing pension expenditure in the long term (see page 7).

Capital outlay has remained below 30% of the defence budget

The share of the defence budget spent on capital outlay has decreased in recent years. Capital outlay for defence includes expenditure on construction work, machinery, and equipment such as tanks, naval vessels, and aircraft. It also includes capital expenditure on research and development and construction of border roads. Between 2014-15 and 2025-26, 27% of the defence budget is estimated to be spent on capital outlay. In 2026-27, 29% of the defence expenditure is budgeted towards capital outlay. The Standing Committee on Defence (2021) had observed that the ideal ratio of revenue expenditure to capital outlay was 60:40.[15]

Figure 4: Spending on capital outlay is much lower than the recommended 40% of budget



Note: BE is budget estimate and RE is revised estimate.
Sources: Union Budget Documents (various years); PRS.

Table 5: Components of capital outlay

Head	2024-25	2025-26 RE	2026-27 BE
Aircraft and aero engines	26%	37%	28%
Other Equipment	31%	26%	36%
Naval Fleet	15%	11%	11%
Research & Development	8%	8%	7%
Ministry of Defence (Civil)	6%	6%	5%
Naval dockyard / projects	3%	2%	2%
Heavy and medium vehicles	2%	2%	2%
Others	8%	9%	10%
Total	**100%**	**100%**	**100%**

Note: Ministry of Defence (Civil) primarily comprises capital expenditure on Coast Guard Organisation and Border Roads Development Board. Others include investment in public enterprises, joint staff, Rashtriya Rifles, assistance for prototype development, and special projects of army and air force.
Sources: Expenditure Budget, Union Budget 2026-27; PRS.

In its submission to the 15th Finance Commission, the Ministry of Defence highlighted the need for alternative funding mechanisms to meet rising requirements.[16] A recurring proposal in this regard has been the creation of a non-lapsable fund for defence capital expenditure, given that acquisition programmes span multiple years. The Interim Budget for 2004-05 proposed a non-lapsable Defence Modernisation Fund with a corpus of Rs 25,000 crore.[17] The Standing Committee on Defence (2017) emphasised that such a fund was essential to improve operational preparedness.[18] The 15th Finance Commission also recommended establishing a non-lapsable Modernisation Fund for Defence and Internal Security.[16]

The central government has, however, stated that constitutional provisions do not permit the creation of a non-lapsable fund, and has opposed setting up such a fund in the Public Account without dedicated revenue streams.[18,19] The Ministry of Defence has indicated that the Ministry of Finance is exploring an alternative mechanism to operationalise a non-lapsable modernisation fund.[19] The 15th Finance Commission had suggested financing the fund through transfers from the Consolidated Fund of India, disinvestment proceeds of defence public sector undertakings, monetisation of surplus defence land, and receipts from defence land transferred for public projects.[16] The 16th Finance Commission (2026) report, however, did not make any recommendations on such a fund.

Committed liabilities: Capital acquisition of the armed forces consists of two components: (i) committed liabilities and (ii) new schemes. Committed liabilities are payments anticipated during a financial year in respect of contracts concluded in previous years. New schemes include new projects which are at various stages of approval and are likely to be implemented in future. Data related to committed liabilities has not been publicly disclosed since 2019-20.

Table 6: Committed liabilities and modernisation budget (Rs crore)

Year	Committed liabilities	Modernisation budget	Shortfall (in %)
2016-17	73,553	62,619	15%
2017-18	91,382	68,965	25%
2018-19	1,10,044	73,883	33%
2019-20	1,13,667	80,959	29%

Note: Figures for committed liabilities have not been publicly disclosed after 2019-20.
Sources: 3rd Report, Capital Outlay on Defence Services, Procurement Policy and Defence Planning, Standing Committee on Defence, December 2019; PRS.

The Standing Committee on Defence (2019) expressed concern over the shortage in allocation to meet committed liabilities expenditure.[20] The Committee observed that inadequate allocation for committed liabilities could lead to default on contractual obligations, which would not be taken well in international markets.[20] The Committee (2022) has recommended the Ministry to create a dedicated fund for committed liabilities and new schemes.[21] These funds have not been created yet.

Modernisation budget

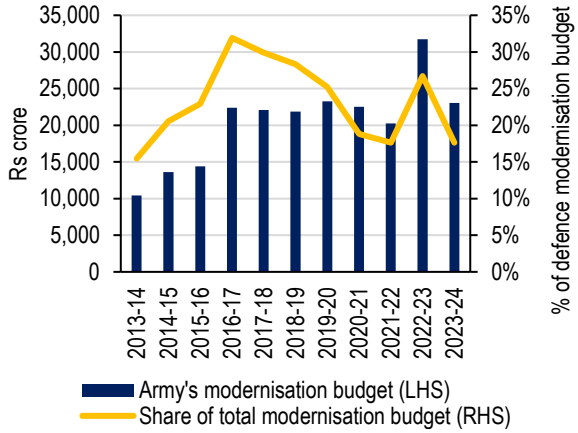
Army

The Army is the largest of the three forces, both in terms of its budget as well as the number of personnel. The Army has an authorised strength of around 12.5 lakh personnel, including officers and soldiers. Due to the large number of personnel, Army has consistently spent over 80% of its budget on revenue items.

Modernisation involves acquisition of latest technologies and weapons systems to upgrade and augment defence capabilities.[22] According to the Ministry, the Army is prioritising enhanced firepower, mobility, and night-fighting capabilities,

while scaling up the use of drones and counter-drone technologies to address emerging threats. [23]

Figure 5: Spending by Army on modernisation



Sources: Union Budget Documents; PRS.

The Standing Committee on Defence (2023) noted that the Army falls short of the ideal equipment mix, with only 15% new-generation equipment and a higher-than-desired share (45%) of older systems (see Table 7).[24] The Standing Committee on Defence (2025) noted that while personnel salaries are a fixed and essential expense, the budget must prioritise modern weapon systems and critical border infrastructure, which cannot be compromised.[23]

Table 7: Profile of defence equipment

Type	Ideal mix	Indian Army
New generation	30%	15%
Current generation	40%	40%
Older generation	30%	45%

Sources: 36th Report, Standing Committee on Defence, March 2023; PRS.

Provisioning gaps in high-altitude deployments: A performance audit by CAG (2019) found deficiencies in provisioning for troops deployed in high-altitude areas such as Siachen and Ladakh.[25] Delays of up to four years in procuring essential clothing and equipment led to acute shortages, including critical shortfalls in snow goggles and the non-issue of boots, forcing troops to reuse old gear.[25] Lack of research and development by defence laboratory led to continued dependence on import.[25] Special rations were diluted through substitutions, reducing calorie intake by up to 82%.[25] Housing projects were executed in an ad hoc manner, resulting in avoidable costs, delayed asset handover, lack of proper sanctions, and discrepancies between records and assets on the ground, undermining troop welfare in extreme conditions.[25]

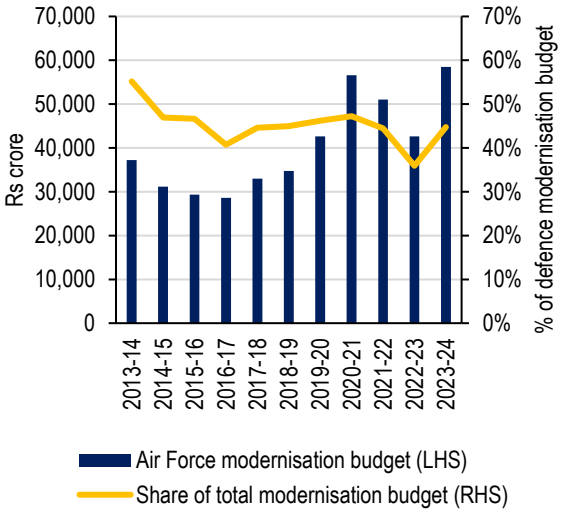
Air Force

The Air Force has consistently accounted for the largest share of the spending on modernisation by the three forces. The Standing Committee on Defence (2024) highlighted that the capital funding provided to the Air Force was inadequate for acquiring a large number of fighter aircraft. [26]

As of December 2024, the Air Force has 31 active fighter squadrons against an authorised strength of 42.[26] Each squadron consists of approximately 20 aircraft.[27] The Standing Committee on Defence (2024) noted that the Air Force needed at least 180 fighter aircraft under present circumstances.[26] The Air Force also has an ageing fleet, including MiG-21, MiG-23 and MiG-27 aircraft, which are nearing phase-out.[26] Their retirement is expected to further accelerate the decline in the Air Force's squadron strength.[26] The Standing Committee on Defence (2024) also noted that the Indian Air Force is short of around 130 trainer aircraft.[26]

On February 12, 2026, the Defence Acquisition Council gave approvals for procurement of 114 Rafale fighter jets for the Air Force.[28,29] The Council is chaired by the Defence Minister. The Ministry of Defence noted that a majority of these Rafale jets will be manufactured in India.[28]

Figure 6: Spending by Air Force on modernisation



Sources: Union Budget Documents; PRS.

Drones

During the India-Pakistan conflict (2025), swarm drones were deployed by Pakistan to target military areas in northern and western India.[30] Swarm drones are autonomous or semi-autonomous UAVs that operate in coordinated groups.[31] They communicate via wireless networks and adjust in real time to achieve shared objectives.[31] They are often used to overwhelm an enemy's radar system.[31] In 2025, 791 drone intrusions were reported along the international border, mainly in Punjab and Rajasthan, of which 237 were neutralised.[32]

The Air Force is advancing unmanned and autonomous aerial technologies through the Mehar Baba Competition, which links industry, academia, and users, and has already led to a Rs 300 crore order to an Indian startup for a swarm drone system.[32] Army has developed in-house drone manufacturing capabilities, producing 819 drones so far.

The Air Force has upgraded its legacy fleets to near fourth-generation capability, though some older aircraft still face maintenance challenges.[26] DRDO is developing a fifth-generation aircraft, but its

delivery is only expected in the next decade.[26] Fifth-generation aircraft are the latest operational fighter-jets with advanced features such as stealth technology, and advanced radar and sensors.[33] Examples include F-35 (USA) and Sukhoi Su-57 (Russia). China tested two sixth-generation aircraft prototypes in December 2024.[34] This aircraft is expected to become operational around 2035 for different types of combat missions.[34]

India's air defence systems

India's air defence comprises a range of systems used to detect, track, and neutralise threats. Few systems are illustrated in Table 8. Dedicated defence satellites such as GSAT-7, GSAT-7A, and EMISAT have been launched to enhance communication and defence capabilities.[35,36,37] The Integrated Air Command and Control System (IACCS) of the Air Force integrates data from all air defence systems and the various command centres of the IAF.[38] The Prime Minister announced the launch of Mission Sudarshan Chakra in 2025.[39] It is a multi-layered, indigenous defence and security system to protect critical infrastructure and deter threats, with the ability to strike back effectively.[39]

Table 8: Components of air defence system in India

Type	Name	Supplier	Year of addition
Surface-to-air missiles	Akash	Indigenous	2015
	S-400	Russia	2021-23
Air-to-surface missiles	AASM Hammer	France	2023
Air-to-air missiles	BrahMos ALCM	Russia	2020
	Astra	Indigenous	2023
	R-27R/T	Russia	1995
Fighter aircraft	Tejas Mk-1	Indigenous	2016
	Rafale	France	2019-22
	MiG-29 SMT	Russia	1986-89
	Sukhoi SU-30	Russia	2013-17
Combat Helicopters	AH-64E Apache	USA	2024
Unmanned Aerial Vehicles	Heron	Israel	2002

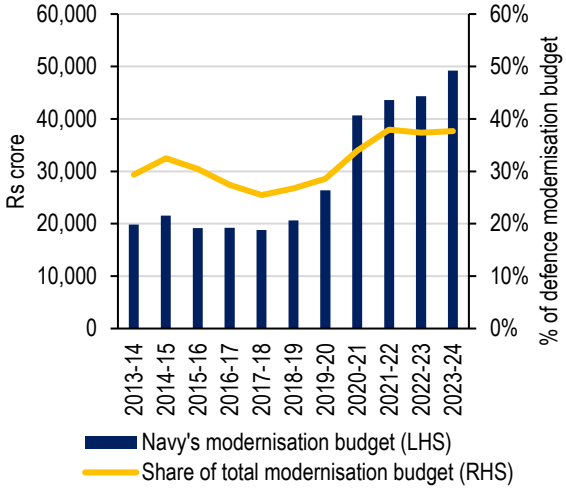
Sources: SIPRI; PIB; PRS.

Navy

The Navy seeks to mitigate two types of threats to India's maritime security.[26] These are threats from: (i) countries such as China and Pakistan, and (ii) non-traditional sources such as piracy and drug trafficking.[26] The Navy has seen a significant increase in its expenditure on modernisation since 2018-19.

The Standing Committee on External Affairs (2025) flagged China's rapidly expanding naval presence in the Indian Ocean as a major security concern.[40] The Committee noted that China now has the world's largest navy.[40] It is rapidly expanding its fleet by commissioning over 15 vessels annually, and regularly deploying submarines to strengthen its

Figure 7: Significant increase in Navy's modernisation expenditure since 2018-19



Sources: Union Budget Documents; PRS.

strategic presence in the Indian Ocean Region (IOR).[40] Further, Pakistan's navy is modernising rapidly with new vessels and systems from China and Turkey.[40] The Indian Navy currently operates 137 ships and submarines and 264 aircraft.[40] Further, the Indian coast guard operates a fleet of 151 indigenously built ships and 78 aircraft.[40] 53% of the vessels of the navy are more than 15 years old.[40] This is expected to decrease to 20% by 2040.[40] As of 2025, 58 naval ships are under construction and approvals in place for the construction of 62 additional vessels.[40] The Standing Committee on External Affairs (2025) urged for significant upgradation in India's naval capabilities by inducting advanced anti-submarine warfare vessels, surveillance aircraft, and nuclear-powered submarines.[40]

India signed a Rs 63,000 crore deal with France in April 2025 for 26 Rafale-Marine jets.[41] These jets can operate from aircraft carriers and are built for naval missions.[41] The Navy informed the Standing Committee on Defence (2024) that many of its aviation assets are of Russian origin, leading to continued dependence on original equipment manufacturers (OEMs) for maintenance and spares.[42] Although there is an embargo on engaging OEMs, an Empowered Committee under the Ministry of Defence grants case-by-case waivers to allow overseas maintenance and procurement.[42]

Defence personnel

All three forces face personnel shortages across ranks

Recruitment in the armed forces is undertaken under two broad categories: (i) officers, and (ii) Personnel Below Officer Rank (PBOR). PBORs are classified as Junior Commissioned Officers (JCOs) or Other Ranks (ORs) in the Army, and as Sailors and Airmen in the Navy and Air Force respectively. Recruitment for both officers and PBORs is conducted through multiple entry routes. For

instance, officer recruitment in the Army takes place through institutions such as the National Defence Academy, the Indian Military Academy, and the Short Service Commission.[43]

About 60,000 vacancies arise annually across the three services due to superannuation, premature retirement, medical reasons, and casualties.[44] Taken together, the three services are short of approximately 1.19 lakh personnel (see Table 9), amounting to about 8% of their sanctioned strength.

Table 9: Shortage of personnel

Force	Rank	Sanctioned	In Position	Shortfall	
				In number	in %
Army	Officers	50,538	42,095	8,443	17%
	PBORs	11,97,520	11,05,110	92,410	8%
Air Force	Officers	12,929	11,916	1,013	8%
	Airmen	1,46,030	1,39,876	6,154	4%
Navy	Officers	11,979	10,202	1,777	15%
	Sailors	76,649	67,530	9,119	12%
Total		**14,95,645**	**13,76,729**	**1,18,916**	**8%**

Note: Data on officer shortfall in the Army is as of July 2024. Data on manpower shortfall in Navy is as of October 2023. Remaining data is as of October 2024.Source: Eighth Report, Standing Committee on Defence, March 2025; Unstarred Question No. [100]5, Lok Sabha, Answered on December 8, 2023, PRS.

The Ministry of Defence has stated that it is taking steps to address personnel shortages. These include: (i) expanded publicity campaigns, (ii) outreach through career fairs and programmes in educational institutions, and (iii) the grant of Permanent Commission to eligible Short Service Commission officers to improve career progression.[44]

Service tenure reforms to lower the age profile of the armed forces

The Report of the Group of Ministers on National Security (2001) had noted the need for ensuring a younger profile of the services to ensure that the armed forces are at their fighting best at all times.[45] To achieve this, the Kargil Review Committee (1999) had recommended the reduction in colour service from 17 years to 7-10 years.[45]

In June 2022, the Union Cabinet approved the Agnipath scheme for recruitment to the armed forces.[46] All recruitment at the level of PBORs is now being done under the Agnipath Scheme.[47] Candidates recruited under the scheme will serve for four years and will form a separate rank under the armed forces, known as Agniveers.[46] From each batch of Agniveers, up to 25% of the personnel will be enrolled in regular cadre of the armed forces.[46] The scheme is expected to reduce the average age profile of the armed forces by four to five years.[46] PBORs comprise over 95% of the sanctioned strength of the armed forces (see Table 9). Compared to PBORs of various ranks, who serve for 15-37 years, the service tenure of 75% of Agniveers is limited to four years.[48] While the impact of the Agnipath scheme on the operational preparedness of the armed forces is not yet clear, it is expected to reduce pension expenditure over the long term. As at least 75% of Agniveers will exit service without pension, the scheme is likely to lower personnel-related expenditure. On completion of four years of service, those released from the armed forces will receive a Seva Nidhi package of Rs 11.7 lakh.[46] As per media reports, the Army has been conducting an internal survey of the Agnipath scheme to assess any changes that may be required in recruitment.[49]

The officer cadre of the Armed Forces is predominantly manned by Permanent Commissioned officers.[48] As per the Seventh Central Pay Commission (2015), the exit options for officers enrolled on Short Service Commission (SSC) are not attractive, resulting in limited uptake for SSC.[48] A large number of these officers are absorbed into the permanent commission stream, raising the average age of officers.[48] The Pay Commission recommended allowing SSC officers to exit between 7-10 years of service, with the option to opt for permanent commission in the seventh year instead of the tenth. However, the government has stated that SSC officers serve for 10–14 years primarily to address officer shortages, and that there is no proposal to revise this tenure.[50]

In USA, military enlistment is for an initial term of eight years, while in UK, this term is 12 years. [48] In USA, pension eligibility requires 20 years of service, resulting in about 19% of active-duty personnel retiring with a pension.[48]

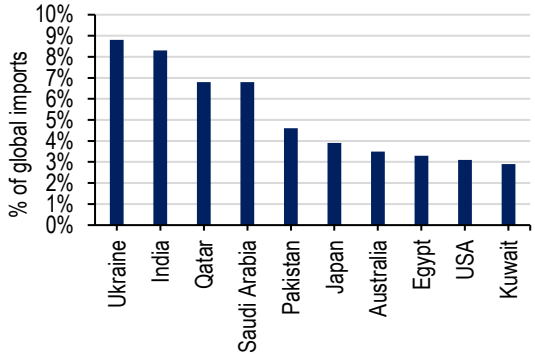
Defence production and procurement

India is the world's second largest arms importer, but the reliance on foreign sources for defence modernization is decreasing

India's arms imports decreased by 9.3% between 2015–19 and 2020–24.[51] According to data maintained by SIPRI, India was the second largest importer of arms between 2020 and 2024 (see Figure 8 on next page).[52] India accounted for 8.3% of the total volume of arms imported during that period.[52] Ukraine, which is at war with Russia since February 2022, was the largest arms importer from 2020-24.[52] Russia accounted for 36% of India's arms imports during this period, but its share has fallen sharply from 72% in 2010–14.[51] India is increasingly sourcing major defence equipment from suppliers such as France, Israel, and USA.[51]

In 2023-24 and 2024-25 (up to December 2024), 337 defence capital acquisition contracts were signed. Out of these, 12 contracts were signed with foreign vendors (Russia, USA, and France).[6] Between 2020-21 and December 2024, procurement from foreign vendors amounted to Rs 1,65,881 crore.[6]

Figure 8: Top 10 importers of arms between 2020-2024



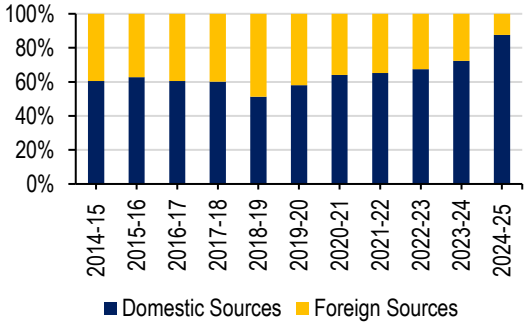
Sources: SIPRI; PRS.

Between April 2014 and December 2024, the defence forces spent over 35% of their total modernisation expenditure on procurement from foreign sources (Figure 9). In 2023-24, 28% of the total modernisation expenditure was incurred on procurement from foreign sources. The Estimates Committee (2018) had noted that dependence on foreign suppliers, especially for military hardware, makes India's security vulnerable as during emergency situations the supplier may not provide the required weapons or spare parts.[53]

The Standing Committee on Defence (2023) had observed that most of India's defence purchases are transacted in US dollars.[54] It noted that any depreciation of the rupee against the dollar increases the effective cost of these purchases and must be accounted for when assessing the real increase in financial sanctions for defence compared to the previous year.[54] Between January 1, 2025 and February 4, 2026, the Indian rupee has depreciated by almost 5.6% against the US dollar.[55]

For reducing imports, the Ministry has also released five positive indigenisation lists.[6] These lists include 5,012 defence equipment which are placed under import embargo in a staggered manner.[6] As of December 2024, 61% of the items notified across the five lists have been indigenised.[6]

Figure 9: Share of domestic and foreign sources in defence modernisation expenditure

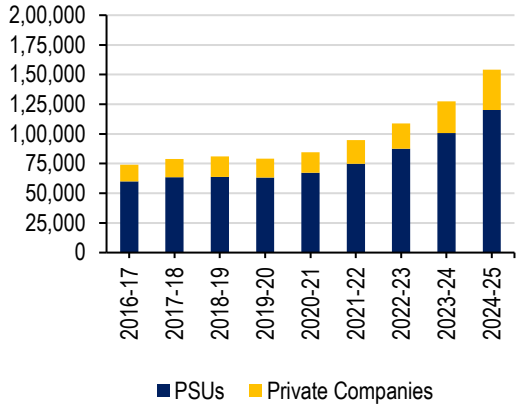


Note: 2024-25 data is till December 2024
Sources: 3rd Report, Standing Committee on Defence, March 2025; PRS.

Defence production has grown but issues reported with quality

India's domestic defence production has increased at an annualised rate of 8% between 2016-17 and 2024-25. In 2024-25, domestic defence production amounted to Rs 1.54 lakh crore. PSUs accounted for an average of 80% of the domestic defence production during this period. The Ministry aims to achieve indigenous defence production of three lakh crore rupees by 2028-29.[56] For this, domestic defence production would have to increase by an annualised rate of 18% over 2024-25. SIPRI (2022) has observed that India's domestically designed defence platforms continue to rely on imported critical components, such as engines and radars.[57]

Figure 10: India's defence production (Rs crore)



Source: Department of Defence Production; PRS.

In 2021, the production units of the Ordnance Factory Board were converted into seven new defence PSUs.[58] These PSUs are engaged in the production of different items for the defence services such as: (i) ammunition and explosives, (ii) vehicles, (iii) weapons and equipment, and (iv) parachutes. For the period between 2021-22 and 2026-27, the government has allocated Rs 8,745 crore to these PSUs for capital expenditure.[59] Up to 2024-25, Rs 5,757 crore had been disbursed for modernization and research and development (R&D).[59] As of December 31, 2024, these PSUs had an order book of Rs 78,984 crore for the next five years.[59]

Concerns have been raised about the quality of equipment produced by ordnance factories. A CAG audit noted that between 2015-16 and 2019-20, the Army reported several accidents involving small arms manufactured by these factories.[60] This was attributed to component defects and the use of materials not conforming to specifications.[60] CAG also observed high overhead costs in small arms factories, which raised unit production costs.[60] Between 2016-17 and 2018-19, the armed forces had to import small arms after indigenous R&D efforts failed to deliver intended outcomes.[60]

Delays and long procurement timelines

According to the Ministry of Defence (2024), acquisition of defence equipment can take between

19 to 26 months.[61] The Standing Committee (2024) noted that this was a stretched timeline given the strategic risks involved.[61] This could lead to the technology that is being acquired becoming obsolete, impacting India's security. The Committee recommended that the Ministry identify ways to accelerate defence procurement.[61]

In July 2020, the Defence Acquisition Council approved emergency procurements for the Army under the Fast Track Procedure, with additional waivers to enable faster acquisition.[62] CAG (2025) found that in 72% of the contracts examined, deliveries were delayed beyond the stipulated timelines.[62]

The Light Combat Aircraft (LCA), sanctioned in 1983 to replace the ageing MiG-21 and MiG-27 fleets within 8-10 years, was inducted into the Air Force only in 2016 due to prolonged technical delays.[63,64] In 2021, the Air Force contracted 83 Tejas Mk-1A aircraft from HAL, with deliveries scheduled from February 2024. [26,65] The programme has since been delayed due to design and development issues.[26] The Standing Committee on Defence (2024) advised that if delays in indigenous fighter production persist, the government should consider purchasing fifth-generation fighter aircraft off-the-shelf.[26] CAG (2024) noted that aircraft upgrades contracted in 2008, originally scheduled for completion by 2014, were delayed and finished only in 2022.[66]

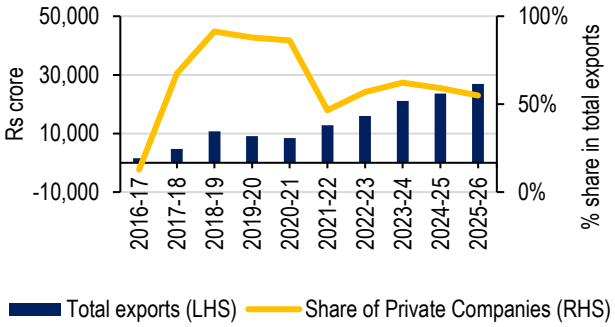
Several naval acquisitions have faced prolonged delays. Under Project-75, six submarines scheduled for induction by December 2017 were commissioned only by January 2025 after repeated extensions.[26]

Despite growth in defence production, India's share in global exports is low

Between 2016-17 and 2025-26, defence exports have increased at an annualised growth rate of 38%. Private companies have contributed an average of 63% to defence exports during this period (see Figure 11). Note that the growth in India's defence exports has happened over a low base in 2016-17 when India exported defence goods worth Rs 1,522 crore.[67] In 2025-26, India's defence exports were at Rs 26,848 crore.[67] India exports items such as radars and armoured protection vehicles to more than 80 countries.[68]

While defence exports have increased, India accounts for a small share of global volume of arms exports. According to SIPRI, between 2020 and 2024, India accounted for 0.2% of volume of arms exported globally.[69] In this period, USA, France, and Russia accounted for 43%, 10%, and 8% of the total volume of global arms exports respectively.[69] Further, China accounted for 6% of the total volume of global arms exports.[69]

Figure 11: Private sector plays a major role in defence exports

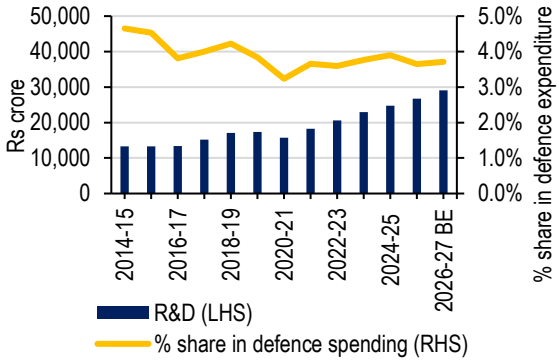


Sources: Department of Defence Production; PRS.

Share of research and development (R&D) in defence spending has seen a decline

The Defence Research and Development Organisation (DRDO) is involved in the production of strategic and tactical military hardware in areas such as aeronautics, armaments, combat vehicles, and missiles.[70] In recent years, the proportion of the defence budget devoted to R&D has declined (see Figure 12). R&D accounted for 4.7% of total defence expenditure in 2014-15. As per the budget estimates for 2026-27, R&D is projected to account for 3.7% of the defence expenditure. Over the period from 2014-15 to 2026-27, expenditure on defence-related R&D is estimated to grow at an annualised rate of 7%.

Figure 12: Share of defence budget spent on R&D has seen a decline



Sources: Union Budget Documents (various years); PRS.

Since 2022, 25% of the defence R&D budget has been earmarked for industry, start-ups, and academia, leading to a corresponding funding gap for DRDO's own projects.[71] Expenditure under this initiative exceeded allocations in 2023–24 and is likely to do so again in 2024–25.[71] Alongside this, the Union Budget 2024 announced new deep-tech initiatives for defence, with about Rs 2,000 crore being spent from DRDO's existing R&D budget.[71] In view of this, the Ministry of Defence has sought a progressive increase in R&D spending to about 10% of the defence budget over the next decade.[71]

DRDO has undertaken certain measures to promote indigenous defence research. As per the Ministry, DRDO has earmarked 183 systems for development

by industry, which DRDO will not pursue.[71] Going forward, DRDO will concentrate on developing technologies for major weapon systems, platforms, and sensors.[71]

Under the Technology Development Fund, grants are provided to Indian companies and institutions to develop defence and dual-use technology.[72] 81 projects have been sanctioned under the scheme, involving a commitment of Rs 344 crore.[73] Other initiatives by DRDO to support domestic research include: (i) free access to DRDO patents for Indian industries, (ii) transfer of technology to private and public enterprises, and (iii) support to academia for research in certain identified areas.[72] DRDO has signed 1,918 licensing agreements for transfer of technology to Indian industries.[73]

Delays in DRDO projects

Several DRDO projects have faced persistent time overruns. A CAG (2022) review of 178 projects found that 119 failed to meet their original timelines, and in 49 cases, the delay exceeded the initially approved project duration.[74] Further, some projects were declared successful despite falling short of key objectives and performance parameters.[74]

The Standing Committee on Defence (2023) has observed that such delays have become routine, resulting in cost escalations and delayed induction of critical capabilities for the armed forces.[74] It recommended strengthening DRDO's internal review processes and ensuring greater involvement of technical experts in project monitoring.[75]

[1] 40th Report: Demands for Grants (2018-19) General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions, Ex-servicemen Contributory Health Scheme, Standing Committee on Defence, Lok Sabha, March 12, 2018, https://sansad.in/getFile/lsscommittee/Defence/16_Defence_40.pdf?source=loksabhadocs.

[2] Military Expenditure Database, SIPRI, as accessed on February 2, 2026, https://www.sipri.org/databases/milex.

[3] Report for 2026-31, Volume I – Main Report, 16th Finance Commission, February 2026, https://fincomindia.nic.in/asset/doc/commission-reports/16th-FC/reports/Vol1-Main-Report.pdf.

[4] "Record over Rs 6.21 lakh crore allocation to Ministry of Defence in Interim Union Budget 2024-25; 4.72% more than FY 2023-24", Press Information Bureau, February 1, 2024, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2001375&reg=3&lang=2#:~:text=In%20the%20current%20geopolitical%20scenario,the%20Financial%20Year%202024%2D25.

[5] First Report, General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Welfare Of Ex-Servicemen And Defence Pension, Standing Committee on Defence, December 2024, https://eparlib.sansad.in/bitstream/123456789/2982216/1/18_Defence_1.pdf#search=null%20[2000%20TO%202025]%2018%20Committee%20on%20Defence.

[6] Ninth Report, Capital Outlay on Defence Services, Defence Planning, Procurement Policy and Defence Pensions, Standing Committee on Defence, Lok Sabha, March 2025, https://eparlib.sansad.in/bitstream/123456789/2989702/1/18_Defence_9.pdf.

[7] 34th Report, Human Resource Planning, Shortage of Manpower, Infusion of Hi-Tech Training and Infrastructure for the Armed Forces, Standing Committee on Defence, February 2009, https://eparlib.sansad.in/bitstream/123456789/62705/1/14_Defence_34.pdf.

[8] Website of the Department of Ex-servicemen Welfare, as accessed on February 6, 2027, https://desw.gov.in/pensions.

[9] Starred Question No. 83, Lok Sabha, Ministry of Finance, July 22, 2016, https://sansad.in/getFile/loksabhaquestions/annex/9/AS83.pdf?source=pqals.

[10] Cabinet approves Terms of Reference of 8th Central Pay Commission, Press Information Bureau, October 28, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2183289&reg=3&lang=2#:~:text=changes%20required%20thereon.-,Usually%2C%20the%20recommendations%20of%20the%20pay%20commissions%20are%20implemented%20after,benefits%20of%20Central%20Government%20employees.

[11] Unstarred Question No. 449, Lok Sabha, Ministry of Defence, February 3, 2023, https://sansad.in/getFile/loksabhaquestions/annex/1711/AU449.pdf?source=pqals.

[12] One Rank One Pension, Department of Ex-servicemen Welfare, https://www.desw.gov.in/sites/default/files/OROP-English.pdf.

[13] Unstarred Question No. 1881, Lok Sabha, Ministry of Defence, December 6, 2024, https://sansad.in/getFile/loksabhaquestions/annex/183/AU1881_Qi8o4Y.pdf?source=pqals.

[14] Chapter 11, Defence and Internal Security, Volume-I Main Report, 15th Finance Commission, October 2020, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC%20VOL%20I%20Main%20Report.pdf.

[15] 21st Report, Demands for Grants (2021-22) Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project, Standing Committee on Defence, Lok Sabha, March 2021, https://loksabhadocs.nic.in/lsscommittee/Defence/17_Defence_21.pdf.

[16] Volume I - Main Report, Fifteenth Finance Commission, October 2020, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC%20VOL%20I%20Main%20Report.pdf.

[17] Speech of Finance Minister, Interim Budget 2004-2005, February 3, 2004, https://www.indiabudget.gov.in/doc/bspeech/bs200405(I).pdf.

[18] 32nd Report: Creation of Non-Lapsable Capital Fund Account, Instead of the Present System, Standing Committee on Defence, Lok Sabha, August 2017, https://sansad.in/getFile/lsscommittee/Defence/16_Defence_32.pdf?source=loksabhadocs.

[19] Unstarred Question No. 1110, Lok Sabha, Ministry of Defence, December 8, 2023, https://sansad.in/getFile/loksabhaquestions/annex/1714/AU1110.pdf?source=pqals.

[20] Third Report, Demands for Grants (2019-20), Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project, December 2019, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_3.pdf?source=loksabhadocs.

[21] 28th Report: Capital Outlay on Defence Services. Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 21), Standing Committee on Defence, Lok Sabha, March 2022, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_28.pdf?source=loksabhadocs.

[22] Ninth Report, Capital Outlay on Defence Services, Defence Planning, Procurement Policy and Defence Pensions, Standing

Committee on Defence, Lok Sabha, March 2025, https://eparlib.sansad.in/bitstream/123456789/2989702/1/18_Defence_9.pdf.

[23] Eighth Report, Army, Air Force, Navy, Joint Staff, Ex-Servicemen Contributory Health Scheme and Directorate General of Armed Forces Medical Services, Standing Committee on Defence, Lok Sabha, March 2025, https://eparlib.sansad.in/bitstream/123456789/2989701/1/18_Defence_8.pdf.

[24] 36th Report: Demands for Grants (2023-24), Army, Navy, Air Force, Joint Staff, Ex-Servicemen Contributory Health Scheme and Sainik Schools, Standing Committee on Defence, Lok Sabha, March 21, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_36.pdf?source=loksabhadocs.

[25] CAG's Audit report on Union Government (Defence Services) Army presented in Parliament, Press Release, Comptroller and Auditor General of India, February 3, 2020, https://cag.gov.in/uploads/PressRelease/PR-Press-Brief-Report-no-16-05f19941ebcdbc7-81616480.pdf.

[26] Second Report: Demands for Grants (2024-25), Army, Navy, Air Force, Joint Staff and Ex-Servicemen Contributory Health Scheme, Standing Committee on Defence, Lok Sabha, December 17, 2024, https://sansad.in/getFile/lsscommittee/Defence/18_Defence_2.pdf?source=loksabhadocs.

[27] Thirty Sixth Report, Army, Navy, Air Force, Joint Staff, Ex Health Scheme and Sainik Schools, Standing Committee on Defence, Lok Sabha, March 17, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_36.pdf?source=loksabhadocs.

[28] "DAC clears Rs 3.60 lakh crore worth of capital acquisition proposals to enhance the combat readiness of defence force", Press Information Bureau, Ministry of Defence, February 12, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2227018&reg=3&lang=2.

[29] "First time Rafale will be built outside France with major localisation: Defence Secretary in DAC's nod for 114 jets", ANI, February 13, 2026, https://aninews.in/news/national/general-news/first-time-rafale-will-be-built-outside-france-with-major-localisation-defence-secretary-after-dacs-nod-to-buy-114-jets20260213133604/.

[30] Pakistan's bid to escalate negated- proportionate response by India, Ministry of Defence, May 8, 2025, https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2127670.

[31] Swarm Robotics, United Nations Institute for Disarmament Research, https://unidir.org/files/2020-04/UNIDIR%20Swarm%20Robotics%20-%202020.pdf.

[32] Ministry of Defence; Year End Review – 2025, Press Information Bureau, December 31, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2210154&reg=3&lang=2.

[33] F-35 Joint Strike Fighter (JSF) Program, Congressional Research Service, May 2, 2022, https://sgp.fas.org/crs/weapons/RL30563.pdf.

[34] Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2025, US Department of Defence, 2025, https://media.defense.gov/2025/Dec/23/2003849070/-1/-1/1/ANNUAL-REPORT-TO-CONGRESS-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2025.PDF.

[35] GSAT-7, ISRO, as accessed on January 29, 2026, https://www.isro.gov.in/GSAT_7.html.

[36] GSAT-7A, ISRO, as accessed on January 29, 2026, https://www.isro.gov.in/GSAT_7A.html.

[37] EMISAT, ISRO, as accessed on January 29, 2026, https://www.isro.gov.in/EMISAT.html.

[38] Operation SINDOOR: The Rise of Aatmanirbhar Innovation in National Security, Press Information Bureau, May 14, 2025, https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/may/doc2025514554901.pdf.

[39] Union Home Minister and Minister of Cooperation, Shri Amit Shah, terms Prime Minister Shri Narendra Modi's address to the nation on the 79th Independence Day as a roadmap of the past 11 years' progress, the strength of the present, and a strategy for a prosperous India, Press Information Bureau, August 15, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156863&utm_source=chatgpt.com&reg=3&lang=2.

[40] Eighth Report, Evaluation of India's Indian Ocean Strategy, Standing Committee on External Affairs, Lok Sabha, August, 2025, https://sansad.in/getFile/lsscommittee/External%20Affairs/18_External_Affairs_8.pdf?source=loksabhadocs.

[41] Rafale-Marine: Enhancing India's Naval Strength, Press Information Bureau, April 29, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?ModuleId=3&NoteId=154353&reg=3&lang=2.

[42] Second Report: Demands for Grants (2024-25), Army, Navy, Air Force, Joint Staff and Ex-Servicemen Contributory Health Scheme, Standing Committee on Defence, Lok Sabha, December 17, 2024, https://sansad.in/getFile/lsscommittee/Defence/18_Defence_2.pdf?source=loksabhadocs.

[43] "Join Indian Army", Recruitment Portal for Indian Army, as accessed on January 29, 2026, https://www.joinindianarmy.nic.in/default.aspx.

[44] Unstarred Question No. 2443, Rajya Sabha, Ministry of Defence, August 8, 2022, https://sansad.in/getFile/annex/257/AU2443.pdf?source=pqars.

[45] Report of the Group of Ministers on National Security, February 19, 2001, https://www.vifindia.org/sites/default/files/GoM%20Report%20on%20National%20Security.pdf.

[46] "In a transformative reform, Cabinet clears 'Agnipath' scheme for recruitment of youth in the armed forces", Press Information Bureau, Ministry of Defence, June 14, 2022, https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=1833747&reg=3&lang=2.

[47] Unstarred Question No. 1321, Rajya Sabha, Ministry of Defence, December 19, 2022, https://sansad.in/getFile/annex/258/AU1321.pdf?source=pqars.

[48] Report of the Seventh Central Pay Commission, November, 2015, https://doe.gov.in/files/cenetral-pay_document/7cpc_report_eng.pdf.

[49] "Army conducts own survey on scheme for Agniveers, may recommend tweaks", The Indian Express, May 23, 2024, https://indianexpress.com/article/india/army-conducts-own-survey-on-scheme-for-agniveers-may-suggest-tweaks-9346007/.

[50] Unstarred Question No. 1034, Lok Sabha, Ministry of Defence, December 4, 2015, https://sansad.in/getFile/loksabhaquestions/annex/6/AU1034.pdf?source=pqals.

[51] Trends in International Arms Transfers 2024, Stockholm International Peace Research Institute, March 2025, https://www.sipri.org/sites/default/files/2025-03/fs_2503_at_2024_0.pdf.

[52] Arms transfers database, Stockholm International Peace Research Institute, https://armstransfers.sipri.org/ArmsTransfer/ImportExport.

[53] 29th Report: Preparedness of Armed Forces- Defence Production and Procurement, Committee on Estimates, July 25, 2018, https://sansad.in/getFile/lsscommittee/Estimates/16_Estimates_29.pdf?source=loksabhadocs.

[54] 37th Report: Demands for Grants (2023-24) Capital Outlay on Defence Services, Procurement Policy and Defence Planning, Standing Committee on Defence, Lok Sabha, March 21, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_37.pdf?source=loksabhadocs.

[55] Reference Rate Archive, Reserve Bank of India, https://www.rbi.org.in/scripts/referenceratearchive.aspx.

[56] "Rs three lakh crore annual defence production & Rs 50,000 crore exports expected by 2028-29: Raksha Mantri Shri Rajnath Singh", Press Information Bureau, Ministry of Defence, February

24, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2008632.

[57] Arms-Production Capabilities in the Indo-Pacific Region, Stockholm International Peace Research Institute, October 2022, https://www.sipri.org/sites/default/files/2022-10/1022_indopacific_arms_production.pdf.

[58] "Splitting of OFBs", Press Information Bureau, Ministry of Defence, November 29, 2021, https://pib.gov.in/Pressreleaseshare.aspx?PRID=1776096.

[59] Tenth Report: Demands for Grants (2025-26), Defence Public Sector Undertakings, Directorate of Ordnance (Coordination and Services–New DPSUs), Directorate General of Quality Assurance, Directorate General of Aeronautical Quality Assurance and National Cadet Corps, Standing Committee on Defence, Lok Sabha, March 17, 2025, https://eparlib.sansad.in/bitstream/123456789/2989703/1/18_Defence_10.pdf.

[60] Performance Audit Report on "Production of Small Arms in Ordnance Factories" Presented in Parliament, Office of the Comptroller and Auditor General of India, March 27, 2023, https://cag.gov.in/uploads/PressRelease/PR-Press-Brief-English-Report-No-5-of-2023-064230a68abcab2-09764714.pdf.

[61] Third Report: Demands for Grants (2024-25), Capital Outlay on Defence Services, Procurement Policy and Defence Planning, Standing Committee on Defence, Lok Sabha, December 17, 2024, https://sansad.in/getFile/lsscommittee/Defence/18_Defence_3.pdf?source=loksabhadocs.

[62] CAG Audit Report on Defence Services-Army Presented in Parliament, Comptroller and Auditor General of India, December 18, 2025, https://cag.gov.in/uploads/PressRelease/PR-Press-Brief-Report-No-28-of-2025-english-06944f3569fc990-08485789.pdf.

[63] 114th Report: Design, Development, Manufacture and Induction of Light Combat Aircraft (LCA), Public Accounts Committee, Lok Sabha, December 14th 2018, https://eparlib.nic.in/bitstream/123456789/783969/1/16_Public_Accounts_114.pdf.

[64] "Prime Minister Flies in the Indigenously Designed, Developed and Manufactured Twin Seater Fighter Aircraft LCA Tejas", Press Information Bureau, Ministry of Defence, November 25, 2023, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1979812.

[65] Rs. 48,000 Crore Contract for 83 Light Combat Aircraft (LCA) Tejas handed over to HAL at the Inaugural Ceremony of Aero India 2021, Press Information Bureau, Ministry of Defence, February 3, 2021, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1694844&reg=3&lang=2.

[66] Report of the Comptroller and Auditor General of India, Union Government, Defence Services (Air Force) for the year ended March 2021

presented in Parliament, Office of the Comptroller and Auditor General of India, December 17, 2024, https://cag.gov.in/uploads/PressRelease/PR-English-Press-Release-on-Audit-Report-No-16-of-2024-067619586015be4-22082486.pdf.

[67] Defence Exports, Department of Defence Production, accessed on February 10, 2026, https://ddpdashboard.gov.in/defence-exports.

[68] Annual Report 2023-24, Department of Defence Production, Ministry of Defence, https://www.ddpmod.gov.in/sites/default/files/57cfea92938b03f670763d972acabf946f5cf7bd47c6252b78aede2f466d0214/aa2dde469a046132ce341e7e686e18eba17f1a007e9519a8658715109a3a729a.pdf.

[69] Arms Transfers Database, SIPRI, as accessed on February 10, 2026, https://armstransfers.sipri.org/ArmsTransfer/ImportExportTop.

[70] 38th Report: Demands for Grants (2023-24), Directorate of Ordnance (Coordination and Services) – New DPSUs, Defence Research and Development Organisation and National Cadet Corps, Standing Committee on Defence, Lok Sabha, March 21, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_38.pdf?source=loksabhadocs.

[71] Seventh Report, General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Welfare of Ex

Research and Development Organisation, Standing Committee on Defence, Lok Sabha, March 17, 2025, https://eparlib.sansad.in/bitstream/123456789/2989700/1/18_Defence_7.pdf#search=seventh%20report%20standing%20committee%20on%20defence%20defence%20research.

[72] "Technology Development Fund", Press Information Bureau, Ministry of Defence, December 8, 2023, https://pib.gov.in/PressReleasePage.aspx?PRID=1983971.

[73] Unstarred Question No. 3353, Lok Sabha, Ministry of Defence, August 8, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU3353_B2HSv6.pdf?source=pqals.

[74] 38th Report: Demands for Grants (2023-24), Directorate of Ordnance (Coordination and Services) – New DPSUs, Defence Research and Development Organisation and National Cadet Corps, Standing Committee on Defence, Lok Sabha, March 21, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_38.pdf?source=loksabhadocs.

[75] 42nd Report: A Review of the Working of the Defence Research and Development Organisation (DRDO), Standing Committee on

Defence, Lok Sabha, December 20, 2023, https://sansad.in/getFile/lsscommittee/Defence/17_Defence_42.pdf?source=loksabhadocs.

Demand for Grants 2026-27 Analysis

Road Transport and Highways

Highlights

- Capital expenditure by the Ministry has grown at a CAGR of 33% from 2012-13 to 2026-27.
- Share of private sector in road construction has declined from 51% in 2014-15 to about 15% in 2023-24.
- Outstanding debt of NHAI has come down from 3.48 lakh crore in 2021-22 to Rs 2.4 lakh crore in November 2025.

The Ministry of Road Transport and Highways formulates and administers policies for road transport, and transport research. It is also involved in the construction and maintenance of National Highways (NHs) through the National Highways Authority of India (NHAI), and the National Highway and Infrastructure Development Corporation Limited (NHIDCL). It deals with matters relating to road transport, safety, and vehicle standards, through the implementation of the Motor Vehicles Act, 1988. This note looks at the proposed expenditure of the Ministry for 2026-27, and key issues in the sector.

Overview of finances

In 2026-27, the Ministry has been allocated Rs 3,09,875 crore, an 8% increase over the revised estimates for 2025-26.[1] This is 6% of the total estimated expenditure (Rs 53,47,314 crore) of the government in 2026-27.[1] Major allocations are towards NHAI and expenditure on roads and bridges (see Table 1).

Table 1: Allocation for the Ministry of Road Transport and Highways (in Rs crore)

	2024-25	2025-26 RE	2026-27 BE	% Change
Total	**2,99,460**	**2,87,142**	**3,09,875**	**8%**
Of which:				
NHAI	1,68,602	1,70,266	1,87,293	10%
Roads and Bridges	1,30,965	1,16,337	1,21,999	5%
Road transport and safety	254	360	400	11%

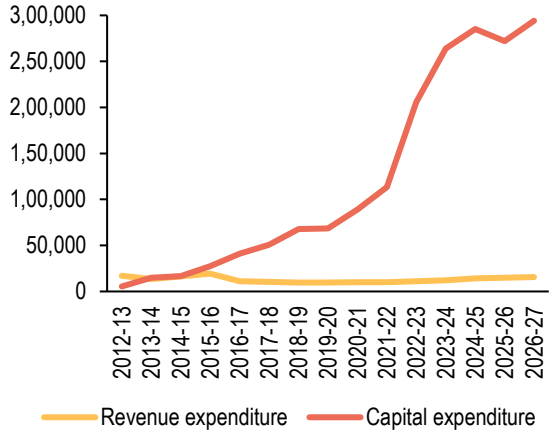
Note: RE is revised estimates, BE is budget estimates, % change from 2025-26 RE to 2026-27 BE. NHAI is National Highways Authority of India.
Sources: Union Budget Documents 2026-27; PRS.

Capital expenditure by the Ministry has increased significantly, from Rs 5,471 crore in 2012-13 to Rs 2,94,167 crore in 2026-27. Between 2012-2026, capital expenditure has grown at an annual CAGR of about 33%. Over the same time, revenue expenditure has been about Rs 13,307 crore on an average (see Figure 1).

Union Budget Announcement 2026-27

The central government announced the development of a new freight corridor from Dakuni (West Bengal) to Surat (Gujarat), for sustainable movement of cargo. A new East Coast Industrial Corridor will be developed, with a well-connected node at Durgapur.

Figure 1: Revenue vs Capital expenditure (in Rs crore)

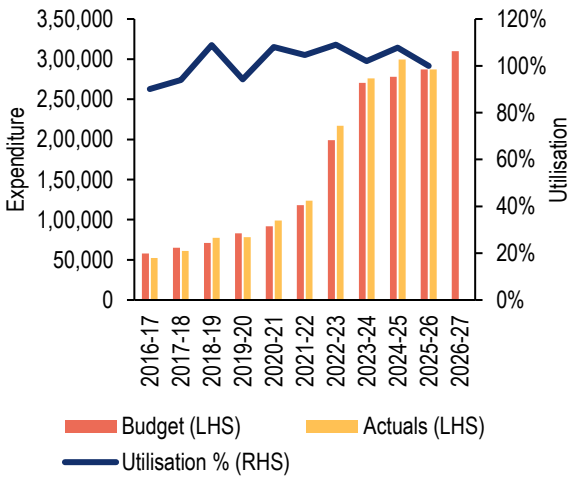


Note: Revised estimates of 2025-26 taken as actuals.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Trends in Utilisation

Over the last few years, the Ministry has been consistently spending more than the budget estimates (see Figure 2).

Figure 2: 100% utilisation of funds by the Ministry in the past few years (in Rs crore)

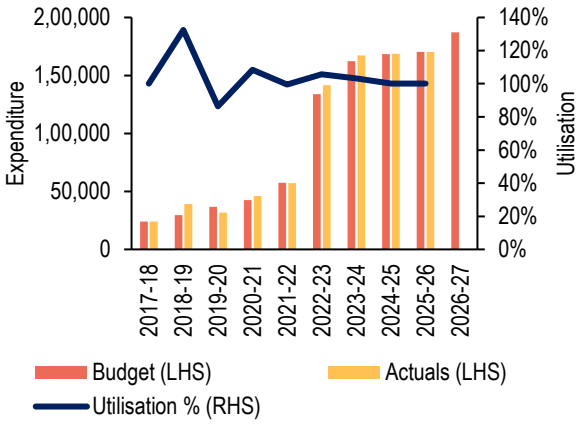


Note: Revised estimates of 2025-26 taken as actuals.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Allocation to NHAI

NHAI is responsible for the development and maintenance of national highways.[2] For 2026-27, Rs 1,87,293 crore (60% of the Ministry's budget) has been allocated to NHAI.[1] This is 10% higher than the revised estimates for 2025-26. Budgetary support towards NHAI is used for upgradation of highway network under the Bharatmala Pariyojana.[3] The Union government approved Bharatmala Pariyojana in 2017, an umbrella programme covering a road length of 34,800 km, of which NHAI is responsible for development of 30,464 km.[17] It aims to reduce the cost of logistics and improve connectivity in the country.[4]

Figure 3: Utilisation of funds by NHAI (in Rs crore)

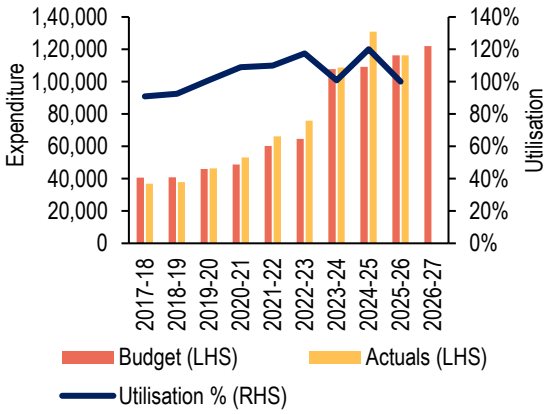


Note: Revised estimates of 2025-26 taken as actuals.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Allocation to Roads and Bridges

In 2026-27, Rs 1,21,999 crore has been allocated towards roads and bridges.[1] This is 5% higher than the revised estimates for 2025-26. Expenditure under roads and bridges includes: (i) development of NHs, (ii) projects related to expressways, (iii) increasing the number of lanes under various projects, and (iv) development of road connectivity in left-wing extremism affected areas.

Figure 4: Allocation to Roads and Bridges (in Rs crore)

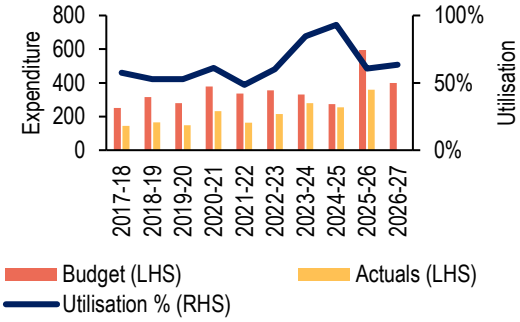


Note: Revised estimates of 2025-26 taken as actuals.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Allocation to Road Transport and Safety

In 2026-27, road transport and safety has been allocated Rs 400 crore, an 11% increase over the revised estimates of 2025-26.[1] On an average, utilisation has been about 63% between 2017-26.

Figure 5: Allocation to Road Transport and Safety (in Rs crore)



Note: Revised estimates of 2025-26 taken as actuals.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Funds Managed by the Ministry

The Ministry manages various funds to finance road infrastructure projects. These are the: (i) Central Road and Infrastructure Fund (CRIF), (ii) Permanent Bridge Fees Fund (PBFF), (iii) Monetisation of National Highways Fund (NHMF), and (iv) National Investment Fund (NIF).

These funds are financed through methods such as: (i) levy of a specific cess, (ii) collection of tolls, (iii) monetisation of highways and (iv) proceeds from the disinvestment of public companies. Allocations to the Ministry from these funds are used for highway development, building road infrastructure in states and UTs, safety and maintenance expenditure, construction of other roads and bridges, and repayment of debt.

Central Road and Infrastructure Fund (CRIF)

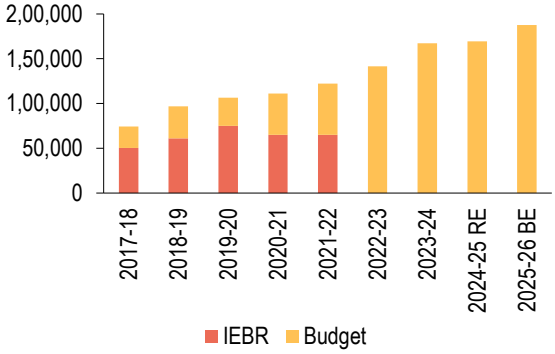
The CRIF is a non-lapsable fund created to service infrastructure projects.[5] CRIF is funded by a cess levied on petrol and diesel called the Road and Infrastructure Development Cess. This amount is eventually released to the NHAI, and to the state/UT governments for the development of infrastructure sectors such as transport, energy, water, sanitation, and others.[5] In 2026-27, Rs 46,930 crore is estimated to be collected as road and infrastructure cess, an increase of 3% from the revised estimates of 2025-26 (Rs 45,780 crore).[6] Rs 44,675 crore was collected in 2024-25.

Allocation to NHAI from CRIF

NHAI increased market borrowings from 2017-18 to fund Bharatmala Pariyojana.[7,8] Due to rising debt obligations, central government halted NHAI's market borrowing since 2022-23, and increased budgetary support (see Figure 6).[8] NHAI's debt peaked in 2021-22, at Rs 3.48 lakh crore.[9] As of November 2025, the total outstanding debt of the NHAI stood at Rs 2,39,818 crore.[10] No allocation to NHAI is being financed from the

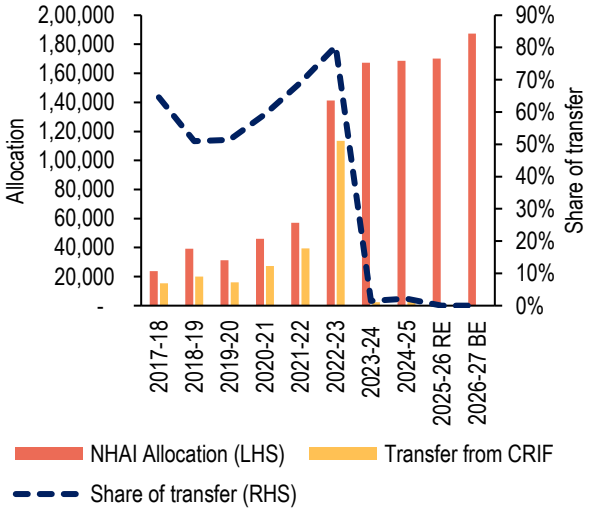
CRIF in 2026-27.[1] Since 2023-24, share of transfers from CRIF has come down (see Figure 7). The reduction in transfers from CRIF is being compensated by gross budgetary support.

Figure 6: NHAI borrowing has stopped since 2022-23 (in Rs crore)



Note: IEBR is Internal and Extra Budgetary Resources.
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Figure 7: Share of transfers to NHAI from CRIF (in Rs crore)

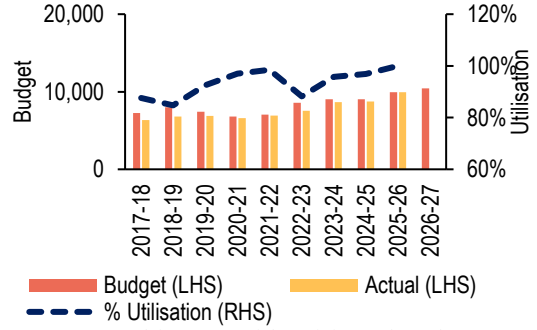


Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Schemes of states and UTs met from CRIF

In 2026-27, Rs 10,430 crore is estimated to be utilised for states and UTs from the CRIF.[1] This is 5% more than the revised estimates for 2025-26.

Figure 8: CRIF allocation towards States and UTs (in Rs crore)

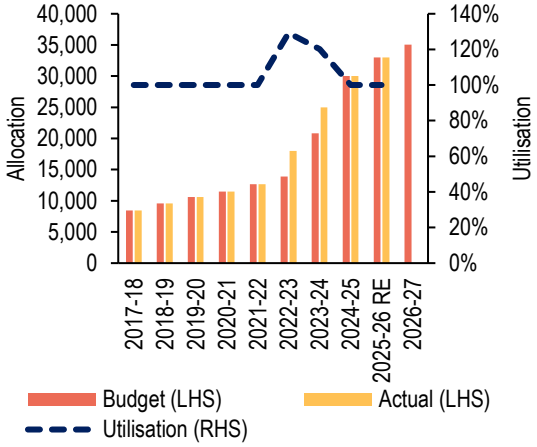


Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Permanent Bridge Fees Fund (PBFF)

The PBFF is funded by revenue collected by the government through: (i) fees levied for the use of certain permanent bridges on NHs by motor vehicles, (ii) toll on NHs, and (iii) share of government revenue received on some Public-Private Partnership (PPP) projects. These funds are released to NHAI for the development of NHs entrusted to it. In 2026-27, Rs 35,027 crore has been allocated from the PBFF.[1] This is 6% more than the revised estimates of 2025-26.

Figure 9: Allocations to NHAI from PBFF (in Rs crore)



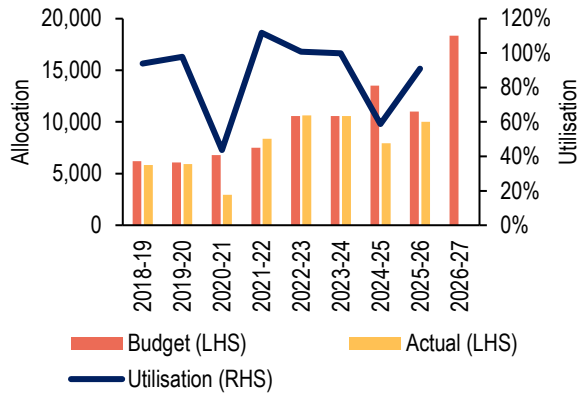
Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

National Investment Fund (NIF)

The NIF was created in 2005 and receives proceeds from disinvestments of public sector enterprises.[11] The fund is also used to finance the Special Accelerated Road Development Programme in North East (SARDP-NE).[11] In 2026-27, Rs 18,361 crore is budgeted to be transferred from the NIF.[1] This is 84% higher than the revised estimates for 2025-26. The entire amount will be spent on SARDP-NE.

The Ministry develops road network in north-eastern states under the SARDP-NE programme.[12] The programme seeks to provide connectivity to backward and remote areas and ensure that headquarters in the northeastern region seek to be connected by at least two-lane highway standards.[12] The program was started in 2005. The Standing Committee on Transport (2022) had observed that Phase-A of the project, scheduled to be completed by March 2014, was delayed till 2023-24 due to: (i) land acquisition, (ii) less working season, (iii) non-availability of local agencies, (iv) scarcity of good quality quarry materials, and (v) poor performance of contractors.[13] The total length of works sanctioned under SARDP-NE was 5,998 km (original 6,418 km).[14] Of this, 5,714 km length (95% of sanctioned length) had been completed by December 2024.[14]

Figure 10: NIF Allocation towards roads and bridges (in Rs crore)

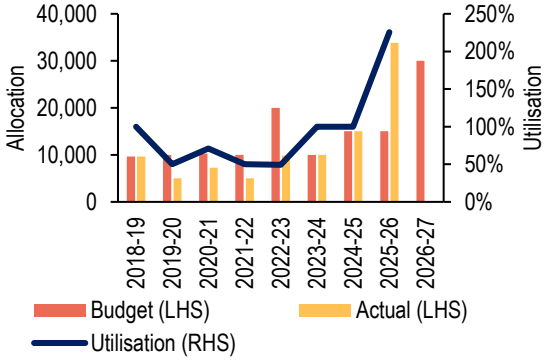


Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Monetisation of National Highways Fund (NHF)

The NHF is financed by monetising certain public-funded national highway projects.[15] This includes transferring maintenance of certain stretches to private contractors on a long-term basis.[15] The fund is being used for repayment of NHAI's debt obligations. In 2026- 27, Rs 30,000 crore is expected to be utilised from the NHF, an 11% decrease from the revised estimates of 2025-26.

Figure 11: NHF Allocation towards NHAI (in Rs crore)



Sources: Demand for grants of the Ministry of Road Transport and Highways for various years; PRS.

Issues and analysis

Road Network

India has the second largest road network in the world, of about 64 lakh km.[16] This includes NHs, expressways, state highways, district roads, and village roads (see table 2). NHs constitute 2% of the road network but cater to 40% of traffic.[17]

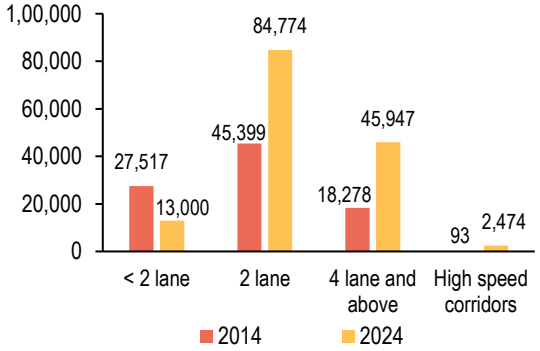
Table 2: Road network in India (in km)

Road category	Length	% share
National Highway	1,32,995	2.1%
State Highway	1,78,749	2.8%
District Road	6,16,964	9.7%
Rural Roads*	44,95,948	70.7%
Urban Roads	5,48,394	8.6%
Project Roads	3,86,954	6.1%
Total	**63,60,004**	**100%**

Note: Data as of March 31, 2020. *Rural roads include 9 lakh km of roads constructed under Jawahar Rozgar Yojana.
Sources: Annual Report, Ministry of Road Transport and Highways, 2024-25; PRS.

Total road length increased from 4 lakh km in 1951 to 64 lakh km in 2020.[16] Road length recorded a CAGR of 3.3% between 2010-20.[16] Length of high-speed corridors expanded from 93 km in 2014 to 2,474 km in 2024.[16] Length of four lane and above NHs increased from 18,278 km in 2014 to 45,947 km in 2024.[16]

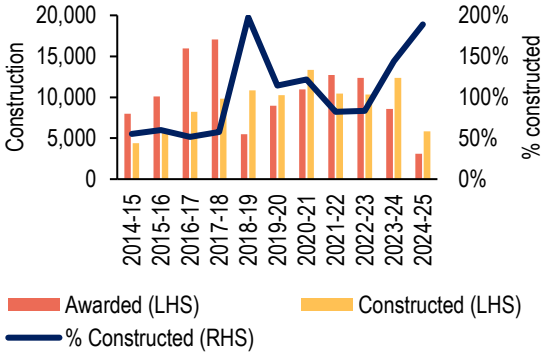
Figure 12: National highway network (in km)



Sources: Annual Report, Ministry of Road Transport and Highways, 2024-25; PRS.

Barring 2021-23, pace of target completion has improved since 2014, exceeding 150% in 2024-25.

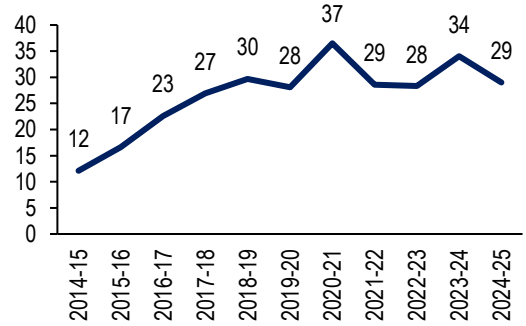
Figure 13: NH awarded vs completed (in km)



Sources: Report no. [367], Standing Committee on Transport, Rajya Sabha, 2024; PRS.

Pace of construction has seen an uptick from 12 km/day in 2014-15 to 29 km/day in 2024-25 (see Figure 14).

Figure 14: Pace of construction (km/day)



Sources: Starred question 75, Lok Sabha, July 24, 2025; PRS.

Road density is defined as average road length per square km. It is a measure of road quality and connectivity. Overall road density improved from 1.42 km per square kilometre in 2011-12 to 1.92 km per square kilometre in 2018-19.[18] As of 2018-

19, rural road density is 1.46 km per square kilometre, and urban road density is 5.3 km per square kilometre.

Under Bharatmala Pariyojana, 82% (21,783 km) of the awarded projects had been completed until December, 2025 (see table 3).[4] The programme deadlines have been revised from 2022 to 2027-28.

Table 3: Progress under Bharatmala Pariyojana as of December 2025 (in km)

Component	Awarded (km)	Completed (km)	% Completed
Economic Corridors	8,737	6,896	79%
Inter Corridors Roads	2,889	2,397	83%
Feeder Roads	973	702	72%
National Corridors	1,777	1,516	85%
National Corridor Efficiency Improvement	824	767	93%
Expressways	2,422	1,994	82%
Border Roads & International Connectivity Roads	1,619	1,466	91%
Coastal Roads	77	72	94%
Port Connectivity Roads	348	154	44%
Balance Road Works under NHDP	6,758	5,633	83%
Total	**26,425**	**21,597**	**82%**

Note: As of December 31, 2025.
Sources: Year End Review, Ministry of Road Transport and Highways, Press Information Bureau, December 2025; PRS.

Delay in completion

Land acquisition is often cited as a challenge that causes delays in road construction projects. It leads to long gestation periods and cost overruns. According to NHAI, delays occur as there are no fixed timelines for declaring project awards.[17] The Committee on Estimates (2024) noted delay in: (i) 189 projects due to land acquisition issues and (ii) 64 projects due to environmental clearance issues.[19]

Delays in land acquisition

The implementation of The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (RFCTLARR), 2013 increased the average cost of land acquisition for NHAI.[20,21] The Ministry (2018) had observed that land acquisition cost increased from about Rs 80 lakh per hectare before 2015 to about Rs 3.6 crore per hectare.[20] For the development of NHs, NHAI spent about Rs 1.7 lakh crore on land acquisition across 23 states, between 2018-23.[22]

Table 4: Expenditure by NHAI on land acquisition (in Rs crore)

Year	Possession of land (Ha)	Expenditure on acquisition	Expenditure per hectare
2011-12	9,802	4,507	0.46
2012-13	6,762	5,404	0.80
2013-14	8,465	7,794	0.92
2014-15	6,733	9,098	1.35
2015-16	9,285	21,934	2.36
2016-17	7,491	17,823	2.38
2017-18	9,494	32,143	3.39
2018-19	18,850	36,048	1.91
2019-20	12,092	29,226	2.42
2020-21	20,038	35,858	1.79
2021-22	14,844	35,885	2.42
2022-23	17,568	39,836	2.27

Sources: NHAI Annual Reports of various years; PRS.

According to a CAG audit (2024), the four laning project of Patna-Buxar stretch covering 124 km, was ultimately called off due to (i) problems in acquiring land, and (ii) almost threefold increase in land compensation costs.[23] Additionally, the Audit reported NHAI's failure to pursue refund of Rs 533 crore paid as land compensation and contingency charges to Bihar government.

Forest and environmental clearance

CAG observed right of way issues in other projects. Many projects under phase I of Bharatmala Pariyojana were taken up without first obtaining the required environmental clearances.[24] The Bihar-Jharkhand border (Chordaha)-Gorhar six-laning project, awarded in January 2018, achieved only 62% progress by March 2023.[24] The Barhi-Koderma stretch in Jharkhand, awarded in 2018, achieved 76% progress till March 2023.[24] Similarly, the Purulia-Balrampur-Chandil (West Bengal-Jharkhand border) project, awarded in March 2018, reached about 70% progress till March 2023.[24]

Toll collection

According to the Ministry, total amount of user fee collected at NH toll plazas between 2022-25 was Rs 1.6 lakh crores.[25] Maharashtra, Rajasthan and Uttar Pradesh generated the highest share across all three years (see Table 11 in Annexure).

Table 5: Toll collected (in Rs crore)

Year	User fee collection
2019-20	27,504
2020-21	27,927
2021-22	33,929
2022-23	48,032
2023-24	55,882

Sources: Unstarred question 1061, Rajya Sabha, December 4, 2024; PRS.

The Committee on Estimates (2025) noted several issues in toll collection and operationalisation: (i) tolls are collected despite ongoing maintenance work, (ii) lack of a mechanism to evaluate if toll charges justify operation and maintenance costs, and (iii) inadequate FASTag scanners resulting in

long vehicle queues.[26] The Committee urged the Ministry to: (i) revise the toll fee framework, including base rate and inflation indexing, (ii) establish a toll refund mechanism in cases of incomplete and unfit to use highways, and (iii) improve the FASTag system to improve traffic flow and queue lengths.

NHAI mandated toll payment using FASTag in February 2021.[23] Users with invalid FASTag are subject to a penal charge, resulting in payment of a double toll. NHAI and concessionaires collect and retain the normal toll rate, and the double toll is deposited in the Consolidated Fund of India. CAG Audit (2024) observed NHAI's failure to recover double toll from concessionaires, resulting in loss of Rs 21 crore to Consolidated Fund of India.[23] It also noted Rs 63 crore pending from other toll collection contractors (see table 6).

Table 6: Details of region-wise dues as of November 2022 (in Rs crore)

Regional Office	Total dues	Due from concessionaries
Gandhinagar	31	16
Mumbai	37	5
Nagpur	16	0
Total	84	21

Sources: Report no. [12] of 2024, CAG; PRS.

Asset monetisation

The government announced the National Monetisation Pipeline (NMP) in the 2021-22 Union Budget.[27] Under this programme, core brownfield assets, such as operational highways, railway stations, and airports would be monetised up to a value of six lakh crore rupees, between 2021-22 and 2024-25.[27] This is carried out by transferring the responsibility of asset maintenance to private sector, in exchange for a right to collect fees.[27] Monetisation of assets in the road sector is being carried out through: (i) Toll Operate Transfer (ToT) model, (ii) Infrastructure Investment Trusts (InvIT), and (iii) Securitisation through SPVs. As of November 2025, the Ministry had monetised Rs 1.5 lakh crore worth of assets.[28] This is 95% of the proposed monetisation target of Rs 1.6 lakh crore by 2024-25.[29]

Table 7: Monetisation targets achieved as of July 24, 2025 (in Rs crore)

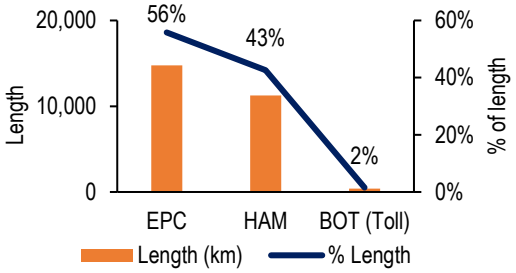
Mode	Monetisation
Toll Operate Transfer	58,265
InvIT	43,638
SPV Model	50,125
Total	**1,52,028**

Sources: Unstarred question 720, Lok Sabha, July 24, 2025; PRS.

Challenges to private sector participation

There are different modes of executing road projects. These are: (i) Engineering Procurement Construction (EPC), (ii) Build Operate Transfer (Toll), (iii) Build Operate Transfer (Annuity) and (iv) Hybrid Annuity Model.[30] (see Annexure)

Figure 15: 56% of Bharatmala projects are awarded through EPC (in km)



Sources: Annual Report 2024-25, Ministry of Road Transport and Highways; PRS.

Government funded road projects are undertaken through Engineering Procurement Construction (EPC) contracts.[30] Projects that involve private developers are undertaken through PPP mode. In PPP projects, risk is shared between the government and private developer.[30] These may involve: (i) financial risks related to construction of the road, (ii) traffic generation risk to ensure adequate toll collection and (iii) responsibility of road maintenance after construction.[30]

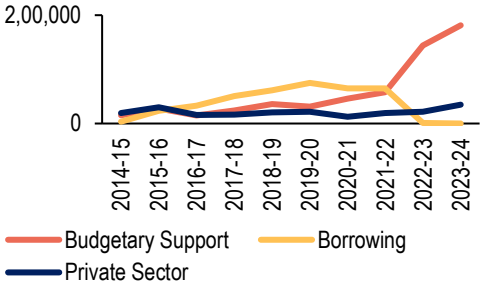
Table 8: Risks taken by government and private developer in different construction models

Model	Financing	Traffic	Maintenance
EPC/ Item Rate	Government	Government	Government
BOT (Toll)	Private	Private	Private
BOT (Annuity)	Private	Government	Private
HAM	Both	Government	Private

Sources: Report No. [296], Role of Highways in Nation Building, Standing Committee on Transport, Rajya Sabha, 2021; PRS.

Private sector can bring in additional funding and contribute to increased capital expenditure. However, the share of private sector investment in national highway development projects has seen a decline. In 2014-15, private sector accounted for 51% of financing and 40% was financed through budgetary support by the government.[31] 9% of the finances were raised through market borrowings.[31] As of 2023-24, 75% of the financing was carried out through budgetary support, 15% through private sector investment, and 10% through monetisation of NHs.[31] No amount was financed through market borrowings.[31]

Figure 16: Budgetary support, borrowing and private investment in roads (in Rs crore)



Sources: Annual Report 2023-24, Ministry of Road Transport and Highways; PRS.

As per RBI data on industry wise deployment of gross bank credit, share of roads in infrastructure has been about 22% between 2019-25 (see Table 9). According to the old format of the series, bank credit to roads was about 17% in March 2008 (see Table 12 in Annexure for details). This has increased to about 24% in March 2025.

Table 9: Industry wise deployment of gross bank credit - % of roads in infrastructure (in Rs crore)

Outstanding as on last Friday in March	Infrastructure	% share of roads
2019	10,44,199	17%
2020	10,83,656	17%
2021	11,11,675	21%
2022	12,12,648	23%
2023	12,23,105	25%
2024	13,26,852	24%
2025	13,64,369	24%

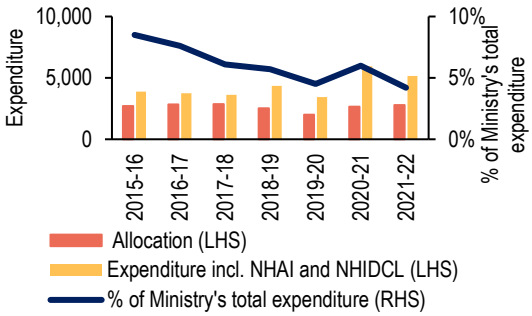
Note: New format of RBI series: Industry wise deployment of gross bank credit.
Sources: Database on Indian Economy, Reserve Bank of India, as accessed on February 18, 2026; PRS.

Earlier NITI Aayog reports noted slowdown in private investments from 2012-13.[32] Slowdown in investments was across new projects and already awarded projects. The Economic Survey (2014-15) identified issues in PPP contracts including: (i) focus on minimising costs than providing efficient services, (ii) risks not allocated to the party that is best suited to manage them, and (iii) no clear rules for revising contracts when problems arise.[33] Latest editions of the Economic Survey (2024-25 and 2025-26) highlight the importance of private funding for infrastructure.[34,35] They reiterate the role of private participation in PPPs, for financing and delivery of projects.

Poor allocation towards maintenance

The Standing Committee on Transport (2023) noted a pattern of under-allocation as compared to the Ministry's demand for 'Maintenance of NHs - financed from CRIF' between 2015-22.[36] Although budgeted allocation for maintenance of national highways has seen a decline, actual expenditure towards maintenance of national highways, including expenditure undertaken by NHAI and NHIDCL has increased (Figure 17). Further, the Committee observed spending of Rs 4,490 crore on maintaining 25,000 km of NHs in 2023 was inadequate. This was about 17% of India's NH network. It recommended the Ministry to request for increased allocation in the subsequent years.

Figure 17: Allocation and expenditure on NHs (in Rs crore)



Sources: Report No. [342], Demand for Grants, Standing Committee on Transport, Rajya Sabha, 2023; PRS.

Maintenance of national highway stretches is handled by contractors during the Defect Liability Period (DLP) in EPC projects.[37] It is undertaken by concessionaires for stretches under concession models (including asset monetisation). As of 2025, only about 38% (55,448 km) of the 1.46 lakh km NH network was under DLP or concession period.[37] The remaining network is maintained by the Ministry through performance-based maintenance contracts (PBMC) and short-term maintenance contracts (STMC).

Road accidents and fatalities

Between 2012 and 2022, fatalities in accidents have grown at an annualised average rate of 2%.[38] India contributes to about 10% of all road accident deaths worldwide, with just 1% of the world's vehicles.[39,40] National Highways with share of 2.1% of total road network in the country accounted for 36.5% of total fatalities in 2023. The Standing Committee on Transport (2023) urged the Ministry to target a quantifiable reduction of road accident fatalities in the ongoing decade.[40]

The Public Accounts Committee (2025) observed lack of public and stakeholder consultation during the preparation of detailed project reports.[26] Several highway stretches collapsed due to failure to integrate site specific inputs. The Committee also noted design oversight in highway construction resulting in repeated slope failure, pavement cracking and waterlogging issues.

The Committee observed absence of an emergency mechanism alongside high-speed and remote highways. In 2024, 4.8 lakh road accidents were recorded across all states (see Table 15 in Annexure).[41] It also urged the Ministry to establish an emergency response system, integrated with GPS-enabled ambulances, highway patrol, and recovery vehicles for immediate trauma response.

Clean Mobility

Total logistics cost for India in 2023-24 was Rs 24 lakh crore.[42] Of this, cost of transportation amounted to Rs 10 lakh crore (42% of the total logistics cost).[42]

The bulk of India's logistics is handled through road transport, about 70% of domestic freight

demand in 2022.[43,44] NITI Aayog estimates that by 2050, the freight demand transported by road would grow to 9.6 trillion tonne kilometres.[44] To handle the freight demand, the number of trucks on Indian roads is expected to grow from four million in 2022 to about 17 million in 2050.[44] As of date, 92% of all goods vehicles in India are diesel powered.[45] This is followed by CNG and petrol vehicles at 4% and 2% respectively.[45] The share of electric goods vehicles is about 0.1%.[45]

The International Energy Agency (2022) estimated that about 12% of India's energy related emissions come from the road sector.[43] NITI Aayog (2022) observed that shifting the additional capacity to electric trucks, may be beneficial from both economic and environmental standpoints.[44] This is due to: (i) lower tailpipe emissions of electric vehicles (EVs), and (ii) lower cost of electric power as compared to diesel. According to NITI Aayog, the transition to electric trucks can result in a 46% reduction in fuel costs, thereby bringing down transportation costs. This has the estimated potential to reduce total logistics costs by about 17%.[44]

Shifting to electric vehicles has also been recommended for environmental considerations. However, overall emissions of an EV depend on the source of electricity used to charge its battery. As of 2023, coal was used to generate 74% of all electric power.[46] Shifting to cleaner energy sources of fuel such as solar and wind energy may help address this issue.

Adoption of electric trucks would require a supportive policy environment.[43] The Ministry of Road Transport and Highways has undertaken some measures to promote clean mobility. These include: (i) waiver of road tax and registration fee for EVs, (ii) issuance of green licence plate for EVs for permit exemption, (iii) setting up EV charging infrastructure through highway wayside amenities, and (iv) strengthening of vehicle emissions norms.[43,47,48,49] The Ministry is also implementing the Vehicle Scrapping Policy from 2022.[43,50] This policy aims to phase out old and unfit vehicles that cause pollution.[50] As of July 2024, 60 registered vehicle scrapping facilities and 75 automated testing stations are operational in India.[50] A total of 96,980 unfit vehicles have been scrapped as of July 15, 2024.[50]

[1] Demand no. 86, Ministry of Road Transport and Highways, Expenditure Budget 2026-27, Ministry of Finance, https://www.indiabudget.gov.in/doc/eb/allsbe.pdf.

[2] Website of National Highways Authority of India, as accessed on February 19, 2026, https://nhai.gov.in/#/about-nhai.

[3] Annual Report, Ministry of Road Transport and Highways, 2023-24, https://morth.nic.in/sites/default/files/AR-MoRTH_Annual%20Report_2023-24_English.pdf.

[4] Unstarred question no. 24, Lok Sabha, January 29, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU24_qXzUoY.pdf?source=pqals.

[5] Central Road and Infrastructure Fund, Press Information Bureau, Ministry of Road Transport and Highways, November 21, 2019, https://pib.gov.in/Pressreleaseshare.aspx?PRID=1592674.

[6] Receipts budget, 2026-27, https://www.indiabudget.gov.in/doc/rec/allrec.pdf.

[7] Report No 342, Demands for Grants, Standing Committee on Transport, Tourism and Culture, March 13, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/20/173/342_2023_3_15.pdf?source=rajyasabha.

[8] NHAI Debt, Press Information Bureau, Ministry of Road Transport and Highways, July 25, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2036675.

[9] NHAI debt, Press Information Bureau, Ministry of Road Transport and Highways, July 25, 2024, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2036675&reg=3&lang=2.

[10] Unstarred question No. 1216, answered on December 10, 2025, Rajya Sabha, Ministry of Road Transport and Highways, https://sansad.in/getFile/annex/269/AU1216_e4JvNB.pdf?source=pqars.

[11] National Investment Fund, Press Information Bureau, Ministry of Road Transport and Highways, May 13, 2005, https://pib.gov.in/newsite/erelcontent.aspx?relid=9255#:~:text=The%20NIF%20would%20be%20professionally,Government%20without%.

[12] 'Special Accelerated Road Development Programme for Development of Road Network in the North Eastern States', Press Information Bureau, Ministry of Road Transport and Highways, February 5, 2013, https://pib.gov.in/newsite/PrintRelease.aspx?relid=92040.

[13] Report No. 317, Standing Committee on Transport, Tourism and Culture, Rajya Sabha, March 14, 2022, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/20/166/317_2022_9_11.pdf?source=rajyasabha.

[14] Year End Review 2024: Ministry of Road Transport and Highways, Press Information Bureau, Ministry of Road Transport and Highways, January 9, 2025, https://pib.gov.in/PressReleasePage.aspx?PRID=2091508.

[15] Background Note on Road Transport and Highways, Lok Sabha Secretariat, March, 2022, https://loksabhadocs.nic.in/Refinput/New_Reference_Notes/English/10032022_111318_102120463.pdf.

[16] Annual report, Ministry of Road Transport and Highway, 2024-25, https://morth.nic.in/sites/default/files/Annual-Report-English-with-Cover.pdf.

[17] Annual Report, National Highways Authority of India, 2023-24, https://nhai.gov.in/nhai/sites/default/files/2025-09/NHAI-Annual_Report_2023-24_English.pdf.

[18] Basic Road Statistics, Ministry of Road Transport and Highways, 2018-19, https://morth.nic.in/sites/default/files/Basic%20Road%20Statistics%20in%20India-2018-19.pdf.

[19] Report no. 33, 'Assessment of various projects including green highways under national highways development project (NHDP),' Committee on Estimates, Ministry of Road Transport and Highways, Lok Sabha, December 2, 2024, https://eparlib.sansad.in/bitstream/123456789/2975823/1/17_Estimates_33.pdf.

[20] 'A Manual of Guidelines on Land Acquisition for National Highways under The National Highways Act, 1956,' Ministry of Road Transport and Highways, December 2018, https://morth.nic.in/sites/default/files/A_Manual_of_Guidelines_on_Land_Acquisition_for_National_Highways_File3449.pdf.

[21] 'The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013,' Ministry of Law and Justice, September 2013, https://bhoomirashi.gov.in/auth/revamp/la_act.pdf.

[22] Unstarred question No. 2008, answered on December 20, 2023, Rajya Sabha, Ministry of Road Transport and Highways, https://sansad.in/getFile/annex/262/AU2008.pdf?source=pqars.

[23] Report no 12, Comptroller and Auditor General of India, 2024, https://cag.gov.in/webroot/uploads/download_audit_report/2024

/Final-Report-No.12-English(05.11.2024)-signed-067615b308aac13.57331340.pdf.

[24] Report no. 19, Comptroller and Auditor General of India, 2023, https://saiindia.gov.in/webroot/uploads/download_audit_report/2023/Report-No.-19-of-203--Bharatmala-English-064d5db7bc63c20.06754442.pdf.

[25] Unstarred question No. 54, answered on February 4, 2026, Rajya Sabha, Ministry of Road Transport and Highways, https://sansad.in/getFile/annex/270/AS54_Uf1RFL.pdf?source=pqars.

[26] Report no 33, 'Levy and Regulation of Fees, Tariffs, User Charges etc. on Public Infrastructure and Other Public Utilities,' Public Accounts Committee, Ministry of Road Transport and Highways, August 12, 2025, https://sansad.in/getFile/lsscommittee/Public%20Accounts/18_Public_Accounts_33.pdf?source=loksabhadocs

[27] National Monetization Pipeline, 2021, Volume I, NITI Aayog, https://www.niti.gov.in/sites/default/files/2023-03/Asset%20Monetization%20Pipeline.pdf.

[28] Unstarred question No. 720, Lok Sabha, Ministry of Road Transport and Highways, July 24, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU720_fHjVoF.pdf?source=pqals.

[29] National Monetization Pipeline, 2021, Volume II, NITI Aayog, https://www.niti.gov.in/sites/default/files/2023-02/NATIONALMONETISATIONPIPELINEVol2.pdf.

[30] Report No. 296, 'Role of Highways in Nation Building', Standing Committee on Transport, Tourism and Culture, Rajya Sabha, July 28, 2021, https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/20/148/296_2021_10_17.pdf.

[31] Annual report, Ministry of Road Transport and Highway, 2023-24, https://morth.nic.in/sites/default/files/AR-MoRTH_Annual%20Report_2023-24_English.pdf

[32] Infrastructure and PPP Division, NITI Aayog brief, 2019, https://www.niti.gov.in/sites/default/files/2019-07/NITI%20Brief5.pdf.

[33] Economic Survey, 2014-15, https://www.indiabudget.gov.in/budget2015-2016/survey.asp.

[34] Economic Survey, 2024-25, https://www.indiabudget.gov.in/budget2025-26/economicsurvey/doc/eschapter/echap06.pdf.

[35] Economic Survey, 2025-26, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap09.pdf.

[36] Report no. 342, 'Demand for Grants (2023-24),' Standing Committee on Transport, Tourism and Culture, Rajya Sabha, March 13, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/20/173/342_2024_9_11.pdf?source=rajyasabha.

[37] 'Year End Review 2025,' Press Information Bureau, Ministry of Road Transport and Highways, December 30, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2209837&reg=3&lang=2.

[38] 'Road Accident in India 2023,' Ministry of Road Transport and Highways, July 30, 2025, https://morth.nic.in/sites/default/files/Road-Accident-in-India-2023-Publications.pdf.

[39] Report No 342, Demands for Grants, Standing Committee on Transport, Tourism and Culture, March 13, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/20/173/342_2023_3_15.pdf?source=rajyasabha.

[40] Unstarred Question No. 1855, Rajya Sabha, Ministry of Road Transport and Highways, December 11, 2024, https://sansad.in/getFile/annex/266/AU1855_Zi1J3A.pdf?source=pqars.

[41] Unstarred question No. 1991, Lok Sabha, Ministry of Road Transport and Highways, December 11, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU1991_DJky03.pdf?source=pqals.

[42] "Assessment of logistics cost of India," Department for Promotion of Industry and Internal Trade, 2025, https://master-dpiit.digifootprint.gov.in/static/uploads/2025/09/7d467e0f4aee2362e4bf90b84b7a5332.pdf.

[43] "Transitioning India's Road Transport Sector", International Energy Agency, 2023, https://iea.blob.core.windows.net/assets/06ad8de6-52c6-4be3-96fc-2bdc3510617d/TransitioningIndiasRoadTransportSector.pdf.

[44] "Transforming Trucking in India", NITI Aayog, September 2022, https://www.niti.gov.in/sites/default/files/2023-02/ZETReport09092022.pdf.

[45] Vahan Dashboard, as accessed on February 12, 2026, https://vahan.parivahan.gov.in/vahan4dashboard/vahan/view/reportview.xhtml.

[46] "India", website of the IEA, as accessed on February 20, 2025, https://www.iea.org/countries/india/electricity.

[47] "Test Method, Testing Equipment and Related Procedures for Type Approval and Conformity of Production (CoP) Testing of M & N Category Vehicles having GVW exceeding 3500 kg for Bharat Stage VI (BS-VI) Emission Norms as per CMV Rules 115, 116 and 126", Ministry of Road Transport and Highways, February 2019, https://morth.nic.in/sites/default/files/ASI/532019638 40PMAIS_137_Part_4_F.pdf.

[48] Unstarred Question No. 318, Lok Sabha, Ministry of Heavy Industries, December 5, 2023, https://heavyindustries.gov.in/sites/default/files/2024-01/_loksabhaquestions_annex_1714_au318.pdf.

[49] "Electric vehicle charging stations on national highways", Press Information Bureau, Ministry of Road Transport and Highways, July 24, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2036276.

[50] "Vehicle Scrapping Policy", Press Information Bureau, Ministry of Road Transport and Highways, July 25, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2036674

Annexure

Different modes of executing PPP Projects

- **Build Operate Transfer (Toll):** The developer is responsible for designing and developing the project, and operation and maintenance (O&M) during the entire concession period. The developer also has the right to collect toll during the specified period. The concession period is typically 25 to 30 years.
- **Build Operate Transfer (Annuity):** This model is the same as BOT (Toll), except that the developer receives payment in annuity (by the government) in return for developing and maintain a road. The government has the right to collect toll, after a section is open for commercial operation.
- **Hybrid Annuity Model (HAM):** Under this model, the government or its executing agency pays 40% of the project cost as a grant to the private developer. The private developer invites bids for the remaining 60% of the investment in form of debt and equity. The private developer is paid back the amount of 60% as

of half-yearly annuities, interest, and O&M payments over a period of 15 years. While the concessionaire is responsible for the maintenance and operation during this period, the traffic risk is taken by the government. Toll collection is carried out by the government after declaration of commercial operation of the developed section.

- **Toll Operate Transfer (TOT):** Under this model, operational public funded highways are offered to a private concessionaire for operation and maintenance. The concessionaire pays a lump sum amount to the government. This sum is recovered through a right to collect toll for a pre-determined period.

Table 10: State wise projects approved, awarded, completed and roads constructed (in km) till June 2025

State	Total Length (km)	Length Awarded (km)	Length Constructed till June 2025 (km)
Andhra Pradesh	2,525	1,936	1,234
Assam	433	431	349
Bihar	1,572	1,159	698
Chhattisgarh	571	471	344
Delhi	203	203	187
Goa	26	26	26
Gujarat	1,577	1,194	1,023
Haryana	1,058	1,058	977
Himachal Pradesh	167	167	115
Jammu & Kashmir	433	251	145
Jharkhand	1,000	801	508
Karnataka	2,059	1,603	1,156
Kerala	1,126	708	506
Madhya Pradesh	3,063	2,017	1,674
Maharashtra	3,029	2,174	1,944
Manipur	635	635	443
Meghalaya	170	170	118
Mizoram	593	593	493
Nagaland	208	208	153
Odisha	1,586	967	928
Punjab	1,764	1,553	714
Rajasthan	2,503	2,360	2,257
Tamil Nadu	2,414	1,476	1,265
Telangana	1,719	1,026	874
Tripura	94	94	64
Uttar Pradesh	3,126	2,495	2,061
Uttarakhand	273	264	174
West Bengal	874	385	339
Total	**34,800**	**26,425**	**20,770**

Sources: Unstarred question no. [312]4, Lok Sabha, August 7, 2025; PRS.

Table 11: User fee collection (in Rs crore)

State	2022-23	2023-24	2024-25
Andhra Pradesh	3,274	3,502	3,719
Assam	466	486	548
Bihar	1,566	1,721	2,037
Chhattisgarh	866	1,010	1,147
Delhi	1,786	2,558	3,017
Gujarat	4,519	4,851	5,450
Haryana	1,519	2,072	1,956
Himachal Pradesh	56	114	171
Jammu & Kashmir	410	437	508
Jharkhand	607	818	895
Karnataka	3,517	4,086	4,320
Kerala	461	563	579
Madhya Pradesh	3,185	3,858	4,188
Maharashtra	4,660	5,353	6,103
Meghalaya	94	96	84
Odisha	1,274	1,745	1,856
Punjab	1,188	1,492	1,574
Rajasthan	5,054	5,697	6,289
Tamil Nadu	3,817	4,222	4,459
Telangana	1,826	2,098	2,311
Uttar Pradesh	4,811	5,774	6,574
Uttarakhand	458	534	582
West Bengal	2,619	2,795	3,043
Total	**48,033**	**55,882**	**61,410**

Sources: Starred question no. [54], Rajya Sabha, February 4, 2026; PRS.

Table 12: Industry wise deployment of gross bank credit - % of roads in infrastructure (in Rs crore)

Outstanding as on	Infrastructure	Roads
March 28, 2008	2,05,336	17%
March 27, 2009	2,69,972	17%
March 26, 2010	3,79,887	19%
March 25, 2011	5,21,393	17%
March 23, 2012	6,29,991	18%
March 22, 2013	7,29,721	18%
March 21, 2014	8,36,356	19%
March 20, 2015	9,24,531	18%
March 18, 2016	9,64,811	18%
March 31, 2017	9,06,394	20%
March 30, 2018	8,90,935	19%
March 29, 2019	10,55,921	18%
March 27, 2020	10,53,913	18%

Note: Old Format of RBI series: Industry wise deployment of gross bank credit
Sources: Database on Indian Economy, Reserve Bank of India, as accessed on February 18, 2026; PRS.

Table 13: Top 10 states in number of fatalities across NHs

States	2019	2020	2021	2022	2023
Uttar Pradesh	8,830	7,859	8,506	8,479	8,446
Tamil Nadu	6,661	5,454	5,263	5,978	6,258
Maharashtra	3,799	3,528	4,080	4,923	5,780
Madhya Pradesh	2,904	3,022	3,389	4,025	4,476
Karnataka	3,842	3,330	3,487	4,164	4,383
Rajasthan	3,870	3,320	3,829	4,156	4,172
Bihar	3,436	3,285	3,517	3,953	4,078
Andhra Pradesh	3,114	2,858	3,602	3,793	3,806
Telangana	2,491	2,620	2,735	3,010	3,058
Gujarat	1,898	1,797	2,077	2,109	2,233

Sources: Road Accidents in India, 2023, Ministry of Road Transport and Highways; PRS.

Table 14: Types of accidents in states and UTs in 2022

States/UT	Fatal Accidents	Grievous Injury Accidents	Minor Injury Accidents	Non-Injury Accidents	Total Accidents
Andhra Pradesh	7,688	4,306	8,010	1,245	21,249
Arunachal Pradesh	123	81	11	12	227
Assam	2,837	3,559	385	242	7,023
Bihar	8,242	2,065	127	367	10,801
Chhattisgarh	5,446	1,345	4,955	1,533	13,279
Goa	253	206	528	2,024	3,011
Gujarat	6,999	5,373	2,356	1,023	15,751
Haryana	4,593	1,799	3,659	378	10,429
Himachal Pradesh	864	809	772	152	2,597
Jharkhand	3,570	1,322	106	177	5,175
Karnataka	10,854	17,149	8,714	3,045	39,762
Kerala	4,104	31,584	6,674	1,548	43,910
Madhya Pradesh	12,183	4,928	32,214	5,107	54,432
Maharashtra	14,058	12,250	4,442	2,633	33,383
Manipur	109	114	277	8	508
Meghalaya	147	71	12	16	246
Mizoram	94	24	4	11	133
Nagaland	67	51	138	233	489
Odisha	5,140	4,310	1,771	442	11,663
Punjab	4,418	1,208	445	67	6,138
Rajasthan	10,061	3,741	9,065	747	23,614
Sikkim	58	81	57	15	211
Tamil Nadu	17,080	20,752	24,825	1,448	64,105
Telangana	7,057	2,581	9,744	2,237	21,619
Tripura	232	325	5	13	575
Uttarakhand	851	627	124	72	1,674
Uttar Pradesh	20,524	13,052	7,257	913	41,746
West Bengal	5,626	6,944	874	242	13,686
A & N Islands	19	54	43	25	141
Chandigarh	79	14	113	31	237
D & N Haveli	88	91	8	9	196
Daman & Diu	NA	NA	NA	NA	NA
Delhi	1,428	211	3,921	92	5,652
Jammu & Kashmir	654	1,723	3,109	606	6,092
Ladakh	60	21	245	48	374
Lakshadweep	-	3	-	-	3
Puducherry	175	600	370	36	1,181
Total	**1,55,781**	**1,43,374**	**1,35,360**	**26,797**	**4,61,312**

Sources: Road Accidents in India, Ministry of Road Transport and Highways, 2022; PRS.

Table 15: State wise road accidents

States/UT	2020	2021	2022	2023	2024
Andhra Pradesh	19,509	21,556	21,249	19,949	19557
Arunachal Pradesh	134	283	227	287	277
Assam	6,595	7,411	7,023	7,421	7848
Bihar	8,639	9,553	10,801	11,014	11610
Chhattisgarh	11,656	12,375	13,279	13,468	14857
Goa	2,375	2,849	3,011	2,846	2682
Gujarat	13,398	15,186	15,751	16,349	15588
Haryana	9,431	9,933	10,429	10,463	9806
Himachal Pradesh	2,239	2,404	2,597	2,253	2156
Jharkhand	4,405	4,728	5,175	5,315	5196
Karnataka	34,178	34,647	39,762	43,440	43062
Kerala	27,877	33,296	43,910	48,091	48834
Madhya Pradesh	45,266	48,877	54,432	55,327	56669
Maharashtra	24,971	29,477	33,383	35,243	36118
Manipur	432	366	508	398	299
Meghalaya	214	245	246	223	269
Mizoram	53	69	133	106	118
Nagaland	500	746	489	303	129
Odisha	9,817	10,983	11,663	11,992	12375
Punjab	5,203	5,871	6,138	6,269	6063
Rajasthan	19,114	20,951	23,614	24,694	24838
Sikkim	138	155	211	182	149
Tamil Nadu	49,844	55,682	64,105	67,213	67526
Telangana	19,172	21,315	21,619	22,903	25986
Tripura	466	479	575	577	578
Uttarakhand	1,041	1,405	1,674	1,691	1747
Uttar Pradesh	34,243	37,729	41,746	44,534	46052
West Bengal	10,863	11,937	13,686	13,795	13,700
Andaman & Nicobar Islands	141	115	141	143	135
Chandigarh	159	208	237	182	169
Dadra & Nagar Haveli and Daman & Diu	100	140	196	182	152
Delhi	4,178	4,720	5,652	5,834	5657
J & K	4,860	5,452	6,092	6,298	5808
Ladakh	NA	236	374	289	264
Lakshadweep	1	4	3	1	0
Puducherry	969	1,049	1,181	1,308	1431
Total	**3,72,181**	**4,12,432**	**4,61,312**	**4,80,583**	**4,87,705**

Sources: Road Accidents in India, 2023, Ministry of Road Transport and Highways; PRS

Demand for Grants 2026-27 Analysis
Railways

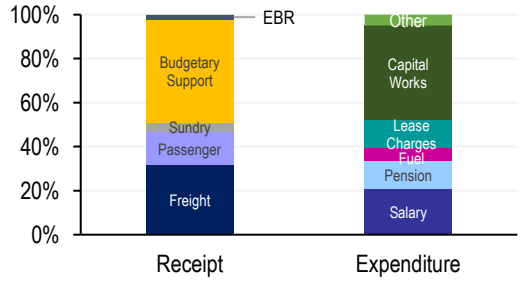
Highlights

- Freight revenue cross-subsidises passenger services. Freight remains concentrated in coal and other bulk goods. Share of container services has remained small, although, has seen a slow increase.
- Operating ratio is above 98%, leaving little revenue surplus for capital works. 90% of revenue is committed to salary, pension, and lease liabilities in 2026-27. Implementation of the 8th Pay Commission recommendations may increase expenditure pressure.
- Capital expenditure has been sustained mainly through budget support. Performance indicators such as average speed of trains and efficiency of capital, have not yet shown significant improvements.

The Railways finances were presented on February 1, 2026, by the Finance Minister Ms. Nirmala Sitharaman along with the Union Budget. Indian Railways is a commercial undertaking of the central government. The Ministry of Railways administers Railways through the Railway Board.

Expenditure of Railways is financed through: (i) its own internal revenue (mainly goods and passenger earnings), (ii) budgetary support from the central government, and (iii) extra-budgetary resources (includes borrowings, institutional financing, and public-private partnerships). Working expenditure including salaries, pension, and maintenance of assets is covered through its internal resources. The revenue after covering this expenditure is insufficient to fund capital expenditure (such as construction of lines, track renewals, and wagon procurement). Hence, capital expenditure is also supported by grant from the central government and extra-budgetary resources. This note looks at the proposed expenditure of Railways for 2026-27, and the state of its finances.

Figure 1: Railways' internal revenue inadequate to finance its capital expenditure (2026-27 BE)



Note: Lease charges – payments to Indian Railway Finance Corporation for leased assets. EBR: Extra-budgetary resources. BE: Budget estimates.
Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2026-27; PRS.

Announcements in Budget Speech 2026-27

- **East-West Dedicated Freight Corridor (DFC):** A new DFC, connecting Dankuni in West Bengal with Surat in Gujarat, has been proposed. It will integrate with the existing Western DFC, and will pass through Odisha, Chhattisgarh, Maharashtra., and MP.
- **High-speed rail corridors**: Seven high-speed rail corridors have been proposed connecting major cities such as Mumbai, Hyderabad, Bangalore, Pune, Chennai, and Varanasi. These corridors are expected to span nearly 4,000 km and attract investments of around Rs 16 lakh crore.

Budget Overview

- **Revenue**: Railways' internal revenue for 2026-27 is estimated to be Rs 3.02 lakh crore. This an increase of 8.4% over the revised estimate for 2025-26.
- **Traffic revenue**: In 2026-27, 99.7% of revenue is estimated to be raised from traffic operations. 62% of traffic revenue is estimated to come from freight (Rs 1.89 lakh crore), and 29% from passenger services (Rs 87,300 crore). Revenue from freight and passenger services are estimated to increase by 5.8% and 9.1% over the previous year, respectively.
- In 2025-26, freight revenue is estimated to be 5.1% lower than budgeted. In the same year, revenue from passenger services is expected to fall short by 13.8% compared to budget target.
- **Revenue Expenditure**: The total revenue expenditure in 2026-27 is estimated at Rs 2,99,500 crore, an increase of 8.1% over the revised estimate for 2025-26.
- **Capital expenditure**: In 2026-27, capital expenditure is estimated at Rs 2,93,030 crore, an increase of 10.5% over the revised estimate for 2025-26. Budget support from the central government is estimated at Rs 2,78,030 crore, financing 95% of the capital expenditure. Budget support in 2026-27 is estimated to be 10% higher than the previous year.
- **Operating Ratio:** In 2026-27, operating ratio is estimated to be 98.4%. This is lower than the revised estimate for 2025-26 (98.8%). However, the ratio in 2025-26 is expected to be higher than the initial budget estimate (98.4%). Operating Ratio is the ratio of working expenses to traffic receipts. A lower ratio implies better profitability and availability of resources for capital spending.

Table 1: Overview of receipts and expenditure of Indian Railways (Rs crore)

Sr. No.	Items	2024-25 Actuals	2025-26 BE	2025-26 RE	% Change (2025-26 BE to 2025-26 RE)	2026-27 BE	% Change (2025-26 RE to 2026-27 BE)
	Receipts						
1	Passenger Revenue	75,368	92,800	80,000	-13.8%	87,300	9.1%
2	Freight Revenue	171,163	188,000	178,457	-5.1%	188,800	5.8%
3	Other Traffic Sources	18,583	20,600	19,800	-3.9%	25,600	29.3%
4	Gross Traffic Receipts (1+2+3)	265,114	301,400	278,257	-7.7%	301,700	8.4%
5	Miscellaneous Receipts	564	700	700	0.0%	800	14.3%
6	**Total Internal Revenue (4+5)**	**265,678**	**302,100**	**278,957**	**-7.7%**	**302,500**	**8.4%**
7	Budgetary Support from Government	252,324	252,200	252,200	0.0%	278,030	10.2%
8	Extra Budgetary Resources (EBR)	15,049	10,000	10,000	0.0%	12,000	20.0%
9	**Total Receipts (6+7+8)**	**533,051**	**564,300**	**541,157**	**-4.1%**	**592,530**	**9.5%**
	Expenditure						
10	Ordinary Working Expenses	200,469	226,256	208,000	-8.1%	223,500	7.5%
11	Appropriation to Pension Fund	59,500	68,603	65,500	-4.5%	71,500	9.2%
12	Appropriation to Depreciation Reserve Fund	800	1,500	1,000	-33.3%	1,500	50.0%
13	**Total Working Expenditure (10+11+12)**	**260,769**	**296,359**	**274,500**	**-7.4%**	**296,500**	**8.0%**
14	Miscellaneous	2,249	2,700	2,500	-7.4%	3,000	20.0%
15	**Total Revenue Expenditure (13+14)**	**263,018**	**299,059**	**277,000**	**-7.4%**	**299,500**	**8.1%**
16	**Total Capital Expenditure**	**269,361**	**265,200**	**265,200**	**0.0%**	**293,030**	**10.5%**
17	**Total Expenditure (15+16)**	**532,378**	**564,259**	**542,200**	**-3.9%**	**592,530**	**9.3%**
18	**Net Revenue (6-15)**	**2,660**	**3,041**	**1,957**	**-35.6%**	**3,000**	**53.3%**
19	**Operating Ratio**	**98.22%**	**98.43%**	**98.82%**	-	**98.40%**	**-**

Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2026-27; PRS.

Railways' Revenue

Two-thirds of Railway revenue comes from freight operations

Railways earns its internal revenue through: (i) passenger train operations, (ii) goods train operations, and (iii) sundry revenue. Sundry revenue includes rent, catering, revenue from commercial utilisation of land, and advertisements. Freight revenue is estimated to constitute 62% of the total internal revenue in 2026-27. This is followed by earnings from passenger train operations at 29% and sundry revenue at 8%.

Figure 2: Earnings from freight operations constitute the bulk of internal revenue

Note: BE: Budget Estimates; RE: Revised Estimates.
Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2017-18 to 2025-26; PRS.

Between 2017-18 and 2026-27, freight revenue has contributed an average of 68% to total internal revenue, making it the primary source of revenue for Indian railways. As a result, financial performance of railways is sensitive to growth and margins in the freight segment. Between 2017-18 and 2026-27, freight revenue is estimated to grow at an annualised rate of 5.5%. During the same period, revenue from passenger services is estimated to grow by 6.7%.

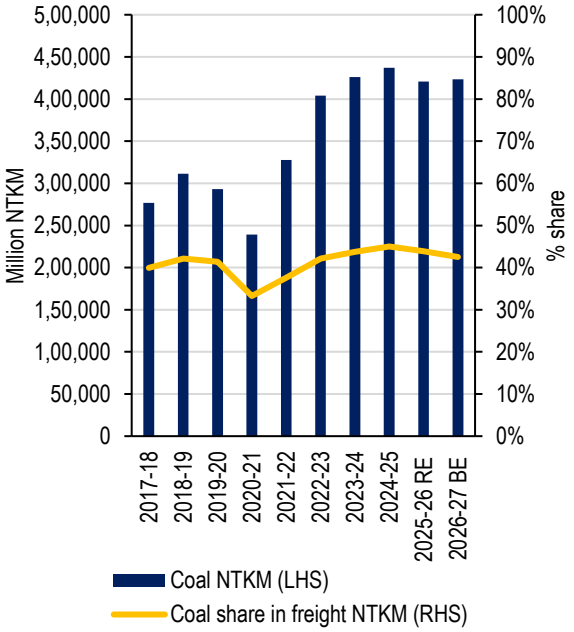
High dependence on coal freight

Coal continues to be the single largest contributor to Indian Railways' freight earnings. It is estimated to account for 48% of freight revenue in 2026-27, up from 44% in 2017-18.

In 2022-23, Railways transported around 55% of the total coal evacuated in the country.[1] The Ministry of Coal (2023) is making efforts to increase this share to 75% by 2029-30.[1] In recent years, growth in coal freight has consistently outpaced growth in non-coal and overall freight (Figure 4). Between 2022-23 and 2026-27, coal freight is estimated to grow at an annualised rate of 1.2%, whereas all other freight traffic is estimated to grow at an annualised rate of 0.8%.

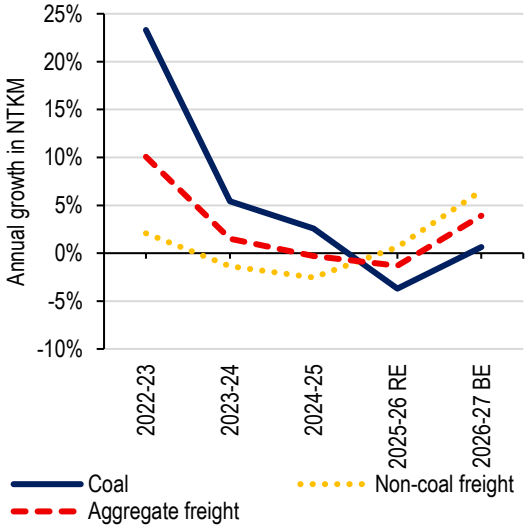
Coal consumption is projected to grow at about 3% per year until 2030, translating into a cumulative increase of over 200 million tonnes (MT).[2] These factors are likely to sustain coal-related freight volumes over the next few years.

Figure 3: Coal freight in 2026-27 estimated to be 0.6% lower than 2023-24



Note: NTKM – Net Tonne Kilometre (One NTKM is when one tonne of freight is carried for a kilometre).
Source: Part C: Revenue Earning Traffic Performance Targets, Railway Statements, Union Budget, 2019-20 to 2026-27; PRS.

Figure 4: Growth in coal, non-coal, and aggregate freight



Source: Part C: Revenue Earning Traffic Performance Targets, Railway Statements, Union Budget, 2022-23 to 2026-27; PRS.

The Standing Committee on Railways (2025) highlighted another opportunity for Railway freight in the coal-related value chain.[3] Coal-based power plants generate large quantities of ash, known as fly ash. To reduce environmental risks from unsafe disposal, the government has mandated the utilisation of fly ash. In 2021-22, about 96% (260 MT) of the fly ash generated in the country was utilised.[4] Cement and concrete industries account for about 30% of fly ash utilisation.[3] Currently, 99% of fly ash is transported by road.[3] Rail-based transportation of fly ash can be more economical for bulk movement over long distances and is also more environment-friendly. The Committee observed that realising this potential would require addressing certain constraints. These include: (i) creating adequate unloading infrastructure at cement and other end-use plants, (ii) reducing rail freight tariffs to improve cost competitiveness, and (iii) acquiring wagons tailored for fly ash transportation.

Coal is predominantly used in the power sector in India, with 73% of the total coal consumption in 2025 being for electricity generation.[5] While power demand is expected to grow at an annualised rate of 5.7% between 2026-27 and 2031-32, the share of coal in India's the generation mix is projected to decline from about 70% in 2025 to 60% by 2030.[4,5] This reduction is based on environmental concerns and increased adoption of cleaner energy technologies. Coal demand in India is expected to peak between 2030 and 2035.[6] This presents a long-term revenue risk for Railways, given its heavy dependence on coal freight.

Low contribution of non-bulk goods to freight revenue

Indian Railways' freight revenue is skewed towards bulk commodities, which include goods such as coal, iron ore, cement, food grains, fertilisers, petroleum, and limestone. These commodities are expected to contribute 84% to freight earnings in 2026-27, roughly same as their contribution in 2017-18 (84%). The remaining share is represented by non-bulk goods, such as container freight, vehicles, fast moving consumer goods (FMCG), pharmaceuticals, and parcels. The contribution of container services, the closest proxy available for non-bulk goods, is estimated to increase from 4% of freight revenue in 2017-18 to 6% in 2026-27.

Rail freight charges are based on a minimum chargeable weight per wagon. The Draft National Rail Plan (2020; NRP) had observed that this makes rail transport less competitive for light cargo, as charges are also linked to wagon capacity rather than the actual weight carried.[7] It further noted that costs for first and last mile transportation, terminal handling and haulage makes rail transportation of these goods costlier than by road. Lack of timetabled delivery for most freight trains may also be limiting expansion into segments like e-commerce, parcel delivery and FMCG, where timely delivery is key.[8]

Railways' schemes for promoting automobile freight

Transportation of automobiles through Railways has increased significantly in recent years. Automobile loading increased from 27,522 wagons in 2017-18 to 1,79,291 wagons in 2023-24.4 India's largest car manufacturer, Maruti Suzuki, increased the share of its vehicle dispatches through rail from 5% in 2014-15 to 21.5% in 2023-24. The following have contributed to this growth:

- Automobiles Freight Train Operator Scheme (AFTO): This scheme was launched in 2010 to permit private players to procure and operate special purpose wagons for automobiles. , Wagon owners charge customers market-determined rates for various services.
- Dedicated Gati Shakti Cargo Terminals (GCTs): This scheme was launched in 2021 to encourage private investment in development of terminals for handling rail cargo.[11] Railways has approved proposals for 306 GCTs. 118 GCTs have been commissioned with an investment of Rs 8,600 crore. Between 2022-23 and 2024-25, freight revenue worth Rs 23,200 crore was generated by GCTs. In 2025, the country's largest automobile GCT was inaugurated at Maruti Suzuki India Limited in Manesar, Haryana. It has a loading capacity of 4.5 lakh automobiles per annum

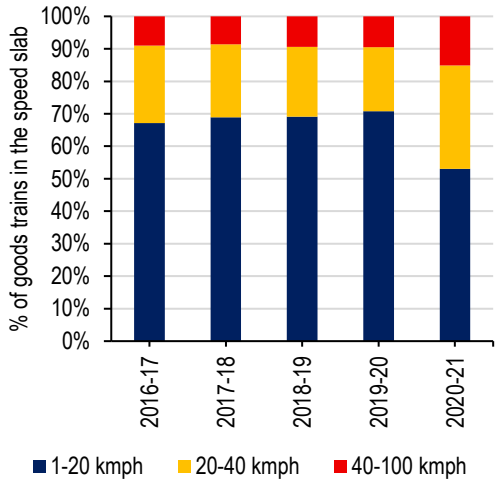
Operational efficiency is crucial for increasing freight revenue

CAG (2022) noted that efficient management of wagons is crucial to achieving higher freight targets.[9] This includes matching wagon availability with demand, improving utilisation through better infrastructure, and ensuring timely maintenance.

Wagon turnaround (WTR) is the time between two successive loadings of a wagon. Between 2018-19 and 2023-24, WTR remained nearly the same at around five days.[10] In 2023-24, wagons travelled empty for 37% of the distance travelled.[11] Empty running of wagons is unavoidable on account of unbalanced nature and quantity of outward traffic and inward traffic. However, between 2018-19 and 2023-24, the percentage of distance run empty by wagons increased at an annualised rate of 0.6%. This could signify an increased wastage of transport capacity and loss of earnings.

Speed of goods trains is one of the vital indicators of efficient freight operations. Speed of goods trains is affected by factors such as crossings, crew changes, equipment failure, and congestion on routes. Railways has undertaken several measures to improve speed. These include developing dedicated freight corridors, multi-laning, deploying higher horsepower locomotives, shifting to higher-capacity air-brake wagons, upgrading workshops, and using Freight Operations Information System to manage and monitor freight movement across the network.[9] However, between 2016-17 and 2020-21, 65% of the goods trains travelled in the lowest speed range of 1-20 km per hour (kmph), with around 11% trains travelling at more than 40 kmph.[9] In 2023-24, goods trains recorded an average speed of 25 kmph, marginally higher than 23.3 kmph in 2017-18.[12,13] NRP has set a target of increasing average freight train speed to 50 kmph by 2030.

Figure 5: Majority of goods trains run on speeds between 1-20 kmph



Source: Report No. [35] of 2022 – Volume II, CAG; PRS.

Dedicated Freight Corridors (DFCs)

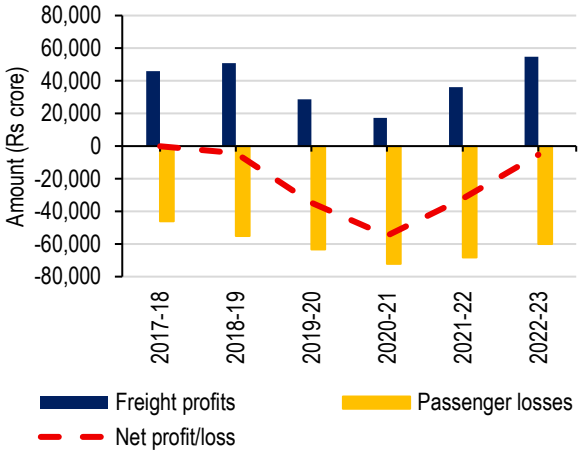
The Union Budget 2026-27 proposed a new DFC connecting Dankuni in West Bengal with Surat in Gujarat. Two DFCs are currently operational: Eastern DFC (EDFC) and WDFC. The EDFC, spanning 1,337 km and fully commissioned, primarily carries coal and mineral traffic from Eastern India. The WDFC, spanning 1,506 km, of which nearly 93% is commissioned, is intended to move port-based traffic of western coast to the northern hinterland.[4] The DFCs were conceived to reduce transit time and logistics cost, and improve service reliability.

Freight traffic on DFCs has increased rapidly. Traffic rose from 22,389 million NTKM in 2022-23 to 111,898 million NTKM in 2024-25.[14] The average speed of freight trains on the DFC network was 38 kmph in 2023-24 and 37 kmph in 2024-25.[3] While this is higher than the average speed of freight trains on Railways' network (25 kmph in 2023-24), it remains well below the targeted average speed of 60-65 kmph on DFCs.[15] In 2024-25, EDFC handled about 198 trains per day, nearly twice its capacity of 100 trains per day.[16] The WDFC though remains underutilised, running 159 trains per day in 2024-25 against its capacity of 380 trains per day. DFCs face operational constraints such as shortage of locomotive pilots and guards, and congestion on feeder routes connecting to the DFCs.[3]

Freight cross-subsidises passenger services

The Standing Committee on Railways (2025) noted that Railways has been able to maintain affordable passenger fares for the public primarily due to freight income.[3] In 2023-24, the subsidy on passenger services is estimated to be Rs 60,466 crore, covering about 45% of the cost of passenger travel.[17] As per the NRP, this inherent cross-subsidy has resulted in Indian Railways' freight charges being higher than its global peers.[7] Revenue from passenger services across most categories are unable to cover costs (see Table 2).

Figure 6: Profit from freight unable to cover for losses from passenger services



Source: Report No. [9] of 2025, Railway Finances, CAG; PRS.

Table 2: Most passenger service categories register losses (figures in Rs crore)

Class	2019-20	2020-21	2021-22	2022-23
AC- 1st Class	-403	-719	-406	-245
1st Class	-38	-43	-45	-95
AC 2 Tier	-1,378	-2,995	1,564	-561
AC 3 Tier	**65**	-6,500	-698	3,300
AC Chair Car	-182	-1,079	-473	-298
Sleeper	-16,056	-20,134	-17,038	-17,819
Second Class	-14,457	-17,641	-16,393	-16,357
Ordinary Class	-20,450	-11,438	-15,282	-17,077
Suburban	-6,938	-7,799	-8,316	-7,842

Note: Second Class refers to non-AC 2nd sitting class and Ordinary Class refers to general (unreserved) class.
Sources: Report No. [9] of 2025, CAG; PRS.

Except AC 3 tier in 2019-20 and 2022-23, all other classes of passenger services have observed losses in all four years between 2019-20 and 2022-23. AC 3 tier contributes about a third of passenger traffic earnings on 15% of passenger traffic volume (see Table 3 in Annexure). Losses in the passenger segment are classified as social service obligations of the Railways.[18] Indian Railways is a commercial undertaking of the government.[19] Therefore, the question arises whether a commercial entity must bear social costs. The NITI Aayog had noted that there is lack of clarity on the social and commercial objectives of Railways.[20]

Several committees have also emphasised the need to rationalise passenger fares to improve the financial sustainability of Railways.[7] The Standing Committee on Railways (2024) recommended a comprehensive review of Railways' operating expenses for passenger trains, and passenger fares.[21] It recommended rationalising them to reduce losses while also ensuring affordability of prices.[21]

Passenger fares were revised from July 1, 2025, after a gap of five years.[22] The increase ranged from half a paisa to two paise per km for premium classes. Passenger fares were increased again in December 2025.[23] Ordinary class fares increased by one paisa per kilometre for journeys beyond 215 km, while mail and express non-AC and AC classes saw an increase of two paise per kilometre. In contrast, despite rising input costs, Railways has not revised freight rates since 2018.[22] As per the NRP, freight charges are already considered high and any further increase could lead to a decline in traffic.[7] The Economic Survey (2025-26) noted that high freight rates distort competition with roads, inflate commodity and consumer prices, and logistics costs.[24] It observed that rationalising freight rates could improve revenue buoyancy, incentivise a modal shift of freight from roads to rail, and increase market share. It will also help in decongesting road space and decarbonising the transport sector.

Mumbai-Ahmedabad High Speed Rail (HSR) Corridor

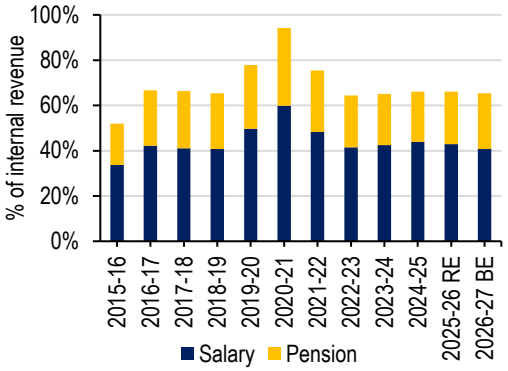
India is developing its first HSR corridor between Mumbai and Ahmedabad.[25] The 508 km corridor is being developed at a project cost of Rs 1.08 lakh crore.[26] About 81% of the project cost is being financed through a 50-year loan from Japan International Cooperation Agency, with the remaining cost funded by the Ministry of Railways and the state governments of Gujarat and Maharashtra. As of June 30, 2025, approximately 92% of the project cost has been incurred. The project began in 2017.[27] The Ministry of Railways (2025) noted that delay in land acquisition in Maharashtra impacted the project till 2021.[28] The first section between Surat and Bilimora in Gujarat is expected to be completed by December 2027. The full corridor is targeted for completion by December 2029. The Ministry of Railways (2025) also noted that HSR is a complex project and exact timelines can be reasonably ascertained after completion of all associated works and supply of trainsets.

Railways' Expenditure

Two-thirds of Railways' internal revenue is committed towards salaries and pension

A major share of Railways' revenue expenditure is budgeted towards staff salaries and pension. On average, Railways has spent 71% of its revenue on salaries and pension in the last 10 years. In 2026-27, 41% of the internal revenue will be spent towards staff salaries and 25% towards pension. Between 2017-18 and 2026-27, salaries and pension expenses have grown at an annualised rate of 5.9% and 5.7%, respectively. Internal revenue has grown only slightly higher, at an annualised rate of 6%, during this period.

Figure 7: Spending on salaries and pension at about two-third of internal revenue



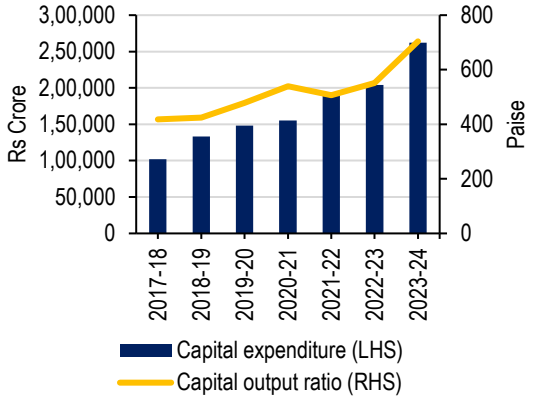
Note: In 2020-21, revenue declined due to impact of COVID-19 pandemic, resulting in higher ratios than usual.
Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2026-27; PRS.

The terms of reference for the 8th Central Pay Commission (CPC) were approved in October 2025. The revised pay structure is expected to take effect from January 1, 2026.[29] The implementation of the 7th CPC from January 1, 2016 increased Railways' expenditure by Rs 22,000 crore per annum.[30] Expenditure on salaries and pension rose by 26% between 2015-16 and 2016-17, leading to a deterioration in the operating ratio from 90.5% to 96.5%. During this period, the share of revenue spent on salaries and pension jumped sharply from 52% to 67%. The operating ratio of Railways is currently above 98%. Railways has limited flexibility to raise passenger fares or freight rates. Further, a high proportion of revenue is already committed to staff costs. This indicates less room to absorb increase in staff costs from the 8th CPC. Any such increase may affect spending on capital, maintenance, or other priorities.

Capital expenditure grew faster than earnings or other operational metrics

Railways' capital expenditure grew at an average annual rate of 17% between 2017-18 and 2023-24, increasing from Rs 1,01,985 crore to Rs 2,62,217 crore.[31] Over the same time, total revenue grew at a much slower rate of 6.2%, from Rs 1,78,929 crore in 2017-18 to Rs 2,56,093 crore. The capital output ratio (COR), which measures capital employed per unit of traffic (in NTKM for freight and passenger traffic), rose at an annual average rate of 7.7%, from 418 paise in 2017-18 to 704 paise in 2023-24. Accounting for inflationary impact, this indicates that there was no improvement in the efficient use of capital. Factors such as cost overruns due to project delays and investments in financially unviable projects may have contributed to the higher COR. Despite the higher capital outlay, there has been no perceptible improvement in train speeds (see Figure 9).

Figure 8: Railways is deploying more capital for generating one NTKM of traffic



Source: Indian Railways' Year Books, Indian Railways; PRS.

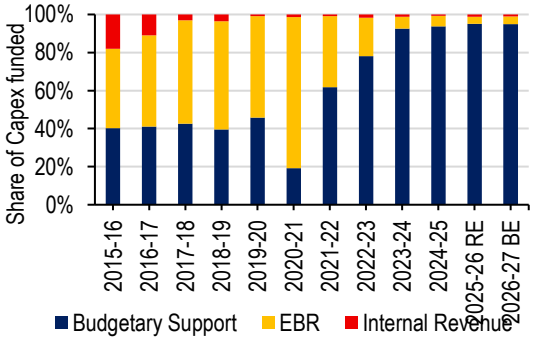
Figure 9: Average speed of trains has remained at about the same level between 2017-18 and 2023-24

Note: Railways operated fewer trains during COVID-19 pandemic, which reduced network congestion and allowed trains to maintain higher speeds.
Source: Indian Railways' Year Books, Indian Railways; PRS.

Capital expenditure sustained by a higher budget support

In 2026-27, Railways has budgeted capital expenditure of Rs 2,93,030 crore in 2026-27. Since 2021-22, higher budgetary support from the central government is financing capital expenditure.[32]

Figure 10: Financing of capital expenditure



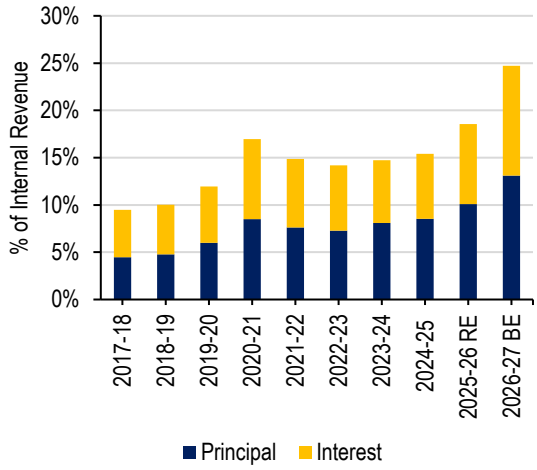
Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2026-27; PRS.

Increasing lease liabilities

Railways raises extra budgetary resources (EBR) through Indian Rail Finance Corporation (IRFC).

IRFC borrows from market and follows a leasing model to finance the rolling stock assets. Outstanding liabilities raised by IRFC under the leasing arrangement are estimated to be Rs 4.3 lakh crore as of 2026-27.[33] In 2017-18, these liabilities were Rs 1.6 lakh crore. Lease charges have both interest and principal components. Expenditure on both principal and interest component of lease charges has increased over the last few years. Interest expenditure is estimated to grow from around Rs 9,000 crore in 2017-18 to Rs 35,130 crore in 2026-27. Expenditure on repaying principal amount is estimated to rise from Rs 7,980 crore in 2017-18 to Rs 39,650 crore in 2026-27. In 2026-27, total expenditure towards lease charges is estimated to be 25% of internal revenue, a significant jump from 19% in the previous year.

Figure 11: Spending on lease charges payment to IRFC has risen



Source: Expenditure Profile, Railway Statements, Union budget documents, 2019-20 to 2026-27; PRS.

Low private participation in Railways

Railways has remained a publicly owned and operated system, given its strategic importance and public service role. Private participation has been pursued mainly through Public-Private Partnership (PPP) models and outsourcing arrangements. These include: (i) station redevelopment, (ii) construction of rail lines and connectivity projects, (iii) freight terminals and logistics infrastructure, (iv) rolling stock manufacturing and leasing, and (v) non-core services such as catering and cleaning.[34] Operations of passenger train services continue to remain with Indian Railways. In 2006, Railways began allowing private players to run container train for transportation of containerised cargo.[35] As of 2020, there were 18 private container operators in the country.[36]

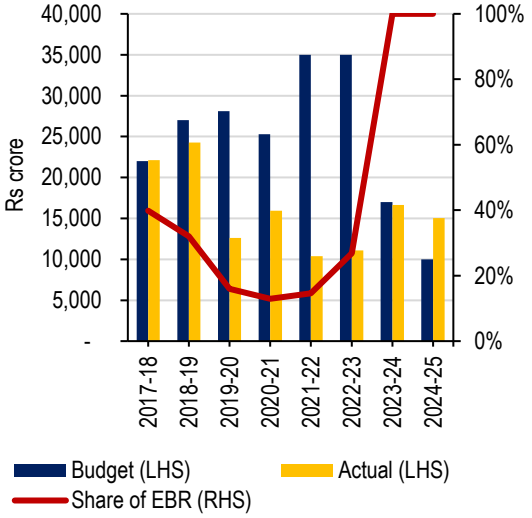
Under the Amrit Bharat Station Scheme, 1,337 stations have been identified for redevelopment or upgradation. Of these, 15 stations were identified for redevelopment through PPP models.[37] Rani Kamalapati Railway Station in Madhya Pradesh has been commissioned under a PPP arrangement.

According to the Ministry of Railways (2024), private participation in railway line projects has remained limited as construction risks reduce their attractiveness for private players.[38]

Private sector involvement has been stronger in freight-related activities.[3] Gati Shakti Terminals are being developed with participation from industry. In addition, 79 Private Freight Terminals have been commissioned on private land to handle goods traffic.[39] Railways has also introduced several wagon investment schemes to encourage private ownership of rolling stock. 640 rakes have been procured under these schemes.[3] A rake is a fixed set of wagons of the same type. Further, three coal connectivity projects are being implemented through joint ventures.[3]

Public private partnership (PPP) is a source of extra budgetary resources (EBR) for Railways. Standing Committee on Railways (2025) recommended Railways adopt a more ambitious approach towards private participation in infrastructure creation and set higher PPP targets to reduce dependence on budgetary support.[40] EBR from PPP is estimated at Rs 12,000 crore in 2026-27, significantly lower than 2017-18 (Rs 22,116 crore) and 2018-19 (Rs 24,281 crore) levels.

Figure 12: Railways met its EBR (Partnerships) targets in 2024-25, first time since 2018-19



Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2026-27; PRS.

Several structural factors have constrained private investment in some railway infrastructure projects such as DFCs.[3] These include high capital requirements, long gestation periods with delayed returns, and revenue uncertainty arising from traffic allocation decisions by Indian Railways.[3] The Committee on Restructuring of Railways (2015) observed that private participation has been limited because policy formulation, regulation, and operations are all vested in the Ministry of Railways.[41] The Committee recommended that these roles must be separated.

Operating Ratio

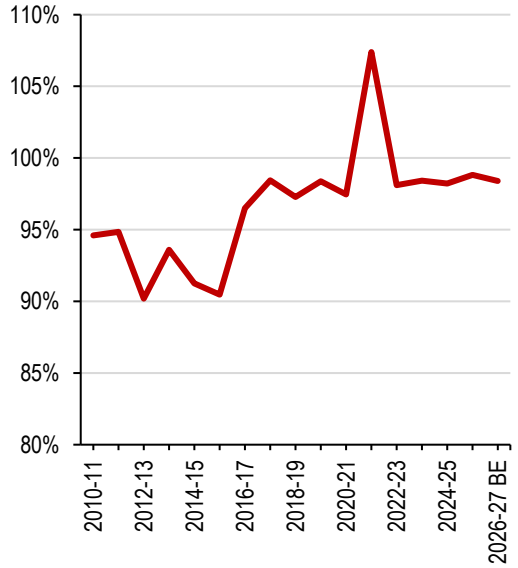
High operating expenditure leaves limited surplus

Over the past decade, Railways' revenue expenditure has absorbed nearly all of its internal revenue, averaging close to 99% of receipts. This has resulted in generation of limited revenue surplus, limiting Railways' ability to invest toward capital works from its own resources (Figure 13).

Operating Ratio is the ratio of the total working expenditure and the internal revenue of the Railways. It indicates how much the Railways spends to earn Rs 100. A higher operating ratio indicates poorer financial performance. Operating ratio reduced from 94.6% in 2010-11 to a targeted 98.4% in 2026-27. In 2025-26, operating ratio is estimated at 98.8%, higher than the initial budget estimate (98.4%).

CAG observed that operating ratio reported by Railways may understate true working expenses. For 2021-22, full appropriation to the Pension Fund and the Depreciation Reserve Fund (DRF) would have raised the ratio from 107.4% to 109.4%.[42] Similarly, if the entire revenue surplus in 2022-23 had been appropriated to DRF, the operating ratio would have increased from 98.1% to 99.2%.[43] Near 100% operating ratio has led to under-provisioning for essential funds such as Depreciation Reserve Fund for replacement and renewal of assets, Capital Fund for debt servicing, and Rashtriya Rail Sanraksha Kosh for renewal, replacement or upgradation of critical safety assets of Railways (see Table 5 in Annexure).

Figure 13: Consistently high operating ratio



Source: Railway Statistical Publications, Year Books, 2010-11 to 2023-24, Ministry of Railways; Expenditure Profile, Railway Statements, Union budget documents, 2026-27; PRS.

Quality of Service

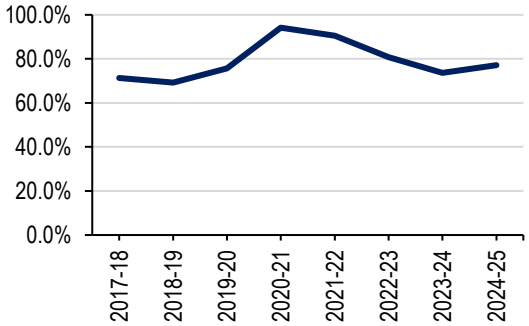
Poor punctuality and on-board cleanliness affect overall service quality

In 2024-25, Railways recorded a punctuality index of 77%.[44] The index measures the share of passenger trains arriving on time at their destination, based on an allowed delay of up to 15 minutes from the scheduled time. CAG (2021) noted that several other countries follow stricter standards, with allowable delays of a few seconds in Japan, three minutes in the Netherlands, five minutes in Germany and Russia, and 10 minutes in the UK.[45] In most countries, punctuality is measured at the originating point, intermediate station, as well as at terminating stations.

An audit analysis of about 13 lakh train runs during 2016-17 and 2018-19 found that only 30% of trains arrived on time, while 20% arrived early and the remaining 50% were delayed.[45] CAG (2021) noted that early arrivals could also be due to padding in schedules, reflecting inefficiencies in timetabling. Audit revealed that punctuality is affected by factors such as lack of available paths due to poor monitoring, track defects, rescheduling by zonal railways, and congestion caused by unscheduled train movements.

Further, CAG (2021) noted that Railways does not specify delivery timelines or fixed schedules for majority of freight trains.[45] Freight paths are allotted after passenger services, making it difficult to operate goods trains on a timetable. This adversely affects freight speeds and operational efficiency.

Figure 14: Despite a low benchmark and higher threshold, Railways' punctuality remains low



Note: Punctuality index was high in 2020-21 primarily due to the sharp contraction in train operations during the COVID-19 pandemic, which temporarily eased pressure on the network.
Source: Indian Railways' Year Books, Indian Railways; Unstarred Question No. [595], Lok Sabha, Answered on December 3, 2025; PRS.

Cleanliness is an important indicator of service quality in Indian Railways. CAG (2025) found shortcomings in the enforcement of contract conditions at Clean Train Stations (CTS).[46] CTS scheme was introduced for mechanised cleaning of a few areas of coaches, such as bio-toilets and doorways, during the 10-15 minutes' halt of trains

at enroute stations.[46] Joint inspections at 29 CTS revealed limited cleaning of toilets and other areas, along with shortfalls in the use of machines and deployment of manpower.

In 2022-23, over one lakh complaints were reported regarding non-availability of water in toilets and wash-basins on trains. Quick watering facilities were not operational at 25% of the 109 stations identified for this purpose.[46] Quick watering system is a mechanised water supply system that allows multiple coaches of a train to be filled simultaneously during a short halt at a station. A passenger survey covering 2,426 passengers across 96 trains found that the condition of bio-toilets was better in AC coaches than in non-AC coaches as of March 31, 2023.[46] Bio-toilets are designed to treat human waste biologically, reducing discharge on railway tracks. CAG (2025) further observed that passenger feedback on the quality of linen was not effectively enforced on contractors.

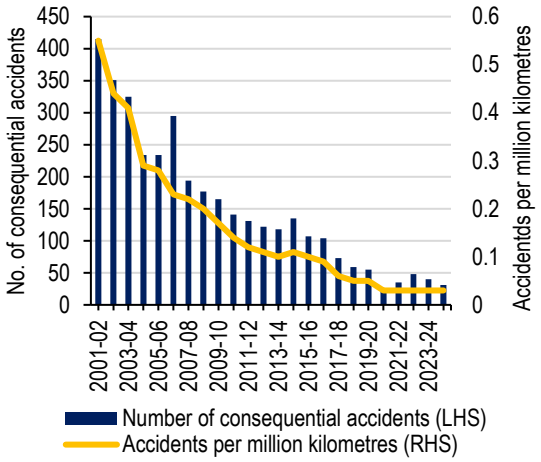
Safety

Between 2000-01 and 2024-25, 3,984 consequential train accidents have taken place, including 40 accidents in 2023-24 and 31 in 2024-25.[47] Consequential accidents are serious incidents such as collisions, derailments, or fires that result in loss of life or property, injury, or disruption of rail traffic. Measured per million train kilometres, accidents declined from 0.65 in 2000-01 to 0.03 in 2024-25 (see Figure 15).[48,49]

In cases of derailments, CAG (2021) noted the following to be among key reasons: (i) bad driving or over speeding, (ii) lack of track maintenance, (iii) deviation of track parameters beyond permissible limits, (iv) defects in coaches/wagons, and (v) mistakes in shunting operations.[50] It also noted a shortfall ranging between 30-100% in inspections to assess the conditions of railway tracks.[50] It observed that 63% of the assessed non-AC coaches did not have fire extinguishers.[50]

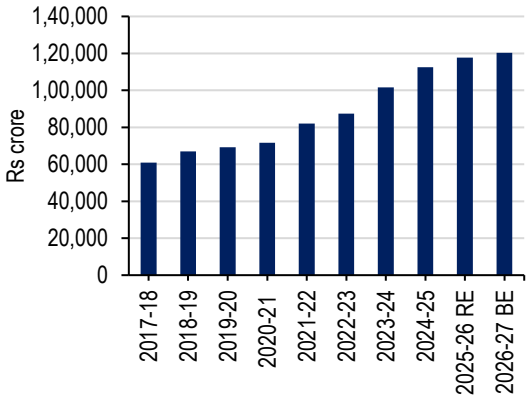
Expenditure on safety related works has increased by an annualised rate of 8%, from Rs 60,884 crore in 2017-18 to Rs 1,20,389 crore in 2026-27 (see Figure 16). Some measures taken by Railways to address safety issues include: (i) removal of unmanned level crossings, (ii) introduction of Kavach – automatic train protection system, (iii) introducing vigilance control devices on trains to improve alertness of pilots, and (iv) closure, merger and replacement of level crossings.[51]

Figure 15: Accidents have come down over the years



Sources: Railway Year Books; "Indian Railways' Safety Push Brings Down Consequential Train Accidents to 31 in 2024–25 and 3 in 2025–26 from 1,711 in 2004–14: Ashwini Vaishnaw", Press Information Bureau, Ministry of Railways, August 8, 2025; PRS.

Figure 16: Expenditure on safety related works increased by 8% between 2017-18 and 2026-27



Sources: Expenditure Profile, Railway Statements, Union budget documents, 2019-20 to 2026-27; PRS.

[1] Inter-Ministerial Report on Long-term Plan for Movement of Coal through Ports & Waterways, Ministry of Coal, https://www.coal.nic.in/sites/default/files/2023-10/09-10-2023-rsr.pdf.

[2] Coal 2025: Analysis and forecast to 2030, International Energy Agency, https://iea.blob.core.windows.net/assets/113a8274-500c-4684-951f-947d25bef3c9/Coal2025.pdf.

[3] Report No. 6, Standing Committee on Railways, Lok Sabha, December 16, 2025, https://sansad.in/ls/committee/departmentally-related-standing-committees/28-railways-nameH=%E0%A4%B0%E0%A5%87%E0%A4%B2.

[4] National Electricity Plan, Ministry of Power, May 2023, https://cea.nic.in/wp-

content/uploads/document_upload/2023/06/NEP_2022_32_FINAL_GAZETTE.pdf

[5] Coal 2025: Analysis and forecast to 2030, International Energy Agency, https://iea.blob.core.windows.net/assets/113a8274-500c-4684-951f-947d25bef3c9/Coal2025.pdf.

[6] Unstarred Question No. 2511, Lok Sabha, Ministry of Coal, December 21, 2022, https://sansad.in/getFile/loksabhaquestions/annex/1710/AU2511.pdf?source=pqals.

[7] Draft National Rail Plan, Indian Railways, 2020, https://indianrailways.gov.in/NRP-%20Draft%20Final%20Report%20with%20annexures.pdf.

[8] Report No. 22 of 2021, CAG, https://cag.gov.in/uploads/download_audit_report/2021/22%20of%202021-0624d80426ef498.58288689.pdf.

[9] Union Government (Railways) (Compliance Audit), Report No. 35 of 2022 – Volume II, CAG, https://cag.gov.in/webroot/uploads/download_audit_report/2022/Report-no.-35-of-2022-Vol.-II--English-Digitally-signed-(1)-06437ec4e3c3d06.84593583.pdf.

[10] Indian Railways Annual Report Accounts, 2017-18 to 2023-24, https://indianrailways.gov.in/railwayboard/view_section.jsp?lang=0&id=0,1,304,366,554,941.

[11] Indian Railways Annual Report Accounts 2023-24, Indian Railways, https://indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/2025/Indian%20Railways%20Annual%20Report%20%20Accounts%202023-24%20-English.pdf.

[12] Indian Railways Year Book 2023-24, Indian Railways, https://indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/2025/IR%20Year%20Book%202023-24-English.pdf.

[13] Indian Railways Year Book 2017-18, Indian Railways, https://indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/pdf_annual_report/Railway%20Year%20Book_2017_18.pdf.

[14] Annual Reports 2022-23 to 2024-25, Dedicated Freight Corridor Corporation of India Limited, https://dfccil.com/Home/DynemicPages?MenuId=140.

[15] Corporate Plan 2017-22, Dedicated Freight Corridor Corporation of India Limited, https://dfccil.com/upload/corporate_plan_merged_0ILG.pdf.

[16] Annual Report 2024-25, Dedicated Freight Corridor Corporation of India Limited, https://dfccil.com/images/uploads/img/DFCCIL-Annual-Report-2024-25-19112025_LR6E.pdf.

[17] Unstarred Question No 1673, answered on 10 December 2025, Lok Sabha, Ministry of Railways, https://sansad.in/getFile/loksabhaquestions/annex/185/AU1673_N3TDLf.pdf?source=pqals.

[18] Report No. 3, Standing Committee on Railways, Lok Sabha, March 2, 2020, https://eparlib.nic.in/handle/123456789/790821?view_type=browse.

[19] Indian Railways Website, as accessed on January 30, https://indianrailways.gov.in/.

[20] Reviewing the Impact of "Social Service Obligations" by Indian Railways, NITI Aayog, http://164.100.94.191/niti/writereaddata/files/document_publication/Social-Costs.pdf.

[21] Report No. 1, Demands for Grants (2024-25), Standing Committee on Railways, December, 2024, https://sansad.in/getFile/lsscommittee/Railways/18_Railways_1.pdf?source=loksabhadocs.

[22] Unstarred Question No 1741, answered on 30 July 2025, Lok Sabha, Ministry of Railways, https://sansad.in/getFile/loksabhaquestions/annex/186/AU1741_weaqwp.pdf?source=pqals.

[23] Indian Railways Rationalises Fare Structure; No Fare Increase for Suburban Services, Season Tickets and Second Class Ordinary Journeys up to 215 km, Press Information Bureau, December 25, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2208532&reg=3&lang=1.

[24] Economic Survey of India 2025-26, January 29, 2026, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.

[25] Union Minister Ashwini Vaishnaw and Japanese Minister H.E. Hiromasa Nakano Visit Surat and Mumbai Sites of Mumbai–Ahmedabad High-Speed Rail Project, Press Information Bureau, October 3, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2174642&reg=3&lang=2.

[26] Starred Question No 54, Lok Sabha, Ministry of Railways, Answered on July 23, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AS54_7WACnw.pdf?source=pqals.

[27] PM Modi and Japanese PM Abe lay foundation stone for India's first High Speed Rail project, Press Information Bureau, September 14, 2017, https://www.pib.gov.in/newsite/printrelease.aspx?relid=170771&utm_source=chatgpt.com&reg=3&lang=2.

[28] Unstarred Question No. 2949, Lok Sabha, Ministry of Railways, August 6, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU2949_VulUkF.pdf?source=pqals.

[29] Cabinet approves Terms of Reference of 8th Central Pay Commission, Press Information Bureau, October 28, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2183289&reg=3&lang=2#:~:text=changes%20required%20thereon.-,Usually%2C%20the%20recommendations%20of%20the%20pay%20commissions%20are%20implemented%20after,benefits%20of%20Central%20Government%20employees.

[30] Unstarred Question No. 1210, Lok Sabha, Ministry of Railways, July 25, 2018, https://sansad.in/getFile/loksabhaquestions/annex/15/AU1210.pdf?source=pqals.

[31] Railway Statements, Union Budgets of year 2018-19 to 2025-26, https://www.indiabudget.gov.in/previous_union_budget.php

[32] Action taken by Government on the Observations/Recommendations contained in the 1st Report of the Standing Committee on Railways (Eighteenth Lok Sabha) on 'Demands for Grants (2024-25) of the Ministry of Railways', Standing Committee on Railways, Lok Sabha, March 10, 2025, https://sansad.in/ls/committee/departmentally-related-standing-committees/28-railways-nameH=%E0%A4%B0%E0%A5%87%E0%A4%B2.

[33] Statement 27A, Part-IV Establishment and Public Enterprises, Expenditure Profile, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/stat27a.pdf.

[34] Ustarred Question No. 4624, Lok Sabha, Ministry of Railways, March 29, 2023, https://sansad.in/getFile/loksabhaquestions/annex/1711/AU4624.pdf?source=pqals.

[35] Starred Question No. 100, Lok Sabha, Ministry of Railways, March 2, 2016, https://sansad.in/getFile/loksabhaquestions/annex/7/AS100.pdf?source=pqals.

[36] Recommendations of Bibek Debroy Committee, Press Information Bureau, March 11, 2020, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1606002&reg=3&lang=2.

[37] Unstarred Question No. 3107, Lok Sabha, Ministry of Railways, March 19, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU3107_AwCYtA.pdf?source=pqals&utm_source=chatgpt.com.

[38] Unstarred Question No. 1378, Rajya Sabha, Ministry of Railways, August 2, 2024, https://sansad.in/getFile/annex/265/AU1378_9IOUDO.pdf?source=pqars.

[39] Indian Railways Freight Services, accessed on January 9, 2025, https://www.foistest.indianrail.gov.in/RailSAHAY/pages/OwnTrmlNew.jsp?utm_source=chatgpt.com.

[40] Report No. 2, Standing Committee on Railways, Lok Sabha, March 10, 2025,

https://eparlib.sansad.in/bitstream/123456789/2989620/1/18_Railways_2.pdf?utm_source=chatgpt.com.

[41] Report of the Committee for the Mobilisation of Resources for Major Railway Projects and Restructuring of Railway Ministry and Railway Board, June, 2015, https://indianrailways.gov.in/railwayboard/uploads/directorate/HLSRC/FINAL_FILE_Final.pdf.

[42] Report No. 13 of 2023, CAG, August 8, 2023, https://cag.gov.in/uploads/download_audit_report/2023/Report-No-13-of-2023-Signatory-file--English-064d331fe92fb06.22635261.pdf.

[43] Report No. 9 of 2025, CAG, August 12, 2025, https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-09-Railways-English-Digital-signed-01.08.2025-0689b51f6c25b75.04861797.pdf.

[44] Unstarred Question No. 595, Lok Sabha, Ministry of Railways, December 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU595_GACMcK.pdf?source=pqals.

[45] Report No. 22 of 2021, CAG, https://cag.gov.in/uploads/download_audit_report/2021/22%20of%202021-0624d80426ef498.58288689.pdf.

[46] Cleanliness and Sanitation in long distance trains in Indian Railways, Report No. 15 of 2025, CAG, https://cag.gov.in/uploads/download_audit_report/2025/Final_Report-No.-15-of-2025-(Railways)-ENG,digitize--signed-068a8522d0cd480.14636815.pdf.

[47] "Railway Safety at Record High: Annual Accidents Reduce from 171 (2004–14 Avg.) to 11 in 2025–26 So Far", Press Information Bureau, December 12, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2202873&reg=3&lang=2.

[48] "Indian Railways' Safety Push Brings Down Consequential Train Accidents to 31 in 2024–25 and 3 in 2025–26 from 1,711 in 2004–14: Ashwini Vaishnaw", Press Information Bureau, August 8, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2154316&reg=3&lang=2#:~:text=Another%20important%20index%20showing%20improved,73%25%20during%20the%20said%20period.

[49] Unstarred Question No. 2191, Rajya Sabha, Ministry of Railways, August 9, 2024, https://sansad.in/getFile/annex/265/AU2191_VBycsD.pdf?source=pqars.

[50] Report No. 22 of 2022, Derailment in Indian Railways, CAG, https://cag.gov.in/webroot/uploads/download_audit_report/2022/Report-No.-22-of-2022_Railway_English_DSC-063a2dda55f3ce6.38649271.pdf.

[51] Unstarred Question No. 638, Lok Sabha, Ministry of Railways, December 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU638_gr1wf9.pdf?source=pqals.

Annexure

Table 3: Passenger traffic details (traffic volume in million PKM; earnings in Rs crore)

Head	2024-25 Actuals		2025-26 Revised		2026-27 Budget		% change (2025-26 RE to 2026-27 BE)		% share in 2026-27 BE	
	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume
Suburban (A)	**3,027**	**1,21,687**	**3,284**	**1,24,681**	**3,613**	**1,29,791**	**10%**	**4%**	**4%**	**11%**
Non-Suburban (B)	**72,340**	**10,10,813**	**76,716**	**10,46,011**	**83,687**	**11,00,911**	**9%**	**5%**	**96%**	**89%**
AC First Class	1,281	4,033	1,434	4,313	1,593	4,558	11%	6%	2%	0.4%
AC 2 Tier	7,303	38,279	7,551	37,818	7,936	37,818	5%	0.0%	9%	3%
AC 3 Tier	27,237	1,96,439	27,262	1,87,765	28,638	1,87,765	5%	0%	33%	15%
Executive Class	673	1,597	818	1,856	971	2,095	19%	13%	1%	0.2%
AC Chair Car	4,354	21,235	5,377	25,053	6,540	28,992	22%	16%	7%	2%
First Class (ME)	54	28	41	20	43	20	5%	0.0%	0%	0.00%
First Class (Ordinary)	6	132	6	138	7	150	14%	9%	0%	0.01%
Sleeper Class (ME)	14,847	2,61,677	14,977	2,52,208	15,741	2,52,208	5%	0.0%	18%	20%
Sleeper Class (Ordinary)	7	94	22	299	69	894	214%	199%	0%	0.1%
Second Class (ME)	14,997	4,08,306	17,553	4,56,593	20,311	5,02,926	16%	10%	23%	41%
Second Class (Ordinary)	1,581	78,993	1,675	79,948	1,838	83,485	10%	4%	2%	7%
Total (A+B)	**75,368**	**11,32,500**	**80,000**	**11,70,692**	**87,300**	**12,30,702**	**9%**	**5%**	**100%**	**100%**

Note: PKM – Passenger Kilometre (One PKM is when a passenger is carried for a kilometre).
RE: Revised Estimates; BE: Budget Estimates. M E: Mail and Express.
Sources: Expenditure Profile; Union Budget 2026-27; PRS.

Table 4: Freight traffic details (traffic volume in million NTKM; earnings in Rs crore)

Head	2024-25 Actuals		2025-26 Revised		2026-27 Budget		% change (2025-26 RE to 2026-27 BE)		% share in 2026-27 BE	
	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume
Coal	86,989	4,37,099	87,304	4,20,918	89,793	4,23,561	3%	1%	48%	43%
Raw materials for steel plants*	2,733	16,667	2,848	15,957	3,149	17,273	11%	8%	2%	2%
Pig iron and Finished steel	11,591	67,434	12,228	63,782	14,213	72,555	16%	14%	8%	7%
Iron ore	12,456	59,338	13,683	60,981	14,639	63,804	7%	5%	8%	6%
Cement	13,021	85,540	13,381	83,840	14,316	87,804	7%	5%	8%	9%
Food grains	7,647	63,800	8,264	62,514	8,559	63,378	4%	1%	5%	6%
Fertilisers	7,437	52,665	8,393	58,390	9,553	65,054	14%	11%	5%	7%
Petroleum, Oil, and Lubricant	6,792	35,413	7,029	34,455	7,238	34,731	3%	1%	4%	3%
Containers service	8,790	78,221	10,029	82,034	11,170	89,252	11%	9%	6%	9%
Other Goods	13,708	74,908	15,298	75,511	16,170	78,644	6%	4%	9%	8%
Total	**1,71,163**	**9,71,085**	**1,78,456**	**9,58,382**	**1,88,800**	**9,96,056**	**6%**	**4%**	**100%**	**100%**

Note: NTKM – Net Tonne Kilometre (One NTKM is when one tonne of freight is carried for a kilometre). RE: Revised Estimates; BE: Budget Estimates. *Excluding coal and iron ore.
Sources: Expenditure Profile; Union Budget 2026-27; PRS.

Table 5: Appropriation to various funds (Rs crore)

Fund	Depreciation Reserve Fund		Capital Fund		Rashtriya Rail Sanraksha Kosh	
	Budget	Actual	Budget	Actual	Budget	Actual
2017-18	5,000	1,540	5,948	0	1,000	0
2018-19	500	300	6,990	0	5,000	3,024
2019-20	500	400	3,035	0	5,000	201
2020-21	800	200	0	0	5,000	1,000
2021-22	800	0	0	0	5,000	0
2022-23	2,000	700	2,360	0	2,000	1,517
2023-24	1,000	800	0	0	1,000	1,760
2024-25	1,000	800	0	0	1,800	2,119
2025-26*	1,500	1,000	0	0	2,000	1,000
2026-27	1,500	-	0	-	2,000	-
Total	**14,600**	**5,740**	**18,333**	**0**	**29,800**	**9,621**

Note: Depreciation Reserve Fund is maintained for replacement and renewal of assets. Capital Fund was created to meet the expenditure on leased assets. Rashtriya Rail Sanraksha Kosh was created to renew, replace or upgrade critical safety assets of Railways.
RE: Revised Estimates; BE: Budget Estimates.
*Figures indicated under Actual column are Revised Estimates.
Sources: Expenditure Profile; Union Budget 2017-18 to 2026-27; PRS.

Table 6: Details of capital expenditure (Rs crore)

Head	2024-25 Actuals	2025-26 BE	2025-26 RE	2026-27 BE	% change from 25-26 RE to 26-27 BE
New Lines (Construction)	33,363	32,235	30,632	36,722	20%
Gauge Conversion	5,212	4,550	4,284	4,600	7%
Doubling	32,791	32,000	29,026	37,750	30%
Traffic Facilities-Yard Remodelling and Others	7,334	8,601	7,874	7,897	0%
Rolling Stock	60,625	58,895	63,373	65,497	3%
Leased Assets-Payment of Capital Component	22,699	27,905	28,157	39,650	41%
Road Safety Works-Road Over/Under Bridges	7,049	7,000	7,734	8,225	6%
Track Renewals	23,433	22,800	25,166	22,853	-9%
Electrification Projects	4,248	6,150	4,500	5,000	11%
Other Electrical Works incl. TRD	1,596	1,651	1,959	1,952	0%
Workshops Including Production Units	3,990	4,624	3,185	3,888	22%
Staff Welfare	723	833	1,000	967	-3%
Customer Amenities	13,034	12,118	12,121	11,972	-1%
Investment in Govt. Commercial Undertaking	25,741	22,444	21,598	17,251	-20%
Metropolitan Transport Projects	3,646	4,003	3,990	4,498	13%
Others	8,828	9,391	10,601	12,308	16%
EBR- Partnership	15,049	10,000	10,000	12,000	20%
Total	**269,361**	**265,200**	**265,200**	**293,030**	**10%**

RE: Revised Estimates; BE: Budget Estimates. EBR: Extra Budgetary Resources.
Sources: Expenditure Profile; Union Budget 2026-27; PRS.

Table 7: Physical target and achievement for capital expenditure

Head	2024-25			2025-26			2026-27	
	Budget Target	Achievement		Budget Target	Revised Target	Revised as % of Budget Target	Budget Target	% change from 25-26 RE to 26-27 BE
		In Units	In %					
Construction of new lines (Route km)	700	1,105	158%	700	700	100%	500	-29%
Gauge conversion (Route Km)	200	166	83%	200	200	100%	100	-50%
Doubling of lines (Route Km)	2,900	1,977	68%	2,600	2,600	100%	2,400	-8%
Rolling stock (vehicle units)								
Diesel locomotives	100	105	105%	100	100	100%	100	0%
Electric locomotives	1,280	1,576	123%	1,600	1,726	108%	1,800	4%
Coaches	8,405	7,237	86%	9,423	9,557	101%	10,392	9%
Wagons	38,000	29,889	79%	38,000	26,000	68%	32,000	23%
Track renewals (Track kms)	5,000	6,851	137%	5,500	5,500	100%	6,400	16%
Electrification Projects (Route km)	-	2,701	-	-	-	-	-	-

Sources: Expenditure Profile; Union Budget Documents, 2025-26 and 2026-27; PRS.

Demand for Grants 2026-27 Analysis
Home Affairs

Highlights

- Allocation toward Police remains the highest allocation under the Ministry (68%). CAPFs accounted for 67% of Police allocation, and 98% of the expenditure is towards revenue. CAPFs had vacancies of 8% in 2024.
- Budget utilisation under forensics-related schemes has been low.
- Jammu & Kashmir accounts for 62% of all transfers to the Union Territories.
- Rs 6,000 crore has been allocated for Census and Registrar General for Census 2027.

The Ministry of Home Affairs (MHA) is responsible for ensuring internal security, administering the central police and paramilitary forces, border management, Union Territories (UTs) administration, disaster management, and coordination with states.[1] Article 355 of the Constitution obligates the Union Government to protect every state against external aggression and internal disturbance. The Ministry provides manpower, financial support, guidance, and expertise to state governments to help maintain peace and security. The Ministry also makes transfers to UTs (as they do not receive a share in central taxes), and directly administers UTs that do not have a legislature.[1]

This note analyses the expenditure trends and budget proposals for the Ministry of Home Affairs for 2026-27, and discusses issues across sectors under the administration of the Ministry.

Overview of Finances

In 2026-27, the Ministry of Home Affairs has been allocated Rs 2,55,234 crore.[2] This is a 9.4% increase over the revised estimates for 2025-26 (Rs 2,41,485 crore). In 2026-27, allocation to MHA constitutes 5% of the Union Budget.[2]

In 2026-27, 68% of the Ministry's budget has been allocated towards police.[3] Transfers to the Union Territories makes for the second highest allocation (27%), with Jammu and Kashmir and accounting for 62% of these transfers. Allocation for census and Statistics has increased to Rs 6,000 crore from Rs 1,040 crore in 2025-26 revised estimates. Other expenditure items of the MHA include disaster management, rehabilitation of refugees and migrants, and administrative matters. These have been allocated Rs 5,491 crore.

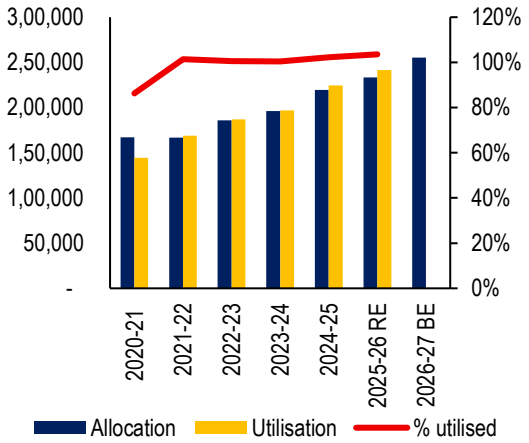
The expenditure of the Ministry has been higher than the budgeted expenditure in all years since 2021-22. In 2025-26, the Ministry is estimated to utilise 104% of the budget allocated.

Table 1: Key Allocations to the Ministry, 2026-27 (in Rs crore)

Head	Revenue	Capital	Total
Police	1,52,530	21,272	1,73,803
Census	5,782	218	6,000
Others	5.090	401	5,490
Transfers to Union Territories			
Jammu and Kashmir	43,290	N/A	43,290
Andaman and Nicobar Islands	6,083	598	6,681
Chandigarh	5,275	445	5,720
Ladakh	2,542	2,327	4,869
Puducherry	3,518	0	3,518
D&NH and D&U	1,733	1,100	2,833
Lakshadweep	1,336	346	1,682
Delhi	968	380	1,348
Total	**2,28,147**	**27,087**	**2,55,234**

Note: D&NH and D&U is Dadra and Nagar Haveli and Daman and Diu. Police include allocation to Central Armed Forces, Delhi Police, J & K Police, Border Infrastructure, and Intelligence Bureau. Other include administrative expenditure, cabinet expenditure, and several central sector schemes.
Sources: Demand Numbers 49 to 59, Ministry of Home Affairs, 2026-27; PRS.

Figure 1: Utilisation of MHA budget (in Rs crore)



Note: Revised estimates taken as actuals for 2025-26. Budget Estimates for 2026-27.
Sources: Budget documents of the respective years; PRS.

Issues to Consider

Police

In 2026-27, Rs 1,73,803 crore has been allocated towards police. This includes allocation towards Central Armed Police Forces (CAPF), Delhi Police, J&K Police, Police infrastructure, and Intelligence Bureau (Table 2). Allocation toward CAPFs

accounted for 67% of total budget in 2026-27, followed by Delhi Police (7%) and Jammu & Kashmir Police (6%).

The Intelligence Bureau sees the largest increase (63%) in allocation over the revised estimates of 2025-26. Allocation towards police infrastructure also increases by 46% as compared to the revised estimates of 2025-26.

Table 2: Major expenditure items under Police (in Rs crore)

Depart-ment	2024-25	2025-26 RE	2026-27 BE	% change
CAPF	1,04,824	1,12,636	1,16,789	4%
Delhi Police	12,133	12,406	12,504	1%
J&K Police	8,553	9,097	9,926	9%
IB	4,013	4,159	6,782	63%
Border Infrastruc-ture	3,954	5,472	5,577	2%
Police Infrastruc-ture	2,133	3,684	5,393	46%
MoP	2,903	3,280	4,061	24%
Others	8,122	11,549	12,771	11%
Total	**1,46,635**	**1,62,283**	**1,73,803**	**7%**

Note: IB is Intelligence Bureau. MoP is Modernisation of Police scheme. % change refers to change from 2025-26 revised estimates to 2026-27 budget estimates. Others include schemes such as safety of women and the Land Port Authority of India. BE – Budget Estimates, RE – Revised Estimates. Sources: Demand No 51, Ministry of Home affairs, 2026-27; PRS.

As of January 2024, India has 155 police personnel for every one lakh people.[4] However, this figure varies across states. Bihar (80), West Bengal (106), and Rajasthan (119) had the lowest police concentration, while Nagaland (1,124), Manipur (916) and Sikkim (831) have some of the highest (see Table 22 in the Annexure for more details).[4]

Central Armed Police Forces (CAPFs)

The Central Armed Police Forces function under the administrative control of the Ministry of Home Affairs and are deployed for guarding the borders, internal security, protection of critical infrastructure, and specialised security operations.[5] The CAPFs are made of seven forces: (i) Central Reserve Police Forces (CRPF), (ii) Border Security Force (BSF), (iii) Central Industrial Security Force (CISF), (iv) Indo-Tibetan Border Police (ITBP), (v) Sashastra Seema Bal (SSB), (vi) Assam Rifles (AR), and (vii) National Security Guard (NSG).

Table 3: Allocation amongst seven forces under CAPFs (in Rs crore)

Force	2024-25	2025-26 RE	2026-27 BE	% change
CRPF	34,021	37,251	38,518	3%
BSF	27,939	29,568	29,568	-
CISF	14,690	15,622	15,973	2%
ITBP	9,337	9,869	11,324	15%
SSB	9,594	10,496	10,985	5%
AR	7,977	8,376	8,797	5%
NSG	1,096	1,266	1,422	12%
Total*	**1,04,653**	**1,12,448**	**1,16,586**	**4%**

Note: * Total does not include "departmental accounting" amounting to Rs 202 crore in 2026-27 budget. BE – Budget Estimates, RE – Revised Estimates.
Sources: Demand No 51, Ministry of Home affairs, 2026-27; PRS.

In 2026-27, CRPF has been allocated Rs 38,518 crore (33% of allocation toward CAPF) and Border Security Forces have been allocated Rs 29,568 crore (25% of allocation to the CAPF).

In 2026-27, 98% of the total allocation on CAPFs is towards revenue expenditure, and 2% towards capital expenditure, which is similar to the trends from last few years. Capital expenditure includes spending on procuring machinery, equipment, and vehicles, while revenue expenditure includes spending on salaries, clothing, and weaponry.

Vacancies

As of July 2024, the total sanctioned strength of CAPFs was about 10.5 lakh personnel, against which around 8% of posts were vacant.[6] Vacancy levels varied across forces, with CISF reporting the highest vacancy rate (about 19%), followed by CRPF (10%).[4]

Table 4: Vacancies across CAPFs, as on January 2024

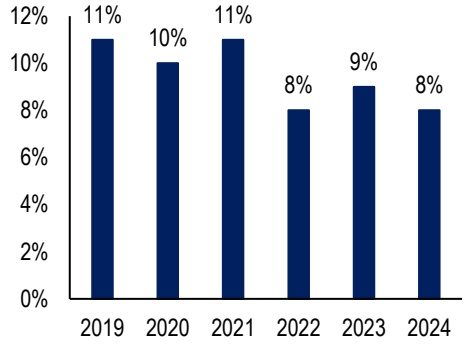
CAPFs	Sanctioned Strength	Actual Strength	Vacancy Rate (%)
CISF	1,76,132	1,50,523	19%
CRPF	3,25,201	3,00,223	10%
ITBP	96,030	88,863	9%
SSB	97,774	90,312	6%
AR	66,411	64,217	5%
BSF	2,65,331	2,58,626	4%

Sources: Bureau of Police Research & Development 2024; PRS.

At least 8% of CAPF posts have been vacant in the last six years (figure 2). The Standing Committee on Home Affairs (2025) noted that persistent vacancies increase workload on existing personnel and adversely affect operational efficiency.[7] To address vacancies, the government has reserved 10% of constable and rifleman-level posts in

CAPFs for ex-Agniveers and provided relaxations in age and physical efficiency requirements.[5]

Figure 2: Vacancy rate in CAPF, 2019-2024



Sources: Bureau of Police Research & Development, various years; PRS.

Deployment and dependence by States

The Committee on Estimates (2018) observed a steady increase in requests from states for CAPF deployment to maintain law and order, particularly for prolonged internal security duties.[8] Continuous deployment leads to limited rest and training cycles for CAPF personnel. The Committee recommended that states strengthen their own police forces to reduce over-reliance on CAPFs.[8]

States are required to reimburse the central government for CAPF deployment undertaken at their request. As of October 2022, states and union territories had outstanding dues amounting to nearly Rs 50,000 crore, with the majority attributable to CRPF deployment.[9]

Working Conditions

The Standing Committee on Home Affairs (2018) noted that CAPF personnel often work long hours in difficult terrain and hostile conditions.[10] The Committee noted that personnel in certain forces routinely work 12-14 hours a day with limited weekly rest.[10] High operational stress has contributed to rising attrition rates in recent years.[10] The Committee recommended rotational deployment policies, adequate rest periods, and systematic exit interviews for personnel opting for voluntary retirement or resignation.[10]

The suicide rate among CAPF personnel has been reported to be higher than the national average.[11] The Ministry (2022) identified prolonged separation from families, mental health issues, financial stress, and interpersonal conflicts as some of the factors.[12]

Table 5: Suicides among CAPF personnel

Force	2023	2024	2025	Total
CRPF	57	46	56	159
BSF	43	52	25	120
CISF	25	15	20	60
SSB	11	12	12	35
ITBP	8	12	12	32
AR	12	8	8	28
NSG	1	3	0	4
Total	**157**	**148**	**133**	**438**

Sources: Unstarred Question No 2,647, Lok Sabha, Ministry of Home Affairs, December 16, 2025; PRS.

Women in Police

As of January 2024, women constituted 5% (47,760) of the total personnel of the Central Armed Police Forces.[4] To enhance women's representation in the CAPFs, the government introduced reservations in January 2016, providing for 33% reservation in constable posts in the CRPF and CISF, and 14-15% in the BSF, SSB, and ITBP.[5,7] The Standing Committee on Home Affairs (2025) noted that measures that have helped encourage recruitment of women include targeted outreach, waiver of application fees, relaxations in physical tests, and service benefits such as maternity and child care leave.[7] CAPFs have established crèches and day-care facilities, constituted committees to address sexual harassment complaints, and ensured equal opportunities for promotion and seniority.[7] The Standing Committee on Home Affairs (2025) suggested exploring flexible deployment or softer postings during specific life stages to improve retention of women personnel.[7]

Housing and Accommodation

The MHA is responsible for providing housing to CAPF personnel. As of December 2022, only about 48% of authorised dwelling units for CAPFs were available.[7] Housing satisfaction rates varied widely across forces, with particularly low availability in SSB (29%).[9] The Standing Committee on Home Affairs (2025) identified the unwillingness of personnel to accept accommodations in semi-urban or remote areas due to the distance from essential amenities like schools and hospitals as some of the factors for low housing satisfaction rate.[7] It recommended that the MHA increase construction to raise housing satisfaction levels to at least 70-80% over time.[7]

In 2026-27, Rs 5,041 crore has been allocated for CAPF and Central Police Organisation building projects. This is an increase of 44% over the revised estimates of 2025-26 (Rs 3,508 crore).

Table 6: Housing Satisfaction Rate under Central Armed Police Forces, as of December 2022

CAPFs	Authorised Units	Satisfaction rate	Units Under Construction
CRPF	88,523	56%	4,483
BSF	78,164	45%	3,208
SSB	29,331	29%	2,220
ITBP	28,568	51%	3,959
AR	25,480	54%	304
CISF	14,690	47%	1,737
NSG	3,614	82%	40
Total	**2,68,370**	**48%**	**15,951**

Sources: Report No. [242], Standing Committee on Home Affairs, March 17, 2023; PRS.

Welfare and Rehabilitation of CAPF Personnel

The Welfare and Rehabilitation Board oversees the welfare and rehabilitation of retired CAPF personnel, their families, and dependents of deceased or disabled personnel.[7] Financial support is provided through schemes such as ex-gratia payments, pensions, and insurance benefits.

For 2025-26, Rs 50 crore has been sanctioned for ex-gratia lump-sum compensation to CAPF personnel.[7] This includes Rs 35 lakh per personnel for those who die in active duty and Rs 25 lakh for those who die while on bona fide government duty.

Police Infrastructure

Modernisation Plan IV for CAPFs

The Modernisation Plan IV for CAPFs, being implemented from 2022 to 2026, aims to upgrade weapons, surveillance systems, vehicles, and protective gear. However, fund utilisation under the scheme has remained below allocations in recent years (Table 7). The Ministry attributed this to procurement delays, technical complexities, and tender-related issues.[7]

Table 7: Budget utilisation has been low under the Modernisation Plan IV scheme (in Rs crore)

Year	Allocated	Utilised	% utilised
2021-22	100	31	31%
2022-23	248	78	31%
2023-24	202	98	48%
2024-25	181	119	66%
2025-26*	353	610	173%
2026-27	344	-	-

Note: Revised estimates taken for actuals for 2025-26.
Sources: Demand No 51, 2026-27, Ministry of Home Affairs; PRS.

In 2025-26, the budget utilisation under the scheme was 73% higher than the amount allocated. The Standing Committee on Home Affairs (2025) noted that while the allocation was low due to lower procurement of motor vehicles, weapons and equipment, the substantial increase in 2025-26 is attributed to enhanced procurement plans in these areas.[7]

As of January 2024, India had 18,224 police stations.[4] Of these, many stations did not have vehicles, landline telephones, and mobile phones.

Table 8: Basic infrastructure in police stations in select states, January 2024

		Station not having		
State	Total Stations	Vehicles	Phone	Wireless / Mobile
Bihar	1,096	0	187	0
Chhattisgarh	498	0	23	0
Jharkhand	571	47	211	31
Maharashtra	1,193	0	11	55
Manipur	94	8	74	0
Meghalaya	81	1	76	0
Nagaland	84	0	39	13
Odisha	684	0	3	3
Punjab	434	2	56	12

Sources: Bureau of Police Research and Development, 2024; PRS.

The Standing Committee on Home Affairs (2022) noted that several police stations lacking basic infrastructure were located in border states and sensitive areas.[13] These included states such as Arunachal Pradesh, Jharkhand, and Manipur.[4] The Standing Committee (2022) also observed gaps in the availability of modern equipment for police forces, including non-lethal weapons and protective gear.[14] It noted that personnel often lacked adequate anti-riot equipment and lightweight body protection, which are necessary to minimise injuries during law and order duties.[14]

The **Modernisation of Police Forces** scheme, implemented by the MHA, aims to improve the operational efficiency of state police through procurement of weapons, equipment, vehicles, communication systems, and infrastructure upgrades.[7] The scheme also covers components such as the Crime and Criminal Tracking Network and Systems (CNTS), the Special Infrastructure Scheme for Left Wing Extremism-affected areas (SRE & LWE), assistance for narcotics control, and upgradation of forensic capabilities.

Table 9: Allocation towards Modernisation of Police Forces scheme (in Rs crore)

Head	2024-25	2025-26 BE	2025-26 RE	2026-27 BE
CTNS/State Police Modernisation	115	588	273	451
SRE & LWE Infrastructure	2,788	3,481	3,007	3,611
Total Modernisation of Police Forces	**2,903**	**4,069**	**3,280**	**4,061**

Sources: Demand No 51, Ministry of Home Affairs, 2026-27; PRS.

Upgradation of Forensic Infrastructure

Forensic science laboratories provide critical support to investigation and prosecution by conducting forensic analysis in criminal cases.[5] Under the Bharatiya Nagarik Suraksha Sanhita, 2023, forensic investigation has been made mandatory for offences punishable with more than seven years of imprisonment.[15] The Standing Committee on Home Affairs (2025) noted that this is expected to increase the caseload for forensic laboratories and recommended that every district of the country must have a forensic laboratory.[7]

As of October 2024, nearly 4,000 cases were pending in the seven central forensic science laboratories.[16]

In July 2024, the Cabinet approved the **National Forensic Infrastructure Enhancement Scheme** with an outlay of Rs 2,254 crore from 2024-25 to 2028-29.[5] The scheme aims to establish new central forensic laboratories and off-campuses of the National Forensic Sciences University.[5]

Utilisation has been low under the Modernisation of Forensic Capacities scheme. In 2024-25, the scheme was allocated Rs 700 crore. Of this, only Rs 149 crore was utilised (21.3%). In 2025-26, the scheme was allocated Rs 500, of which Rs 350 crore has been utilised (70%) as per the revised estimates for the year.

Table 10: Allocation towards forensics-related schemes (in Rs crore)

Scheme	2024-25	2025-26 BE	2025-26 RE	2026-27 BE
Modernisation of Forensic Capacities	149	500	350	500
Upgradation of Central Forensic Science Laboratories	8	80	19	14
National Forensic Infrastructure Enhancement Scheme	22	250	98	130
Total	**179**	**830**	**467**	**644**

Sources: Demand No 51, Ministry of Home affairs, 2026-27; PRS.

Delhi Police

Delhi Police functions under the administrative control of the MHA.[5] It is responsible for law and order, crime prevention, investigation, and VVIP security in Delhi.

For 2026-27, Delhi Police has been allocated Rs 12,504 crore. Of this, Rs 11,882 crore (95%) is towards revenue expenditure, and Rs 622 crore (5%) towards capital expenditure.

Table 11: Allocation towards Delhi Police (in Rs crore)

	2024-25	2025-26 BE	2025-26 RE	2026-27 BE
Revenue	11,596	11,316	11,761	11,882
Capital	537	616	644	622
Total	**12,133**	**11,932**	**12,405**	**12,504**

Sources: Demand No 51, Ministry of Home affairs, 2026-27; PRS

Personnel and vacancies

The Standing Committee on Home Affairs (2025) noted that Delhi Police had a sanctioned strength of 94,257 personnel against an actual strength of 85,690, leaving about 8,567 vacancies (9%).[7] As per a CAG (2020) report, the MHA sanctioned 12,518 additional posts in 2019.[17] However, failure in recruitment against the first 3,139 posts held up operationalisation of the remaining posts.[17] Representation of women in Delhi Police was 11.8% in 2019 against a target of 33%.[17] In police stations checked, there was a 35% manpower shortage, and only one of 72 police stations met staffing norms.[17] There was an average 42% shortfall in specialised trainings in 2016-2019.[17]

The Standing Committee (2025) recommended regular training on weapons and safety equipment, and strengthening forensic, K-9, and Bomb Detection and Disposal units.[7]

In 2023-24, Delhi Police had 16,344 quarters for 83,484 eligible personnel, resulting in a housing satisfaction level of 19.6%.[5]

Technology and modernisation

The Safe City Project, funded under the Nirbhaya Fund, seeks to improve women's safety through technology.[7] However, conventional wireless sets declined from 9,638 (2009) to 6,172 (2019), and a 20 years old trunking system was being used, which is 10 years beyond its normal life span.[17] Of over 3,800 CCTV cameras installed, a significant share was non-functional, with 31-44% of cameras defunct in later phases.[17]

Central Police Organisations

For 2026-27, Central Police Organisations have been allocated Rs 2,185 crore, an increase of 11.7% over the revised estimates of 2025-26 (Rs 1,957 crore.)

Table 12: Allocation towards Central Police Organisations, 2022-23 to 2025-26 (in Rs crore)

Organization	2022-23	2023-24	2024-25 RE	2025-26 BE
Bureau of Immigration	434	566	576	820
Narcotics Control Bureau	141	169	136	194
National Investigation Agency	202	275	141	360
Directorate of Coordination and Police Wireless	72	73	66	101
National Crime Record Bureau	48	70	44	70
Tear Smoke Unit	49	50	44	67
Indian Cybercrime Coordination Centre	19	28	27	143

Note: BE – Budget Estimates, RE – Revised Estimates
Source: Report No 252, Standing Committee on Home affairs, 2025; PRS.

National Investigation Agency

The National Investigation Agency (NIA) was established under the National Investigation Agency Act, 2008 as a central counter-terrorism law enforcement agency.[18] It is mandated to investigate and prosecute offences affecting the sovereignty, security and integrity of India, the security of states, friendly relations with foreign states, and matters related to international treaties and obligations.

The NIA currently has a sanctioned strength of 1,901 posts across various ranks, of which 769 posts were sanctioned during the last five years.[19] As of June 2025, 541 posts were vacant (29%).[19]

Since its inception, the Agency has registered 692 cases.[18] Judgements have been pronounced in 172 cases, with a conviction rate of 92%. During the last three years (from 2022 onwards), judgements were delivered in 78 cases, with a conviction rate of 97%.[18]

Narcotics Control Bureau

The Narcotics Control Bureau was established under the Narcotic Drugs and Psychotropic Substances Act, 1985 for preventing and combating drug abuse and illicit trafficking in narcotic drugs and psychotropic substances.[5] The Bureau addresses a range of operational challenges, including cross-border trafficking, the use of the dark web for illicit drug trade, and the increasing use of courier and logistics services for the delivery of narcotic substances.[5]

To strengthen narcotics control efforts, the Scheme for Narcotic Control was launched in 2004.[5] The scheme has been extended by subsuming seven related schemes under the centrally sponsored umbrella of Police Modernisation.

Table 13: Quantity of drug seized from 2019 to 2023

Year	Quantity Seized (Tonnes)	Quantity Seized (Crore No.)	Quantity Seized (Kilolitres)
2019	1,112	2.1	11,736
2020	1,317	5.9	1,104
2021	1,137	4.8	896
2022	2,081	1.7	4,641
2023	1,035.5	2.1	1,970

Sources: Crime in India, 2023, National Crime Records Bureau; PRS.

Cybersecurity

Cybercrime refers to any unlawful act in which a computer, computer network or electronic device is used either as a tool or as a target.[20] These include theft, fraud, forgery, defamation and mischief, as well as hacking, phishing, malware attacks, denial-of-service attacks and cyber terrorism.[20]

The Central Bureau of Investigation (CBI) noted that Indian citizens have been trafficked abroad and forced into operating cybercrime 'scam factories', particularly in Southeast Asia.[20] These scams are involved in fake loan applications, call-centre based extortion and financial fraud using cryptocurrency. The MHA has further cautioned that artificial intelligence and machine learning will shape future cyber threats, with deepfakes posing serious risks to public trust and democratic institutions.

Indian Cyber Crime Coordination Centre

The MHA has established the Indian Cyber Crime Coordination Centre (I4C) to provide coordinated response to cybercrime.[20] Under I4C, the National Cyber Crime Reporting Portal enables citizens to report cyber offences. Between August 2019 and November 2024, the portal received over 54 lakh complaints, involving financial losses of Rs 31,594 crore.[20] Cyber financial fraud constitutes about 85% of the cases reported. In addition, the Citizen Financial Cyber Fraud Reporting and Management System has helped prevent losses of more than Rs 7,130 crore across over 23 lakh complaints.[20]

The National Cyber Forensic Laboratories (Investigation) provide early-stage forensic support to State police. Till October 2025, the New Delhi laboratory extended assistance in nearly 12,952

cybercrime cases, improving the quality and speed of investigations. [21]

The Standing Committee on Home Affairs (2025) noted that despite existing norms, there has been a persistence of mule accounts used for financial fraud.[20] To curb this, I4C launched a suspect registry in September 2024 in collaboration with banks and financial institutions. By October 2025, over 18.4 lakh suspect identifiers and 24.7 lakh mule accounts had been shared with participating entities, resulting in declined fraudulent transactions worth about Rs 8,031 crore.[21]

The Standing Committee on Home Affairs (2025) also noted that cybercrime-related provisions are currently spread across multiple statutes, leading to enforcement and judicial difficulties.[20] It recommended enacting a dedicated cybercrime legislation that clearly defines offences, addresses emerging technologies and provides strong penal provisions, along with establishing an Integrated Cybercrime Task Force for specialised investigations.[20] Under the Delhi Special Police Establishment Act, 1946, which set up the Central Bureau of Investigation (CBI), states must provide general consent for the CBI to investigate cases within the state. The Committee noted that the withdrawal of consent by several states has hindered investigations.[20]

The Standing Committee on Home Affairs (2025) also highlighted gaps in the legal treatment of AI generated content. It noted that existing laws do not clearly distinguish between user-generated and synthetically generated content, despite the increasing misuse of deepfakes and AI tools.[20] It recommended strengthening the legal framework with explicit provisions to address such content.[20]

Internal Security

The Ministry of Home Affairs is responsible for maintaining internal security, and law and order in India. This includes the neutralisation of Left-Wing Extremism (LWE), insurgency in north-eastern states, and cross-border terrorism.

Insurgency in North-Eastern States

In 2023, Manipur witnessed ethnic violence between the Kuki and Meitei communities. In 2023, 243 incidents of violence were reported in the North-East region, of which Manipur accounted for 187 (77%).[5]

In September 2024, the MHA declared the entire state of Manipur (excluding areas under 19 police stations) a "Disturbed Area" under the Armed Forces (Special Powers) Act (AFSPA).[22] In November 2024, AFSPA was extended to areas under six more police stations. On February 13, 2025, President's Rule was proclaimed in Manipur under Article 356 of the Constitution. Parliament approved successive extensions of President's Rule, the latest in August 2025, extending it until mid-February 2026.

On March 8, 2025, MHA directed free movement to be ensured for people on all roads in Manipur.[23] On February 4, 2026, President's rule was revoked from the state.[24]

The Ministry of Home Affairs allocated Rs 2,198 crore as a development grant to Manipur in the revised estimates of 2026-26.

Left Wing Extremism

The Ministry of Home Affairs created the "LWE Division" to implement security and development schemes in states affected by LWE, like Chhattisgarh, Jharkhand, and Odisha.[5] The role and functions of the division include: (i) reviewing the security situation in LWE Affected States, (ii) improving state capacity to combat LWE, and (iii) deployment of CAPFs in LWE affected States.[5]

The number of Left-wing Extremism (LWE) related incidents fell by 88% from 1,936 incidents in 2010 to 234 incidents in 2025.[25] Similarly, deaths of civilians and security forces declined by 91%, from 1,005 in 2010 to 100 in 2025.[25]

The number of affected districts has declined from 126 districts across 10 states in 2018 to 8 districts across three states in 2025.[25] Of these, only three districts are currently categorised as the most LWE-affected.[25] Under the Security Related Expenditure scheme, 30 districts are being covered as "Legacy and Thrust Districts" to prevent resurgence of LWE influence.[25]

Table 14: Progress under counter LWE operations

Year	LWEs Killed	LWEs Arrested	LWEs Surrendered
2020	103	1,110	475
2021	126	1,153	736
2022	57	816	496
2023	50	924	376
2024	290	1,090	881
2025*	364	1,022	2,337

* Data until December 1, 2025.
Sources: Unstarred Question No 2682, Lok Sabha, Ministry of Home Affairs, December 16, 2025; Unstarred Question No 481, Lok Sabha, Ministry of Home Affairs, February 3, 2026; PRS.

In 2025, security forces neutralised 364 Naxals, arrested 1,022 and facilitated 2,337 surrenders.[25] The number of police stations reporting LWE related violence reduced from 465 police stations in 2010 to 119 police stations in 2025.[25]

The Ministry of Home Affairs is implementing several schemes to support security and development interventions in LWE affected areas. Under the Security Related Expenditure Scheme, the central government reimburses LWE-affected states for expenditure on security operations,

including training, logistics, ex-gratia payments to civilians and security personnel, and rehabilitation of surrendered cadres.[5]

The Special Central Assistance Scheme, introduced in 2017, provides additional financial support to the most affected districts to bridge critical gaps in public infrastructure and services.[5] The Special Infrastructure Scheme focuses on strengthening security infrastructure in LWE areas, including construction of fortified police stations, upgradation of district police infrastructure, and strengthening intelligence capabilities.[5]

In addition, the Assistance to Central Agencies for LWE Management (ACALWEM) scheme provides funds to central agencies, including the Central Armed Police Forces and the Indian Air Force, for operational infrastructure and logistics such as helicopters and support facilities required for operations in LWE-affected regions.[5]

Census

In June 2025, the Population Census-2027 was announced.[26] The census will be conducted in two phases along with enumeration of castes. The reference date for the census will be March 1, 2027.[26] For Ladakh and snow-bound areas of Jammu and Kashmir, Uttarakhand, and Himachal Pradesh, the reference date will be October 1, 2026.[26] Reference date refers to the specific date and time on which a set of particulars are collected. The last census of India was conducted in 2011. The central government stated that the census had been delayed due to the COVID pandemic.[27]

In 2026-27, the census, survey and statistics/registrar general of India together have been allocated Rs 6,000 crore, compared to the revised estimates for 2025-26 at Rs 1,040 crore. Total cost for the 11th census was Rs 2,200 crore.[28]

Delimitation is the process of fixing boundaries of for the Lok Sabha and legislative assemblies' constituencies. The number of members is currently based on the population figures from 1971 and 2001.[29] The next delimitation is to be based on the first census conducted after 2026. This would affect the representation of various states and Union Territories in Lok Sabha.

Border management

The Department of Border Management focuses on the: (i) management of the international land and coastal borders, (ii) strengthening of border policing and guarding, (iii) creation of infrastructure such as roads, fencing, and Border Out Posts and, (iv) implementation of the Border Area Development Programme.[5] The key objective of border management is to secure India's borders against hostile interests while also facilitating legitimate trade and commerce.[5]

Table 15: Allocation towards border infrastructure and management (in Rs crore)

Year	2024-25	2025-26 BE	2025-26 RE	2026-27
Maintenance and Border Check Posts	304	359	322	310
Capital Outlay	3,650	5,238	5,150	5,267
Total	**3,954**	**5,597**	**5,472**	**5,577**

Sources: Demand No 51, Ministry of Home affairs, 2026-27; PRS.

The total length of the Indo-Bangladesh border is 4,096 km, of which 3,240 kms has been fenced (79%).[30] The length of International Border along India-Pakistan is 2,290 kms, out of which 2,135 kms (93%) has been physically fenced and 155 kms (75%) is unfenced. Physical fencing has also been completed along 9 km of the 1,643-km-long Indo-Myanmar border.[30]

India also shares 3,488 kilometres of border with China. As per the MHA (2025), no infiltration cases were reported at the Indo-China border.[30]

Table 16: Number of infiltration attempts detected across borders

Year	India-Bangladesh	India-Pakistan	India-Myanmar	India-Nepal-Bhutan
2014	855	45	20	0
2015	874	42	16	3
2016	654	46	12	4
2017	456	42	9	3
2018	420	40	21	4
2019	500	38	25	38
2020	486	20	34	11
2021	703	32	38	18
2022	857	49	46	15
2023	746	30	40	38
2024	977	41	37	23

Sources: Unstarred Question No 2550, Ministry of Home Affairs, Lok Sabha, December 16, 2025; PRS.

The Standing Committee on Home Affairs (2025) urged the Ministry to compile data on the influx of immigrants, including those from Bangladesh, Rohingyas, and other countries.[7] It also noted instances of Rohingyas entering the country and settling illegally in various parts of India.[7] The Committee recommended MHA to take effective steps to identify illegally settled Rohingyas and repatriate them to their countries of origin.[7]

Vibrant Villages Programme

The Vibrant Villages Programme (VVP) was launched in February 2023 to comprehensively develop villages located in blocks abutting international land borders.[31] It seeks to improve living conditions, create livelihood opportunities,

enhance strategic integration, and strengthen security in India's frontier areas.[31]

Under the Vibrant Villages Programme-I (VVP-I), villages in 46 blocks across 19 districts in Arunachal Pradesh, Himachal Pradesh, Sikkim, Uttarakhand and the Union Territory of Ladakh were selected.[5]

In April 2025, the Union Cabinet approved Vibrant Villages Programme-II (VVP-II) as a Central Sector Scheme with 100 % funding from the Centre.[31] VVP-II has an outlay of Rs 6,839 crore for implementation up to 2028-29.[31] VVP-II targets select strategic villages in blocks abutting international borders beyond the northern border covered under VVP-I. In 2026-27, VVP-I has been allocated Rs 350 crore and VVP-II has been allocated Rs 300 crore.

Relief and Rehabilitation of Migrants

MHA implements the Relief and Rehabilitation for Migrants and Repatriates scheme to provide financial assistance and rehabilitation support to displaced persons, migrants, and refugees affected by conflict, displacement, and boundary settlements.[7] The scheme covers rehabilitation of displaced persons and refugees, relief and rehabilitation assistance to Tripura and Manipur, financial assistance to West Pakistan Refugees in Jammu and Kashmir, enhanced compensation to 1984 riot victims, and expenditure related to the India-Bangladesh Land Boundary Agreement.[7]

MHA (2025) informed the Standing Committee that multiple measures are being undertaken for the relief and rehabilitation of Kashmiri migrants.[7] These include the creation of 6,000 government jobs, of which 5,724 appointments have been made, while the remaining are under process.[7] In addition, 6,000 transit accommodation units have been sanctioned, with 3,120 units completed and the remaining under construction.[7]

The Ministry (2025) also informed that to improve access to welfare benefits, migrant ration cards are being integrated with the National Food Security Act, 2013.[7] This integration is intended to enable migrant households to access food security and other government schemes.[7]

Table 17: Allocation for Relief and Rehabilitation for migrants and repatriates (in Rs crore)

Year	2024-25	2025-26 RE	2026-27 BE
Allocation	591	124	93

Sources: Demand No 49, Ministry of Home Affairs, 2026-27; PRS.

Prisons

Prisons fall under the State List of the Constitution.[32] Hence, management of prisons and inmates is the primary responsibility of states. The Prisons Act, 1894 governs prisons across states.[33] States have also enacted laws for the same. The central government has released model laws for states to adopt, such as the Model Prisons and Correctional Services Act, 2023.[34]

Overcrowding and capacity issues

Prisons across the country face overcrowding. As of December 2023, the average occupancy rate was 121%.[35] This has decreased from 131% in 2021-22.[35] Several states reported higher occupancy levels than the national average (Table 18).

Alternatives to closed prisons are also underutilised. Open prisons, which are intended to reduce overcrowding and aid rehabilitation, had an average occupancy rate of 74%.[36] Further, multiple states do not have any open prisons.[37]

Table 18: States with highest occupancy rates, as of December 2023

State/UT	Occupancy Rate
Delhi	200%
Meghalaya	189%
Uttarakhand	183%
Maharashtra	155%
Madhya Pradesh	152%
Uttar Pradesh	150%
India	**121%**

Sources: Prisons Statistics India, 2023; PRS.

In 2021-22, the Ministry approved the Modernisation of Prisons schemes till 2025-26, with an outlay of Rs 950 crore.[38] The scheme aims to enhance security infrastructure, and focus on correctional administration. The scheme has been allocated Rs 300 crore for 2026-27, which is 19% higher than the revised estimates of 2025-26.

The Inter Operable Criminal Justice System, which aims to integrate digital platforms to enable seamless data sharing among police, courts, prosecution, prisons, and forensic agencies, has been allocated Rs 550 crore, as compared to Rs 300 crore in 2025-26 (revised estimates).

Undertrial Prisoners and Bail

Undertrial prisoners continue to constitute a large proportion of the prison population, accounting for up to 74% of inmates, as of 2023.[35] The number of undertrial prisoners declined from 4.3 lakh in 2022 to 3.9 lakh in 2023, a reduction of 10%.[35] The Centre for Research and Planning, Supreme Court (2025) attributed the high share of undertrial inmates to overcrowding, which also increases the cost of prison administration.[36]

The Centre for Research and Planning, Supreme Court (2025) also noted the reluctance of district courts to grant bail.[36] It noted that bail rejection rates are 32.3% in Sessions Courts and 16.2% in Magisterial Courts.[36] As of December 2023, 24,879 accused persons who had been granted bail

remained in prison due to their inability to furnish bail bonds.[36]

In 2023, cases of accused persons who had been in custody for more than one year were pending at the stages of evidence (53%), appearance (37%), and arguments (6%).[36]

The MHA has introduced a scheme to provide financial assistance to prisoners who are not released within seven days of a bail order or due to non-payment of fines.[39] In 2026-27 two crore rupees have been allocated to the scheme.

Prison Conditions

The Centre for Research and Planning, Supreme Court (2025) noted that despite the prohibition under the Model Prison Manual, 2016, some state prison laws continue to classify prisoners into superior or special classes and ordinary classes based on social status and lifestyle.[36] Further, prison manuals in certain states retain provisions that assign prison work based on caste identity and use terms such as 'good caste', 'suitable caste', and 'high caste'.[36] The Supreme Court, in *Sukanya Shantha v. Union of India*, has held such practices to be unconstitutional.[40]

Further, in some prisons, drains and sewers continue to be cleaned manually using hand gloves due to the lack of mechanised cleaning alternatives, despite prohibition of manual scavenging.[36]

Wages, Health and Welfare

There is wide variation in the wages paid to prisoners for skilled work across states, from Rs 20 per day in Mizoram to Rs 615 in Karnataka.[35] In states such as Himachal Pradesh, Karnataka, and Tamil Nadu, wages for unskilled prison labour are at par with the lowest minimum wage.[36] In several other states, prisoner wages are as low as one-nineteenth of the minimum wage.[36]

The Centre for Research and Planning, Supreme Court (2025) also noted that most states do not provide jail medical officers with the basic and emergency mental healthcare training mandated under the Mental Healthcare Act, 2017.[36]

Prison Reforms and Model Frameworks

The Model Prisons and Correctional Services Act, 2023 seeks to replace the Prisons Act, 1894, the Prisoners Act, 1900, and the Transfer of Prisoners Act, 1950.[41] It provides for establishment of open and semi-open prisons, use of technology in prison administration, skill development, segregation of prisoners, clearer parole conditions, and after-care services. States may modify the Act to suit local requirements. However, as of August 2025, no state has confirmed about the adoption of the Model Act.[42]

The Model Prison Manual, 2024 aims to bring uniformity in the basic principles governing prisons and correctional institutions.[43] It has been adopted by 21 states and all eight Union Territories.[42]

Administration of Union Territories

Union territories (UTs) without legislatures are under the direct administration of the central government. Union Territories with legislatures have limited autonomy through Article 239A and 239AA of the Constitution.

In 2026-27, Rs 69,940 crore has been allocated to the Union Territories. Of this, Rs 43,290 crore has been allocated to Jammu and Kashmir (62% of total allocation). Allocation for Ladakh has been reduced by 52%, from Rs 7,377 crore in revised budget for 2025-26 to Rs 4,869 crore for 2026-27.

Table 19: Allocations to Union Territories in 2026-27 (in Rs crore)

UT	2024-25	2025-26 RE	2026-27 BE	% change RE to BE
Jammu and Kashmir	46,000	41,340	43,290	5%
Andaman and Nicobar Islands	5,941	7,388	6,680	-11%
Chandigarh	5,859	5,556	5,720	3%
Ladakh	4,857	7,377	4,869	-52%
Puducherry	3,302	3,518	3,518	0%
Dadra and Nagar Haveli and Daman and Diu	2,636	2,741	2,833	3%
Lakshadweep	1,613	1,581	1,682	6%
Delhi	1,108	1,242	1,348	8%
Total	**71,316**	**70,743**	**69,940**	**-1%**

Sources: Demand No 52 to 59, Ministry of Home Affairs, 2026-27; PRS.

Jammu and Kashmir

Jammu and Kashmir has been allocated Rs 43,290 crore for 2026-26, an increase of 5% over 2025-26 revised estimates (Rs 41,340 crore). Of this, Rs 42,650 crore has been allocated for Central Assistance towards the UT, Rs 279 crore towards Disaster Response fund, and Rs 259 crore towards the Jhelum Tavi Flood Recovery Project.

Delhi

In 2026-27, Delhi has been allocated Rs 1,348 crore. This is an increase of 8% over the revised estimates of 2025-26. Of this, Rs 951 crore is for the central assistance to the UT and Rs 380 crore has been allocated for Chandrawal water treatment plant. Rs 15 crore has been allocated for the UT Disaster Response Fund.

Disaster Management

The Ministry of Home Affairs is the nodal ministry for handling disasters other than drought and epidemics.[5] Disaster management involves taking measures for: (i) disaster threat prevention, (ii) mitigating disaster risk and severity, (iii) capacity development to manage disasters, (iv) preparing for prompt response, evacuation, rescue, and relief, and (v) ensuring recovery, reconstruction, and rehabilitation.

Disaster Financing Mechanism

Based on the recommendations of the 15th Finance Commission, two funds have been constituted for disaster risk management at the state and national levels: the State Disaster Risk Management Fund (SDRMF) and the National Disaster Risk Management Fund (NDRMF).[7]

Table 20: Funds allocated towards disaster management for 2021-26

Component	Allocation (%)	Amount (Rs crore)
State Disaster Risk Management Fund		
State Disaster Response Fund	80%	1,28,122
- *Response & Relief*	*40%*	*27,385*
- *Recovery & Reconstruction*	*30%*	*20,539*
- *Preparedness & Capacity Building*	*10%*	*6,846*
State Disaster Mitigation Fund	20%	32,031
Total SDRMF	**100%**	**1,60,153**
National Disaster Risk Management Fund		
National Disaster Response Fund	80%	54,770
National Disaster Mitigation Fund	20%	13,693
Total NDRMF	**100%**	**68,463**

Sources: Report No 252, Departmentally Related Standing Committee on Home Affairs, 2025; PRS.

For 2021-26, the 15th Finance Commission had recommended a total allocation of Rs 1,60,153 crore under the SDRMF. Of this, the Central government share is Rs 1,22,601 crore, while states are required to contribute Rs 37,552 crore.[7]

For 2026-27 to 2030-31, the 16th Finance Commission has recommended Rs 2,04,401 crore for the State Disaster Risk Management Fund, an increase of 27.6% over the last award period.[44] The funds will continue to be shared between the State Disaster Response Fund and the State Disaster Mitigation Fund in 80:20 ratio.[44] State-wise allocation is provided in annexure.

Between 2020-21 and July 2025, release from the NDRF and NDMF has been low.[44] Of the total Rs 68,463 crore recommended, Rs 10,385 crore was released between 2022-24.[44] Response and Relief window saw the highest release at 53% (Table 27 in annexure).

For the National Disaster Risk Management Fund, a total of Rs 79,406 crore has been allocated.[44] Assistance from the NDRMF supplements the SDRMF in the event of disasters of severe nature.

Table 21: Allocation towards the National Disaster Risk Management Fund (in Rs crore)

Year	Allocation
2026-27	14,370
2027-28	15,089
2028-29	15,843
2029-30	16,637
2030-31	17,467
Total	**79,406**

Sources: 16th Finance Commission Report for 2026-2031; PRS.

National Disaster Response Force

The National Disaster Response Force (NDRF) is a specialised force to tackle disaster management and relief.[5] For 2026-27, the NDRF has been allocated Rs 2,002 crore, an increase of 3.8% over 2025-26 revised estimates (Rs 1,928 crore).

The Standing Committee (2025) highlighted that the NDRF is entirely dependent on deputation from the CAPFs and currently faces a vacancy rate of about 21%, while the CAPFs themselves are experiencing staffing shortages.[7] It recommended a review of deputation policies, including an assessment of the seven-year deputation tenure.[7] The Committee also suggested exploring incentives such as flexible terms and enhanced allowances to encourage personnel to opt for NDRF assignments.[7] Further, it recommended streamlining the nomination process and improving coordination between the NDRF and CAPFs.[7]

Fire Services

To strengthen fire services, the MHA launched the 'Scheme for Expansion and Modernization of Fire Services in the States' in July 2023.[45] The scheme is funded through the Preparedness and Capacity Building window of the NDRF and has a total Central outlay of Rs 5,000 crore.[45] As of February 2026, Rs 1,798 crore has been released to the states.[46] It aims to improve infrastructure, equipment and overall capacity of fire services at the State level. As of March 2025, proposals from 20 States have been approved for financial assistance under the scheme.[47] An amount of Rs 757 crore has already been released to 18 States as the first instalment.[47]

[1] "About the Ministry" Ministry of Home Affairs, as accessed on January 31, 2026, https://www.mha.gov.in/en/page/about-ministry.

[2] Budget at a Glance, Union Budget, 2026-27, https://www.indiabudget.gov.in/doc/Budget_at_Glance/budget_at_a_glance.pdf.

[3] Demand No 51, Police, Ministry of Home Affairs, 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe51.pdf.

[4] Data on Police Organisations, 2024, Bureau of Police Research and Development, Ministry of Home Affairs, https://bprd.nic.in/uploads/pdf/Data%20on%20Police%20Organizations%20(2024)_%20(14-07-25)%20All.pdf.

[5] Annual Report 2023-24, Ministry of Home Affairs, https://www.mha.gov.in/sites/default/files/AnnualReport_27122024.pdf.

[6] "Vacancies In Central Armed Police Forces" Press Information Bureau, Ministry of Home Affairs, July 24, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2036391&reg=3&lang=2#:~:text=The%20number%20of%20vacancies%20as,at%20different%20stages%20of%20recruitment.

[7] Report No 252, Demand for Grants, Ministry of Home Affairs, 2025-26, Departmentally Related Standing Committee on Home Affairs, March 10, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/197/252_2025_5_14.pdf?source=rajyasabha.

[8] "Central Armed Police Forces and Internal Security Challenges – Evaluation and Response Mechanism" Committee on Estimates, March 2018, https://eparlib.sansad.in/bitstream/123456789/762531/1/16_Estimates_28.pdf.pdf.

[9] Report No 242, Demands for Grants, Ministry of Home Affair, Standing Committee on Home Affairs, Rajya Sabha, March 17, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/169/242_2023_6_17.pdf?source=rajyasabha.

[10] Report No 215, "Working Conditions in Non-Border Guarding Central Armed Police Forces" Standing Committee on Home Affairs, December 2018, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/107/215_2019_11_14.pdf?source=rajyasabha.

[11] "Accidental Deaths and Suicides in India" National Crime Records Bureau, Ministry of Home Affairs, 2022, https://www.ncrb.gov.in/uploads/files/AccidentalDeathsSuicidesinIndia2022v2.pdf.

[12] Unstarred Question No 58, Rajya Sabha, Ministry of Home Affairs, December 7, 2022, https://rsdebate.nic.in/bitstream/123456789/735464/2/IQ_258_07122022_U58_p211_p213.pdf.

[13] "Police - Training, Modernisation and Reforms", Report No 237, Standing Committee on Home Affairs, February 10, 2022, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/161/237_2022_2_17.pdf?source=rajyasabha.

[14] Report No 244, 'Action Taken By Government On The Recommendations/Observations Contained In The Two Hundred Thirty Seventh Report On Police - Training, Modernisation And Reforms', Standing Committee on Home Affairs, March 17, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/169/244_2023_6_10.pdf?source=rajyasabha

[15] Bharatiya Nagarik Suraksha Sanhita, 2023, Ministry of Home Affairs, December 25, 2023, https://www.indiacode.nic.in/handle/123456789/20099.

[16] Unstarred Question No. 3452, Lok Sabha, Ministry of Home Affairs, December 17, 2024, https://www.mha.gov.in/MHA1/Par2017/pdfs/par2024-pdfs/LS17122024/3452.pdf.

[17] Report of the Comptroller and Auditor General of India on Performance Audit of "Manpower and Logistics management in Delhi Police, 2020, https://cag.gov.in/uploads/download_audit_report/2020/Report%20No.%2015%20of%202020_English_Police-05f809de4527eb8.68338874.pdf.

[18] Unstarred Question No 239, Lok Sabha, Ministry of Home Affairs, December 2, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU239_xnef1g.pdf?source=pqals

[19] Unstarred Question No 1479, Lok Sabha, Ministry of Home Affairs, July 19, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU1479_ErnSPO.pdf?source=pqals.

[20] "Cyber Crime - Ramifications, Protection and Prevention" Report No 254, Department Related Parliamentary Standing Committee on Home Affairs, Rajya Sabha, August 20, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/213/254_2025_10_16.pdf?source=rajyasabha

[21] Unstarred Question No 2729, Lok Sabha, Ministry of Home Affairs, December 16, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2729_ztGHlY.pdf?source=pqals

[22] Gazette of India, Notification, Ministry of Home Affairs, November 14, 2024, https://www.mha.gov.in/sites/default/files/ManipurPS_19112024.pdf.

[23] "Union Home Minister and Minister of Cooperation, Shri Amit Shah, chairs high-level review meeting on the security situation of Manipur in New Delhi" Press Information Bureau, Ministry of Home Affairs, March 1, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2107226.

[24] "Manipur: Yumnam Khemchand Singh stakes claim to form government, set to be CM" The Hindu, as accessed on February 5, 2026, https://www.thehindu.com/news/national/manipur/yumnam-khemchand-singh-stakes-claim-to-form-government-in-manipur-set-to-be-cm/article70590961.ece.

[25] Unstarred Question No 481, Lok Sabha, Ministry of Home Affairs, February 3, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU481_9GFTtH.pdf?source=pqals.

[26] "Population Census-2027 to be conducted in two phases along with enumeration of castes", Press Information Bureau, Ministry of Home Affairs, June 4, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2133845.

[27] Unstarred Question No 592, Lok Sabha, Ministry of Home Affairs, February 6, 2024, https://eparlib.sansad.in/bitstream/123456789/2974846/1/AU592.pdf.

[28] "Census 2011 Provisional Population Totals" Office of the Registrar General and Census Commissioner, India Ministry of Home Affairs, March 31, 2011, https://censusindia.gov.in/nada/index.php/catalog/42611/download/46274/Census%20of%20India%202011-Provisional%20Population%20Totals.pdf.

[29] Article 82, Constitution of India, https://cdnbbsr.s3waas.gov.in/s380537a945c7aaa788ccfcdf1b99b5d8f/uploads/2024/07/20240716890312078.pdf.

[30] Unstarred Question No 2550, Ministry of Home Affairs, Lok Sabha, December 16, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2550_2288dn.pdf?source=pqals&utm.

[31] "Cabinet approves "Vibrant Villages Programme-II (VVP-II) for financial years 2024-25 to 2028-29" PMIndia website, as accessed on January 31, 2026, https://www.pmindia.gov.in/en/news_updates/cabinet-approves-vibrant-villages-programme-ii-vvp-ii-for-financial-years-2024-25-to-2028-29/.

[32] Entry No. 4, List II – State List, Constitution of India https://legislative.gov.in/constitution-of-india/.

[33] The Prisons Act, 1894, https://www.indiacode.nic.in/bitstream/123456789/2325/1/AA1894___09.pdf.

[34] Advisory V-17013/22/2023-PR, "Adoption of 'Model Prisons and Correctional Services Act, 2023' by the States and Union Territories (UTs)", Ministry of Home Affairs, https://www.mha.gov.in/sites/default/files/advisory_10112023.pdf.

[35] Prison Statistics India, 2023, National Crime Records Bureau, Ministry of Home Affairs, September 26, 2023, https://www.ncrb.gov.in/uploads/files/PSI-20231.pdf

[36] Prisons in India, Centre for Research and Planning, Supreme Court of India, November 2025, https://cdn.s3waas.gov.in/s3ec0490f1f4972d133619a60c30f3559e/uploads/2025/11/2025112244-1.pdf

[37] Report on Prisons in India, Centre for Research and Planning, Supreme Court of India, October 2024, https://cdnbbsr.s3waas.gov.in/s3ec0490f1f4972d133619a60c30f3559e/uploads/2024/11/2024110677.pdf.

[38] "Implementation of the 'Modernisation of Prisons' project in Prisons States and Union Territories" Ministry of Home Affairs, April 5, 2022, https://www.mha.gov.in/sites/default/files/2024-09/GuidelinesModernisationPrisons_13092024.pdf.

[39] Support to Poor Prisoners Scheme https://www.mha.gov.in/sites/default/files/AdvisoryPPS_03062025.pdf

[40] Sukanya Shantha vs Union of India, Supreme Court of India, October 3, 2024, https://api.sci.gov.in/supremecourt/2023/51059/51059_2023_1_1502_56228_Order_03-Oct-2024.pdf.

[41] Model Prisons and Correctional Services Act, 2023, Ministry of Home Affairs, https://www.mha.gov.in/sites/default/files/2024-12/ModelPrisonsCorrectionalServicesAct_20122024.pdf.

[42] Unstarred Question No 2004, Rajya Sabha, Ministry of Home Affairs, August 6, 2025, https://sansad.in/getFile/annex/268/AU2004_QZ3PlI.pdf?source=pqars.

[43] Model Prison Manual 2016, Ministry of Home Affairs, https://www.mha.gov.in/sites/default/files/2025-04/PrisonManualA2016_20122024_2.pdf.

[44] Report of the sixteenth Finance Commission for 2026-31, Ministry of Finance, https://www.indiabudget.gov.in/doc/16fcvol1.pdf.

[45] Unstarred Question No 3986, Lok Sabha, Ministry of Home Affairs, March 25, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU3986_OfUPuc.pdf?source=pqals.

[46] Unstarred Question No 610, Lok Sabha, Ministry of Home Affairs, February 3, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU610_foremg.pdf?source=pqals.

[47] Unstarred Question No 1996, Lok Sabha, Ministry of Home Affairs, March 11, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU1996_ydlweg.pdf?source=pqals.

Annexure

Table 22: Police per lakh population in states, as of January 2024

State / UT	Sanctioned	Actual	State / UT	Sanctioned	Actual
Andhra Pradesh	207	166	Punjab	277	233
Arunachal Pradesh	959	707	Rajasthan	143	119
Assam	194	167	Sikkim	991	831
Bihar*	133	80	Tamil Nadu	172	160
Chhattisgarh	270	214	Telangana	225	161
Goa	686	564	Tripura	713	540
Gujarat	172	132	Uttar Pradesh	181	134
Haryana	292	212	Uttarakhand	198	174
Himachal Pradesh	261	234	West Bengal	167	106
Jharkhand	209	152	A & N Islands	1,260	1,043
Karnataka	166	141	Chandigarh	566	532
Kerala	172	153	DNH & Daman & Diu	108	85
Madhya Pradesh	144	123	Delhi	437	370
Maharashtra	187	163	Jammu & Kashmir	676	489
Manipur	1,084	916	Ladakh	1,182	851
Meghalaya	487	393	Lakshadweep	465	361
Mizoram	902	576	Puducherry	268	218
Nagaland	1,191	1,124	**All India**	**197**	**155**
Odisha	150	127			

Sources: Data on Police Organisations, Bureau of Police Research and Development, 2024; PRS.

Table 23: Resignation among CAPF forces

Year	AR	BSF	CISF	CRPF	ITBP	SSB	Total
2014	35	516	268	897	174	143	2,033
2015	25	398	318	972	230	127	2,070
2016	29	319	269	492	161	93	1,363
2017	33	414	380	671	153	90	1,741
2018	23	328	517	583	116	129	1,696
2019	19	436	378	451	152	113	1,549
2020	7	211	247	256	156	82	959
2021	17	478	212	548	207	203	1,665
2022	14	408	337	363	180	139	1,441
2023	16	1,025	399	535	242	254	2,471
2024	54	1,804	364	692	120	261	3,295
2025	99	1,156	448	996	76	302	3,077
Total	**371**	**7,493**	**4,137**	**7,456**	**1,967**	**1,936**	**23,360**

Sources: Unstarred Question No 2647, Lok Sabha, Ministry of Home Affairs, December 16, 2025; PRS.

Table 24: Prison occupancy rate in states, 2023 (in %)

State / UT	Occupancy Rate (%)	State / UT	Occupancy Rate (%)	State / UT	Occupancy Rate (%)
Andhra Pradesh	89	Maharashtra	155	Uttar Pradesh	150
Arunachal Pradesh	94	Manipur	46	Uttarakhand	183
Assam	118	Meghalaya	189	West Bengal	110
Bihar	119	Mizoram	141	A & N Islands	127
Chhattisgarh	128	Nagaland	40	Chandigarh	95
Goa	91	Odisha	74	Daman Diu	85
Gujarat	107	Punjab	126	Delhi	200
Haryana	117	Rajasthan	98	J&K	149
Himachal Pradesh	127	Sikkim	91	Ladakh	30
Jharkhand	133	Tamil Nadu	81	Lakshadweep	5
Karnataka	107	Telangana	73	Puducherry	102
Kerala	128	Punjab	126	**All-India**	**121**
Madhya Pradesh	152	Tripura	57		

Note: Prison Occupancy Rate is computed as inmate population/total capacity and represented in percentage terms. Source: Prison Statistics India 2023, National Crime Records Bureau, 2024; PRS.

Table 25: State-wise State Disaster Response Fund Allocation for 2026-27 to 2030-31 (in Rs crore)

State	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Andhra Pradesh	1,182	1,241	1,303	1,368	1,439	6,533
Arunachal Pradesh	99	104	109	114	121	547
Assam	843	885	929	975	1,028	4,660
Bihar	2,628	2,759	2,897	3,042	3,196	14,522
Chhattisgarh	479	503	528	554	582	2,646
Goa	22	23	24	25	25	119
Gujarat	1,633	1,715	1,801	1,891	1,982	9,022
Haryana	564	592	622	653	686	3,117
Himachal Pradesh	431	453	476	500	524	2,384
Jharkhand	542	569	597	627	658	2,993
Karnataka	1,239	1,301	1,366	1,434	1,507	6,847
Kerala	374	393	413	434	450	2,064
Madhya Pradesh	2,258	2,371	2,490	2,615	2,743	12,477
Maharashtra	5,718	6,004	6,304	6,619	6,952	31,597
Manipur	42	44	46	48	50	230
Meghalaya	70	74	78	82	84	388
Mizoram	46	48	50	53	55	252
Nagaland	66	69	72	76	79	362
Odisha	1,718	1,804	1,894	1,989	2,088	9,493
Punjab	478	502	527	553	582	2,642
Rajasthan	1,778	1,867	1,960	2,058	2,162	9,825
Sikkim	73	77	81	85	88	404
Tamil Nadu	1,638	1,720	1,806	1,896	1,991	9,051
Telangana	536	563	591	621	648	2,959
Tripura	57	60	63	66	70	316
Uttar Pradesh	2,957	3,105	3,260	3,423	3,597	16,342
Uttarakhand	797	837	879	923	967	4,403
West Bengal	1,326	1,392	1,462	1,535	1,611	7,326
Total	**29,594**	**31,075**	**32,628**	**34,259**	**35,965**	**1,63,521**

Sources: Report of the 16th Finance Commission for 2026-27 to 2030-31; PRS.

Table 26: State-wise State Disaster Management Fund for 2026-26 to 2030-31 (in Rs crore)

State	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Andhra Pradesh	296	311	327	343	356	1,633
Arunachal Pradesh	25	26	27	28	31	137
Assam	211	222	233	245	254	1,165
Bihar	657	690	725	761	798	3,631
Chhattisgarh	120	126	132	139	145	662
Goa	5	5	6	7	7	30
Gujarat	408	428	449	471	500	2,256
Haryana	141	148	155	163	172	779
Himachal Pradesh	108	113	119	125	131	596
Jharkhand	135	142	149	156	166	748
Karnataka	310	326	342	359	375	1,712
Kerala	93	98	103	108	114	516
Madhya Pradesh	564	592	622	653	688	3,119
Maharashtra	1,429	1,500	1,575	1,654	1,737	7,895
Manipur	10	11	12	12	13	58
Meghalaya	18	19	19	20	21	97
Mizoram	11	12	13	13	14	63
Nagaland	16	17	18	19	21	91
Odisha	429	450	473	497	524	2,373
Punjab	120	126	132	139	144	661
Rajasthan	444	466	489	513	544	2,456
Sikkim	18	19	20	21	23	101
Tamil Nadu	410	431	453	476	493	2,263
Telangana	134	141	148	155	162	740
Tripura	14	15	16	17	17	79
Uttar Pradesh	739	776	815	856	900	4,086
Uttarakhand	199	209	219	230	244	1,101
West Bengal	332	349	366	384	401	1,832
Total	**7,396**	**7,768**	**8,157**	**8,564**	**8,995**	**40,880**

Sources: Report of the 16th Finance Commission for 2026-27 to 2030-31; PRS.

Table 27: Allocation as per 15th FC and release from NDRMF, until July 2025 (in Rs crore)

Earmarked Fund	Allocation	Release	Earmarked Fund	Allocation	Release
Response & Relief	27,385	14,855	Landslide Risk Reduction and Mitigation Project	1,000	5
Preparedness & Capacity Building	6,846	2,779	Resettlement of Displaced People Affected by Erosion	1,000	-
Modernisation of Fire Services under Preparedness & Capacity Building	5,000	1,215	Managing Seismic & Landslide Risks in Ten States	750	-
Recovery & Reconstruction	20,539	819	Mitigation Measures to Prevent Erosion	1,500	-
Reducing Risk of Urban Flooding in Seven Most Populous Cities	2,500	710	Forest Fire Mitigation Project	819	-
Catalytic Assistance to Twelve Most Drought-prone States	1,200	350	Mitigation Project for Lightning Safety	187	-
National Glacial Lake Outburst Floods Risk Mitigation Programme	150	28	National Project for Strengthening Community Based Disaster Risk Reduction Initiative in PRI	163	-

Sources: 16th Finance Commission Report for 2026-2031; PRS.

Demand for Grants 2026-27 Analysis
Food and Public Distribution

Highlights

- The expected cost of providing free foodgrains for five years is around Rs 12 lakh crore. Rise in procurement cost and the Central Issue Price being zero has led to an increase in the food subsidy bill.
- Procurement of foodgrains for NFSA is concentrated in a few states, with 92% of wheat coming from three states, and 65% of paddy coming from five states.
- Rice and wheat are the two main foodgrains provided under NFSA. To support nutritional requirements, distribution of fortified rice and coarse grains are being undertaken.

The Department of Food and Public Distribution (DFPD) is responsible for ensuring food security through procurement, storage, and distribution of foodgrains, and for regulating the sugar sector.[1] The Department is under the purview of the Ministry of Consumer Affairs, Food and Public Distribution. This note examines the budget allocation to the Department and discusses related issues.

Overview

In 2026-27, the Department has been allocated Rs 2,35,047 crore, same as the revised estimate for 2025-26 (Rs 2,35,048 crore).[2] Allocation to the Department accounts for 4.4% of the budgeted expenditure of the central government in 2026-27.

Table 1: Allocation to the Department of Food and Public Distribution (in Rs crore)

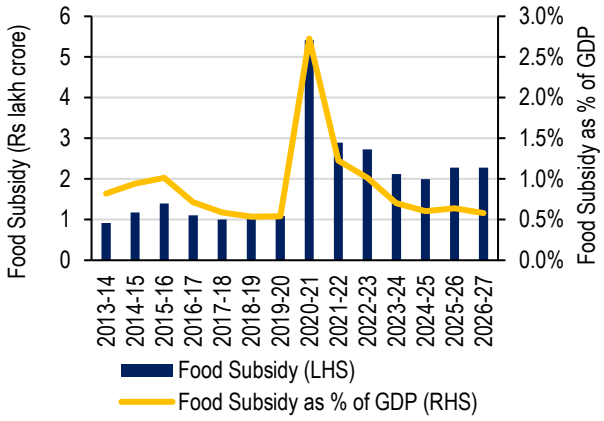
Head	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from 25-26 RE to 26-27 BE
PMGKAY	1,99,500	2,27,754	2,27,429	-0.1%
Assistance to state agencies*	6,945	6,000	6,500	8.3%
Assistance to Sugar Mills for Ethanol Capacity	600	600	600	0%
Sugar Subsidy under PDS	367	400	200	-50%
Other	295	294	318	8%
Total	**2,07,707**	**2,35,048**	**2,35,047**	**0%**

Note: *For intra-state movement of grains and margin of fair price shop dealers.
Sources: Demand No. 15, Expenditure Budget, Union Budget 2026-27; PRS.

PMGKAY

In 2026-27, Rs 2,27,429 crore has been allocated towards the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY). This amounts to 97% of the budget allocation for the Department.

Figure 1: Food subsidy estimated at 0.6% of GDP in 2026-27



Note: Food subsidy bill was higher between 2020-21 and 2022-23 due to clearing of pending dues of FCI and distribution of additional foodgrains during the COVID-19 pandemic.
Source: Budget at a Glance, Union Budget 2025-26; PRS.

The allocation for the scheme in 2026-27 has seen a small decrease of 0.1% over the revised estimate for 2025-26. In 2025-26, as per revised estimates, expenditure towards the scheme (Rs 2,27,754 crore) is estimated to be 12% higher than the initial budget estimate (Rs 2,03,000 crore).

The scheme implements the legal entitlement for households under the National Food Security Act, 2013 (NFSA). NFSA provides for subsidised foodgrains to up to 75% of the population in rural areas and 50% in urban areas. Beneficiaries of PMGKAY are divided into Antyodaya Anna Yojana (AAY) which covers the "poorest of the poor" families, and priority households (PHHs). AAY households are eligible to receive 35 kg of foodgrains per month, and PHHs are eligible to receive five kg of foodgrains per person per month. There are 2.3 crore AAY households and 18.3 crore PHH households as of January 2026.[3] Foodgrains are being provided entirely for free under the scheme since January 2023. Free foodgrains have been approved to continue until 2029.[4,5]

Foodgrains for the scheme are procured from farmers at notified prices by: (i) the Food Corporation of India (FCI), or (ii) state governments under the decentralised procurement scheme. The Department allocates foodgrains procured by FCI to states. The scheme provides subsidy to FCI and states to cover costs of procurement, transportation, and storage of foodgrains. It also covers the cost incurred by FCI in maintaining buffer stock to ensure food security in the country. State governments are responsible for identifying beneficiaries and distributing foodgrains through Fair Price Shops (FPS).

In addition to foodgrains, AAY households are also eligible to receive sugar at a subsidised rate. The sugar subsidy is estimated at Rs 200 crore in 2026-

27, a decrease of 50% from the revised estimate for 2025-26.

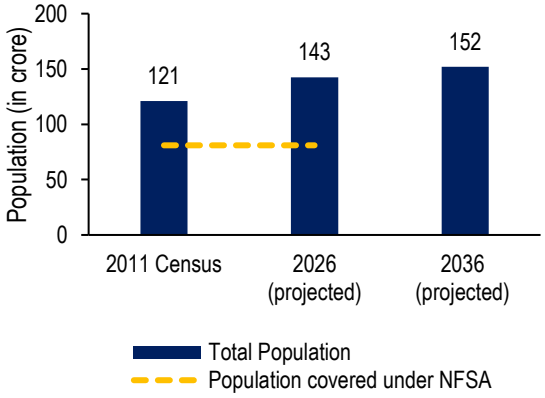
Beneficiary coverage under NFSA

Currently, PMGKAY covers 67% of the total population as per the 2011 Census, amounting to a maximum coverage of around 81.35 crore persons.[5] As of August 2025, states have identified 80.6 crore beneficiaries.[6] DFPD (2025) noted that there is a scope for the addition of 79 lakh beneficiaries as per the extant coverage.[6]

The coverage was determined in 2013 based on 2011 census and household consumption expenditure survey of 2011-12, and has remained unchanged.[7] Since then, population and poverty levels have changed which may necessitate a review of the number of beneficiaries under the scheme. An increase in population raises concerns of there being beneficiaries who may not be able to avail NFSA benefits.[9] A decline in poverty suggests households that have moved out of poverty since would continue to be included as beneficiaries.[11]

***Outdated population data**:* The 2013 Act provides that the number of persons to be covered in rural and urban areas of the state shall be calculated based on the population estimates as per the latest census. The proportion of population eligible under NFSA has not been updated, as the subsequent decadal census due in 2021 was postponed due to the COVID-19 pandemic.[8] This has led to concerns that the number of eligible beneficiaries may have increased but they are not getting benefits as per NFSA. The Supreme Court (2021) observed that the central government should take steps to re-determine the number of persons to be covered under NFSA.[9] In August 2025, DFPD observed that it would not be proper to re-determine the coverage under NFSA in the absence of updated census data.[6] It observed that any change is possible only after data of the next census is published. The next census is set to be conducted in 2027.[10]

Figure 2: Population of India is estimated to increase by 18% between 2011 and 2026



Source: Population Projections for India and States 2011-2036, National Commission on Population; PRS.

Decline in poverty: In 2015, a High-Level Committee on Restructuring of FCI (Chair: Mr. Shanta Kumar) observed that 67% coverage under NFSA is on the higher side.[11] It had observed that a relatively lower 40% coverage could comfortably cover below poverty line (BPL) households, and some even above that.[11] Between 2011-12 and 2022-23, India is estimated to see a further decline in BPL persons (Table 2).[12]

Table 2: Decline in poverty in India between 2011-12 and 2022-23

Poverty Line	2011-12		2022-23	
	Poverty Rate	Persons (in crore)	Poverty Rate	Persons (in crore)
USD 2.15 / INR 44 (2017)	16.2%	21	2.4%	3.4
USD 3.00 / INR 62 (2021)	27.1%	34	5.3%	7.5

Note: INR values are based on World Bank's USD INR Purchasing Power Parity (PPP) values for the respective year.
Source: "India's Poverty Story Transformed", Factsheet, Press Information Bureau, June 7, 2025; PRS.

Between 2004-05 and 2011-12, inclusion error under PDS was estimated to increase from 29% to 37%.[13] Inclusion error refers to ineligible persons getting undue benefits. One reason for increase could be non-poor still being identified by the government as poor and being allowed to use ration cards, despite a change in status.[13] An evaluation study commissioned by DFPD in six districts of Bihar in 2023 noted that selection of PHH and AAY households have not been updated in recent years.[14] It observed that families have upgraded with income and standard of living and ought to be excluded as per the criteria defined by the government. However, they continue to be listed as beneficiaries. It further noted that fresh and regular surveys are needed to determine the status based on the criteria defined by the state government.[14]

Under NFSA, states determine inclusion/exclusion criteria for PHH households.[14] Criteria generally factor income level, nature of employment, tax payee status, and possessions such as land, house, vehicles, and AC.[14,15,16] Thresholds may vary across states.[14,15,16] The criteria for AAY households has been defined by the central government.[17] It includes: (i) landless agricultural labourers, (ii) marginal farmers, rural artisans, slum dwellers, and persons who earn livelihood on a daily basis in the informal sector, and (iii) primitive tribal households.

Level of benefit for BPL households: The High-Level Committee on Restructuring of FCI (2015) had observed that allocating five kg foodgrains per person to priority households made BPL households worse off.[11] This is when compared to the earlier framework of the TPDS under which they were entitled to seven kg of foodgrains per person.[11]

Removal of Bogus Ration Cards: Another issue which impacts the reach of the scheme to the beneficiaries is duplicate or bogus ration cards. Efforts have been taken to streamline the recognition of genuine beneficiaries. The

Department has set up a central repository of all beneficiaries under the Act, under the "One Nation One Ration Card" initiative.[18] All ration cards are to be linked with Aadhaar. The deadline for e-KYC and Aadhaar linking has been extended several times, with state-specific deadlines.[19] The issuance of new ration cards, or updated cards linked to Aadhaar is only to be done after real-time cross-verification from this central repository to ensure no duplication persists.[20] As of December 2025, 99% of ration cards have been seeded with Aadhaar.[21] While most states have reported near 100% completion of Aadhaar seeding, Arunachal Pradesh (81%) and Meghalaya (78%) lag.[21]

The 15th Finance Commission (2021) observed that around 2.75 crore ration cards were deleted since January 2013 on grounds of ghost, fraudulent, duplicate, or ineligible beneficiaries, death, and migration.[22] However, it noted that these deletions did not lead to any impact on the overall expenditure, as new eligible beneficiaries were included to replace them.[22] As of December 2025, 6.77 crore ration cards have been deleted. [23,24]

Trends in Expenditure

Wheat and rice are two major items distributed under PMGKAY. In 2024-25, the economic cost incurred by FCI stood at Rs 28.5 per kg for wheat and Rs 40.4 per kg for rice (Table 3). Economic cost refers to the total cost in supplying foodgrains including procurement, storage, and distribution. This cost has grown at an annualised rate of 3% between 2014-15 and 2024-25 for both wheat and rice.[25]

Table 3: Economic cost of foodgrains for FCI in 2024-25 (revised estimates)

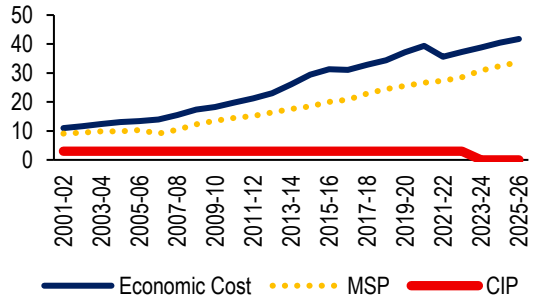
Head	Wheat		Rice	
	Rs/kg	% share	Rs/kg	% share
Pooled Cost of Grain	**22.2**	**78%**	**32.4**	***80%***
Procurement Incidentals	**3.0**	**10%**	**5.2**	***13%***
Statutory Charges	*2.1*	7%	*2.9*	*7%*
Labour and Transport Charges	*0.4*	1%	*0.7*	*2%*
Storage and Interest Charges	*0.3*	1%	*0.5*	*1%*
Other	*0.2*	1%	*1.0*	*3%*
Distribution Cost	**3.3**	**12%**	**2.9**	***7%***
Freight	*1.8*	6%	*1.1*	*3%*
Handling	*0.6*	2%	*0.6*	*2%*
Storage	*0.5*	2%	*0.5*	*1%*
Administrative Overheads	*0.6*	2%	*0.6*	*1%*
Total	**28.5**	**100%**	**40.4**	**100%**

Source: Budget and Cost, Food Corporation of India; PRS.

Around 80% of the total cost in case of both wheat and rice is towards pooled cost of grain. This primarily represents the amount paid to farmers for procurement at MSP. MSP is recommended by the Commission for Agricultural Costs and Prices, and approved by the Union Cabinet. The increase in the economic cost in recent years has mainly been driven by the increase in MSP. Procurement incidentals added about three rupees per kg for wheat and about five rupees per kg for rice in 2024-25. Of this, statutory charges are a major component which include charges paid to mandis, commission to Arathiya and societies, and milling charges and driage allowances in case of rice. Distribution cost adds a further three rupees per kg for both wheat and rice. These include costs incurred towards road and rail freight, associated handling, and storage.[25]

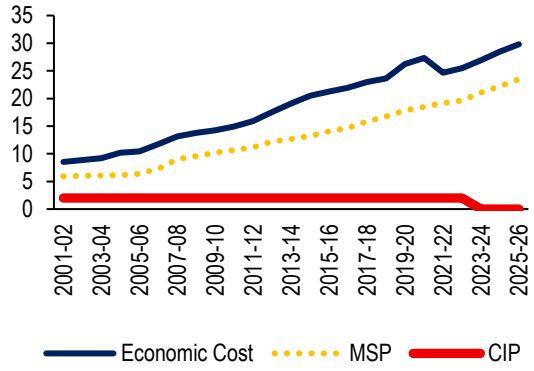
CIP has not been revised to keep up with the rise in the economic cost: At the time of enactment, NFSA provided for subsidised price of foodgrains to households as follows: (i) three rupees per kg for rice, (ii) two rupees per kg for wheat, and (iii) one rupee per kg for coarse grains. The prices under NFSA were to be applicable for three years from the commencement of the Act. Subsequently, the central government could revise prices such that it does not exceed MSP. Over the years, while MSP and the overall economic cost rose steadily, the central issue price (CIP) remained unrevised. CIP is the price at which the central government issues food grains to states for distribution to beneficiaries.

Figure 3: CIP vis-à-vis Economic Cost of Rice (Rs/kg)



Note: Figures for 2024-25 are revised estimates and 2025-26 are budget estimates.
Source: Budget and Cost, Food Corporation of India; PRS.

Figure 4: CIP vis-à-vis Economic Cost of Wheat (Rs/kg)

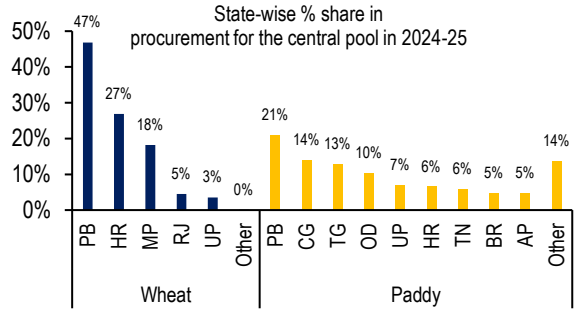


Note: Figures for 2024-25 are revised estimates and 2025-26 are budget estimates.
Source: Budget and Cost, Food Corporation of India; PRS.

CIP continued to remain fixed at the rates originally specified under NFSA. Since 2023, CIP has been revised down to zero to implement the announcement of free foodgrains under PMGKAY. The rising gap has been bridged with an increase in subsidy. The expected cost of providing free foodgrains is around Rs 12 lakh crore over five years.[26] The Economic Survey (2020-21) and the 15th Finance Commission had recommended increasing CIP to offset rising economic cost and contain the food subsidy bill.[27]

Procurement remains concentrated in a few states: One of the objectives under NFSA to advance food security is geographical diversification of procurement.[28] However, procurement has remained highly concentrated in a few states (Figure 5).[29] For instance, in 2024-25, 92% of wheat procurement was from three states – Punjab, Haryana, and Madhya Pradesh.[29] 65% of paddy procurement in that year was from five states – Punjab, Chhattisgarh, Telangana, Odisha, and Uttar Pradesh.[29] This leads to longer transport chains for distribution.

Figure 5: Punjab and Haryana accounted for 64% of wheat and 27% of paddy procurement



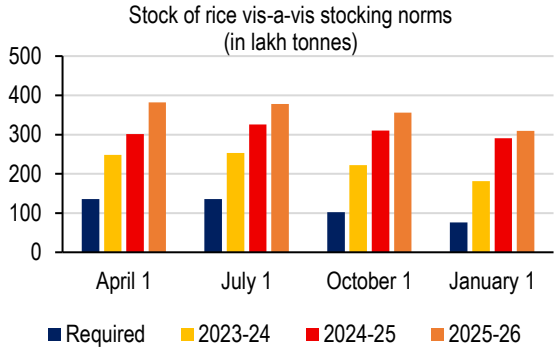
Source: Unstarred Question No. 996, Rajya Sabha, Department of Food and Public Distribution, December 9, 2025; PRS.

Many states yet to implement decentralised procurement: To enhance efficiency of procurement and reduce food subsidy outgo, the central government introduced the Decentralised Procurement Scheme (DCP) in 1997-98.[30,31] Under this scheme, states themselves procure, store, and distribute foodgrains for their NFSA beneficiaries, with any surplus handed over to the central pool and deficits bridged by FCI.[32] However, DCP covered only about 65% of the procurement of both wheat and rice in 2024-25.[29] As of December 2025, 17 states are implementing DCP for paddy, and seven states are implementing DCP for wheat.[29,33] The Department (2022) had informed the Standing Committee (2022) that since decentralised procurement requires the state governments to make arrangements for funds, storage, and manpower, they hesitate to adopt it.[34] The Standing Committee (2022) recommended that all states should adopt the decentralised procurement of foodgrains.[34] It had recommended the central government to help states in adopting the scheme. The Committee observed that this would also ensure that available foodgrains are suited to local taste.

Stocks significantly above norms: FCI's stocking norms seek to: (i) meet prescribed minimum stock for food security, (ii) ensure availability for monthly release of foodgrains under PDS, (iii) meet emergency situations such as crop failure, natural disasters, and (iv) enable market intervention by augmenting supply to moderate open market prices.[35] CAG (2023) observed that average stock was almost two times the stock required to be maintained between 2017-18 and 2022-23.[35] This trend has continued in recent years (see Figure 6 and 7). CAG (2023) noted that as a result, FCI incurs a higher expenditure towards procurement and storage, which leads to a higher outgo towards food subsidy. It highlighted that there are no prescribed norms for the maximum stock level. As of January 1, 2026, stock of wheat was about two times the norms, and that of rice was about four times the norms.[36] CAG also observed that between 2017-18 and 2022-23, the liquidation of stocks through open market sale or exports was inadequate.[35]

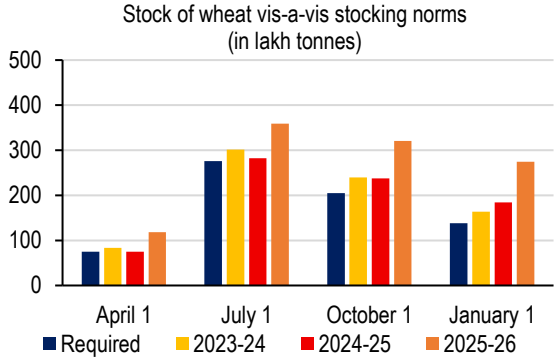
DFPD (2020) had noted that FCI follows an open-ended procurement policy under which it procures whatever food grains are offered by farmers.[37] The 15th Finance Commission (2021) had observed that open-ended procurement far beyond stocking norms creates a shortage in the open market.[22]

Figure 6: Stock of rice above the norms



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

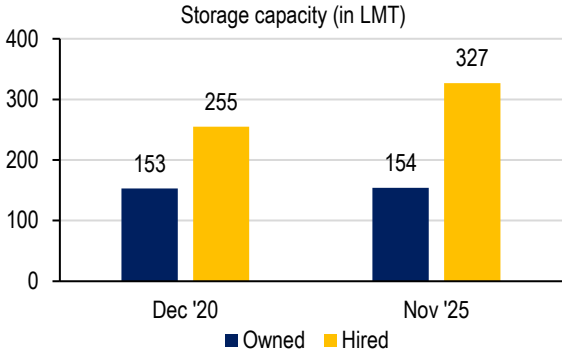
Figure 7: Stock of wheat above the norms



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

Dependence on hired storage: As of December 2025, FCI owned storage capacity worth 154 Lakh Metric Tonnes (LMT).[36] It has also hired storage capacity worth 327 LMT to fill the gap in capacity (68% of the total capacity with FCI).[36] It hires storage capacities from Central and State Warehousing Corporations, state agencies, and private parties. For private parties, it issues short-term as well as longer guaranteed periods under Private Entrepreneurs Guarantee (PEG) scheme.[38] In addition, total capacity with state agencies was 449 LMT.[36]

Figure 8: Increasing reliance on hired storage capacity by FCI



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

DFPD (2025) noted that hiring or constructing godowns through warehousing corporations and private investors is more cost-effective than FCI building and maintaining them.[39] However, the Standing Committee (2025) observed that there has been no comprehensive assessment or evaluation of total rental liabilities compared to the cost of ownership.[39] It highlighted that a lack of systematic analysis makes it difficult to assess whether relying on hired storage is indeed more cost-efficient.[39] In December 2025, DFPD informed the Standing Committee that it has formed a committee of three officers to study the matter.[40]

Targets for addition of storage capacity not met: CAG (2023) noted that 20 LMT storage capacity was completed against a target of 110 LMT between 2017-18 and 2021-22.[35] The shortfall was mainly in construction of steel silos where 12 LMT capacity was completed against a target of 100 LMT.

Table 4: Status of godown construction by FCI (in MT)

Year	Target	Achievement	
		In number	In %
2022-23	16,640	11,140	67%
2023-24	50,100	1,760	4%
2024-25*	58,540	10,000	17%

Note: *Data for 2024-25 as of January 31, 2025.
Source: 8th Report, Standing Committee on Consumer Affairs, Food and Public Distribution, March 2025; PRS.

The Standing Committee (2025) highlighted that annual targets for construction of godowns by FCI have not been met between 2022-23 and 2024-25.[34] DFPD highlighted following as key issues in execution of works: (i) delay in land acquisition, (ii) halt in work during extended monsoons, (iii) challenges in working at full pace due to difficult terrain and climate in north-east and hill states, and (iv) resistance from local residents.[39]

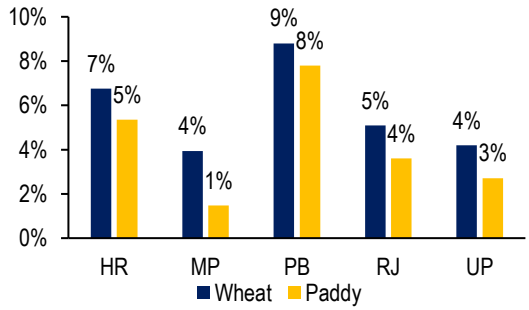
Inefficiencies in transportation: CAG (2023) highlighted certain gaps in transportation planning by FCI which led to higher costs.[35] For instance, FCI had not availed Railways' Long-Term Tariff Contract policy of 2017. This Policy provides certain concessions in tariff to high-volume customers. CAG observed that FCI could have earned a rebate of Rs 1,736 crore between 2017-18 and 2021-22 by availing this policy.

Transit losses by FCI from rail and road was valued at Rs 1,652 crore in the five years between 2017-18 and 2021-22. Transit losses occur due to pilferage, short loading, and spillage during movement and loading and unloading operations.

CAG noted that FCI incurs: (i) transportation charges for moving food grains from railhead to its own godowns, and (ii) handling expenditure twice at its own depots at the time of receipt and issue of food grains to states. It observed that if food grains were directly issued from railhead to state government godowns instead of FCI godowns, it could have led to savings. It estimated that even a 10% direct issue of food grains in the state of Jharkhand could result in savings of Rs 159 crore over five years. CAG highlighted that there are no formal guidelines on the direct issue of food grains.

High statutory charges in some states: Increase in MSP has a direct bearing on statutory charges levied by state governments.[35] This is because these charges are fixed at a percentage of MSP. These charges include market fee, mandi fee, and Arhatia commission. In June 2022, the central government had requested states to only allow statutory charges up to 2% of MSP.[35] CAG (2023) highlighted that high-procurement states such as Punjab and Haryana are levying significantly higher statutory charges.[35] It observed that no remedial action has been taken despite similar observations made around 2012-13.

Figure 9: Average statutory charges levied by select states as of 2023



Source: Report No. [20] of 2023, CAG; PRS.

Leakages under PDS

Leakages refer to food grains not reaching intended beneficiaries. These may be due to: (i) exclusion of beneficiaries, (ii) diversion to non-beneficiaries, and (iii) losses, pilferage, or damages during operations. Recent public data on leakages is not available. The Standing Committee (2015-16) had taken note of a private study by ICRIER which estimated that 47% of off-taken grains did not reach intended beneficiaries in 2011-12.[41,42] A more recent study by ICRIER has estimated this figure to be 28% in 2022-23.[43] DFPD (2024) has contested the methodology of the 2022-23 ICRIER study and stated that it conflates offtake and distribution.[44] Offtake figures also account for stocks in transit, buffer allocations, operational reserves, and stock for other welfare schemes. These are not immediately distributed to the households. DFPD observed that the report's estimates are fundamentally incorrect as they fail to account for these distinctions.[44]

***Direct Benefit Transfer*:** NFSA states that central and state governments will endeavour to take certain reforms such as introduction of cash transfer and food coupon schemes. The High-Level Committee on Restructuring of FCI (2015) observed that a large share of NFSA beneficiaries in rural areas are farmers and agricultural labourers.[11] The government buys foodgrains at MSP from such persons and later distributes subsidised foodgrains back to them under PDS. The Committee had recommended exploring cash transfer as an alternative for such populations to reduce expenditure and improve effectiveness. To address concern on erosion of value, it recommended indexing cash transfer to inflation.[11] The Committee had estimated that this would save around Rs 30,000-35,000 crore.[11]

Cash transfer is being implemented in three UTs since 2015.[45] These are Chandigarh, Puducherry, and Dadra and Nagar Haveli (only in urban areas). DFPD (2022) observed that this measure aims to: (i) reduce the need for huge physical movement of foodgrains, (ii) provide greater autonomy to beneficiaries to decide their consumption basket, (iii) enhance dietary diversity, (iv) reduce leakage, and (v) improve targeting.[45] As per the Rules under NFSA, cash transfer can be introduced in identified areas upon written consent of the state government.[45] Government of Puducherry had sought an exemption from cash transfer, which was denied by the central government.[46]

A more recent pilot for cash transfer was attempted in one block in Ranchi, Jharkhand in October 2017.[47] It was withdrawn after 10 months.[47] A social audit found that nearly 97% of beneficiaries and 95% Gram Sabhas said 'no' to cash transfer.[47] Challenges faced included:(i) delay in accessing ration due to lack of information about receipt of money and time taken in withdrawing money, (ii) money being deducted against borrowings and other liabilities to banks, and (iii) time and money spent in going to nearby bank to withdraw the subsidy amount.[48] Beneficiaries visited bank outlets multiple times to find out whether they have received subsidy.[48] Dealers saw a dip in revenue as beneficiaries were not taking rations regularly.[48]

One concern with cash transfer is that cash could be spent on non-food items. The World Bank (2017) noted that food vouchers/stamps are used in several countries, which could address this issue.[49] In India, food coupons have been tried in states such as Andhra Pradesh, Bihar, and Jammu and Kashmir.[50]

Nutritional Balance

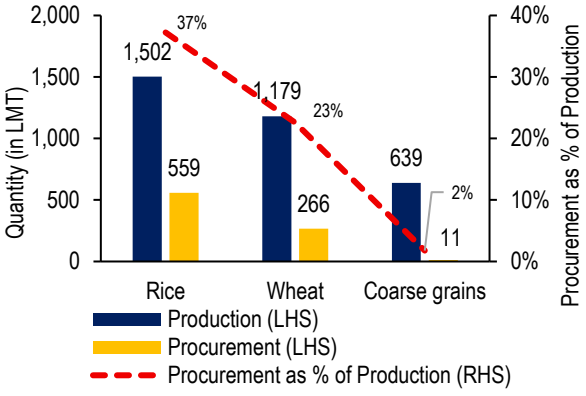
Commodity basket has not been diversified: NFSA envisages diversification of commodities distributed under PDS as one of the reforms. Rice and wheat continue to be two major foodgrains being provided under PMGKAY (Table 5).[36] DFPD (2022) noted that coarse grains have better nutritional value and is implementing a policy for encouraging procurement and distribution of coarse grains.[51] These include Jowar, Bajra, and Ragi. As of 2025-26, the share of coarse grains in the overall allocation under PDS remains miniscule.[36] During the COVID-19 pandemic, NFSA beneficiaries were also provided one kg of pulses per household per month free of cost for around eight months between April to November.[52,53] However, this provision was not continued. In addition, subsidised sugar is provided to around 1.9 crore AAY households.[54]

Table 5: Rice and wheat remain two major foodgrains provided under PDS (allocation under NFSA in LMT)

Item	2015-16		2025-26	
	Quantity	% share	Quantity	% share
Rice	278	56%	361	65%
Wheat	215	44%	184	33%
Coarse grains	1.5	0.3%	8.6	1.6%
Total	**495**	**-**	**554**	-

Source: Food Grain Bulletins for December 2015 and 2025; PRS.

Figure 10: Procurement of coarse grains remains low (2024-25)

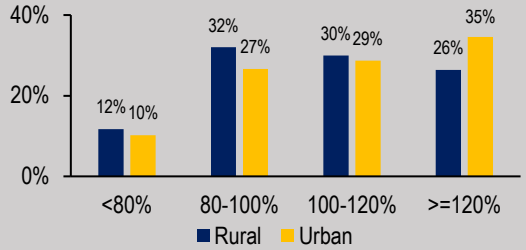


Source: Food Grain Bulletin - December 2025, Department of Food and Public Distribution; PRS.

Calorie Intake in India

In 2023-24, around 12% of the rural households consumed less than 80% of the recommended calorie intake per day.[55] The corresponding figure for urban areas was around 10%. Among the bottom 10% of the households ranked by consumption expenditure, more than 25% consumed below this threshold.

Figure 11: Distribution of households against the norm for calorie intake in 2023-24 at all-India level

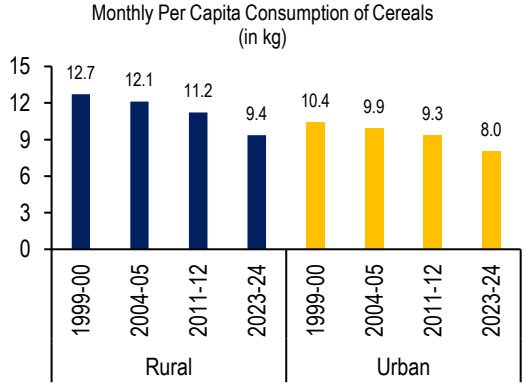


Source: Nutritional Intake in India (2022-23 and 2023-24), MoSPI; PRS.

Health implications of dependence on cereals: ICMR (2024) observed that a significant proportion of Indian population relies heavily on cereals.[56] This results in poor intake of essential nutrients and increases the risk of insulin resistance and associated disorders. It recommended diversifying food sources and limiting cereals to 45% of the daily calorie intake. In 2023-24, contribution of cereals at all-India level was 48% in rural areas and 41% in urban areas.[55] Cereal intake was higher than the recommended level in 11 states in rural areas, and five states in urban areas (Table 13 in annexure). States such as Odisha, Jharkhand, and Chhattisgarh observed a higher dependence on cereals.[55]

Reducing preference for cereals: Over the years, cereal consumption level has seen a decline (Figure 12).[57] The 15th Finance Commission noted that this indicates a reduced preference for wheat and rice.[22] It recommended that given changing preferences and in order to maintain nutritional balance, the government should take steps to diversify commodities distributed under PDS.[22]

Figure 12: Consumption of cereals has been declining in both urban and rural areas



Source: Household Consumption Expenditure Survey 2023-24, MoSPI; PRS.

Table 6: Sources of protein intake in rural areas

Source	1993-94	2011-12	2023-24
Cereal	69%	62%	45%
Pulses	10%	11%	9%
Milk	9%	11%	11%
Egg, Fish, and Meat	4%	5%	12%
Others	8%	12%	22%

Sources: Nutritional Intake in India Reports of 2011-12 and 2023-24, MoSPI; PRS.

Rice fortification: Rice fortification is the process of adding fortified rice kernels (FRK) containing micronutrients to normal rice.[58] These micronutrients include iron, folic acid, and Vitamin B12. This is done to enhance nutritional content of food grains. Fortified rice was introduced under PDS in a phased manner between 2021 and 2024.[58] The aim is to reduce the prevalence of anaemia (iron deficiency). The Union Cabinet has given approval for distribution of fortified rice under PMGKAY and other welfare schemes up to December 2028.[59] The cost of fortification is covered under food subsidy. The cost for fortification under all schemes is estimated at Rs 17,082 crore for the period between April 2024 and December 2028.[60] In 2023, a white paper released by NITI Aayog and ICMR-National Institute of Nutrition (NIN) observed that: (i) fortified rice will result in a modest decrease in anaemia, and (ii) iron deficiency may persist among adolescent girls despite rice fortification.[61]

Fortified rice is subject to FSSAI regulations.[62,63,64] These regulations require batch-wise testing.[65] FSSAI has notified 56 labs across 15 states for this purpose as of December 2025.[66] 13 states and eight UTs do not have any approved labs. Notably, these include Bihar, Andhra Pradesh, and Chhattisgarh which have 13.4 crore NFSA beneficiaries.[67]

News reports have highlighted concerns such as: (i) potential for adverse health impact of fortified rice on sickle-cell or thalassemia patients, and (ii) public perception and acceptance challenges such as misconception of fortified rice being 'plastic rice'.[68,69,70,71,72] The 2023 White Paper by NITI Aayog and ICMR-NIN concluded that there is no evidence for adverse outcomes of fortified rice among sickle cell anaemia and thalassemia patients.[61] However, it also observed that to inform policy decisions, impact evaluation, adverse effect study and cost-effectiveness analysis is necessary. DFPD noted that no advisories for such patients are required by bodies such as WHO or USA Food and Drug Administration.[75] In India, FSSAI regulations of 2018 had earlier required an advisory for such patients, however, this requirement was removed in 2023 following a scientific review.[73] FSSAI has conducted lab tests to address misconceptions regarding 'plastic rice'.[74] Evaluation studies commissioned by DFPD (2023) have noted that there is a need to address doubts regarding FRK being plastic rice through awareness campaigns.[14,16]

Initiatives to improve PDS

Automation of Fair Price Shops (FPS): FPS are required to install electronic point of sale (ePoS) devices. The ePoS system enables Aadhaar authentication of beneficiaries and electronic records of all sale transactions. As of March 2025, out of 5.43 lakh FPS, 5.41 lakh were operational with ePOS devices.[75] In December 2025, 97.9% of transactions at ePOS-enabled FPS were through Aadhaar authentication.[76]

One Nation One Ration Card: This initiative allows a beneficiary to get benefits from any FPS of their choice, anywhere in the country. As of February 2025, this has been enabled across all 36 states and UTs.[77] In December 2025, 0.5% of ePOS transactions were inter-state and 18% were that of intra-state portability.

eKYC: KYC of beneficiaries is done to verify if the seeded Aadhaar number belongs to the same person as appearing in the ration card. As of October 2025, eKYC was completed for 86% of beneficiaries.[78] States with lower completion rate include: Manipur (5.5%), Meghalaya (39%), and Uttarakhand (41%). See Table 14 in annexure for state-wise status.

Smart-PDS: This scheme is being implemented for three years between 2023-24 and 2025-26.[79] It aims to sustain information technology-led reforms. It provides for an integrated central system covering all PDS operations.

Sugarcane

DFPD is responsible for formulation of policies and regulations for the sugar sector.[1] This includes fixing the Fair and Remunerative Price (FRP) of sugarcane which is payable to farmers by sugar mills, and regulating export of sugar, and a minimum selling price for sugar. For the 2025-26 crushing season, the FRP has been increased from Rs 340 per quintal in 2024-25 to Rs 355 per quintal for 2025-26.[80]

Table 7: Surplus sugar production in recent years (in LMT)

Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Sugarcane production	4,054	4,394	4,905	4,531	4,546
Sugar stock position					
Carry-over stock	145	110	85	70	57
Production	274	310	359	330	320
Total Availability	419	420	444	400	377
Domestic Consumption	250	265	273	280	297
Export	59	70	110	63	1
Closing Stock	110	85	61	57	79

Note: Export restrictions were enforced in 2023-24 leading to much lower export. Carry over stock of 2022-23 is corrected from 2021-22 closing stock figure.
Source: Annual Report 2024-25, DFPD; PRS.

Surplus production: In recent years, sugarcane production has been more than adequate to cover domestic sugar consumption (Table 7). Surplus is being utilised in mainly two ways: (i) export of sugar to other countries, and (ii) production of ethanol for blending with petrol.[81]

The NITI Aayog Taskforce on Sugarcane and Sugar Industry (2020) had observed that FRP has been fairly remunerative for farmers compared to other competing crops.[82] Returns from sugarcane cultivation are 60%-70% higher than most other crops. Further, sugar mills are required to buy sugarcane within a specified radius. These policies incentivise sugarcane cultivation as farmers are insured and protected against price risks.

Introduction of policies for increasing ethanol blending may have further strengthened incentives for sugarcane production. Under the National Biofuel Policy, 2018, the central government aims to achieve 20% ethanol blending in petrol by 2025-26.[83] In July 2025, average blending rate of 19.95% was achieved.[84] Currently, ethanol is produced from sugarcane juice, molasses, damaged foodgrains, rice from FCI, and maize.[85] About 62% of ethanol supply between 2021-22 and 2023-24 was from molasses, sugarcane, and sugar (Table 8). The government has incentivised ethanol production through policies such as: (i) administered price for procurement, and (ii) interest subvention for setting up ethanol distilleries and enhancing existing capacity.[84,86] Molasses-based annual distillery capacity is proposed to increase from 426 crore litres in 2020 to 760 crore litres by 2025.[85]

Table 8: Feedstock of ethanol supply to oil marketing companies (in crore litre)

Feedstock	2021-22	2022-23	2023-24	Average share
Molasses, Sugarcane Juice, Sugar Syrup, Sugar	340	369	270	62%
Damaged Food Grains	23	32	116	11%
Maize	0	32	286	20%
Rice from FCI	46	74	0	8%
Total	**408**	**506**	**672**	**-**

Source: Unstarred Question No. [193], Rajya Sabha, DFPD, July 22, 2025; PRS.

Sugarcane is a water intensive crop. On average, one kg of sugar requires around 1,500-2,000 kg of water.[87] The NITI Aayog Task Force (2020) had noted that pressure on water table due to sugarcane cultivation has become a concern in states such as Maharashtra.[87] The Expert Committee on Roadmap for Ethanol Blending in 2020-25 had recommended reducing reliance on water-intensive crops for ethanol production.[85]

Issues related to pricing: Some state governments fix their own State Advised Price (SAP) at levels higher than the FRP announced by the central government.[87] This may cause a strain on the financial health of the sugar mills. The NITI Aayog Task Force (2020) recommended that sugarcane prices must be linked to sugar prices.[87] Increases in FRP should be kept moderate and states announcing SAP should also bear the additional costs associated with it.[87]

Currently, four states have announced SAP higher than FRP: (i) Punjab, (ii) Haryana, (iii) Uttar Pradesh, and (iv) Uttarakhand.[88] The Commission for Agricultural Costs and Prices (2024) observed that Haryana and Punjab pay the difference between FRP and SAP, whereas in Uttar Pradesh and Uttarakhand, the gap is filled by sugar mills.[88]

Table 9: FRP vs SAP (Rs per quintal)

Year	All-India FRP	State Advised Price (SAP)			
		Haryana	Punjab	Uttar Pradesh	Uttarakhand
2020-21	285	335	300	315	317
2021-22	290	355	360	340	345
2022-23	305	365	370	340	345
2023-24	315	379	381	360	365

Source: Sugar Policy 2025-26, Commission for Agricultural Costs and Prices; PRS.

The Commission further noted that the SAP system distorts sugar markets and does not incentivise improvements in sugar recovery rates. The Commission recommended that SAP should be discontinued and the states should adopt FRP/Revenue Sharing Formula (RSF) system. If a state opts to retain SAP, the difference between SAP and FRP should be directly paid to farmers through direct benefit transfer.[88]

[1] The Government of India (Allocation of Business) Rules, 1961, Cabinet Secretariat, https://cabsec.gov.in/allocationofbusinessrules/completeaobrules/ .

[2] Demand No. 15, Expenditure Budget, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe15.pdf.

[3] Integrated Management of Public Distribution System Portal, Department of Food and Public Distribution, as accessed on January 29, 2026, https://impds.nic.in/sale/.

[4] Pradhan Mantri Garib Kalyan Yojana, Department of Food and Public Distribution. https://dfpd.gov.in/pradhan-mantri-garib-kalyan-anna-yojana/en.

[5] Coverage and Entitlement under NFSA, National Food Security Portal, https://nfsa.gov.in/portal/Coverage_Entitlements_NFSA_AA.

[6] Starred Question No 275, Rajya Sabha, Ministry of Consumer Affairs, Food and Public Distribution, August 19, 2025, https://sansad.in/getFile/annex/268/AS275_TyGsN3.pdf?source=pqars.

[7] "Salient Features of NFSA", NFSA Portal, as accessed on January 10, 2026, https://nfsa.gov.in/portal/Salient_Features_NFSA_AA.

[8] "Delay in Census 2011", Ministry of Home Affairs, Press Information Bureau, December 14, 2022, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1883527.

[9] Suo Moto writ petition (Civil) No 6/2020, Supreme Court of India, November 29, 2021, https://api.sci.gov.in/supremecourt/2020/11706/11706_2020_36_1501_28166_Order_29-Jun-2021.pdf.

[10] "Cabinet approves scheme of Conduct of Census of India 2027", Press Information Bureau, Cabinet, December 12, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2202983&reg=3&lang=1.

[11] "Recommendations of High Level Committee on restructuring of FCI", Ministry of Consumer Affairs, Food & Public Distribution, Press Information Bureau, January 22, 2015, https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=114860&reg=3&lang=2.

[12] "India's Poverty Story Transformed", Press Information Bureau, June 7, 2025, https://www.pib.gov.in/FactsheetDetails.aspx?Id=149221&reg=3&lang=2.

[13] Evaluation Study on Role of Public Distribution System in Shaping Household and Nutritional Security in India, NITI Aayog, December 2016, https://web.archive.org/web/20250722152846/https://164.100.94.191/niti/writereaddata/files/document_publication/Final%20PDS%20Report-new.pdf.

[14] Concurrent Evaluation of Implementation of the National Food Security Act, 2013 in State of Bihar, Phase-II (2020-2023)-Round 6, July-December 2023, Department of Food and Public Distribution., https://nfsa.gov.in/portal/Concurrent_Evaluation.

[15] Concurrent Evaluation of Implementation of the National Food Security Act, 2013 in State of Maharashtra, Phase-II (2020-2023)-Round 6, April-September 2023, Department of Food and Public Distribution., https://nfsa.gov.in/portal/Concurrent_Evaluation.

[16] Concurrent Evaluation of Implementation of the National Food Security Act, 2013 in State of Tamil Nadu, Phase-II (2020-2023)-Round 6, October 2022-March 2023, Department of Food and Public Distribution., https://nfsa.gov.in/portal/Concurrent_Evaluation,

[17] Unstarred Question No. 2916, Rajya Sabha, Department of Food and Public Distribution, August 19, 2025, https://sansad.in/getFile/annex/268/AU2916_QQZF8a.pdf?source=pqars.

[18] "One Nation, One Ration Card", Press Release, National Informatics Centre, Ministry of Electronics and Information Technology, https://cdnbbsr.s3waas.gov.in/s3dcf6070a4ab7f3afbfd2809173e0824b/uploads/2024/11/20241104206259252.pdf.

[19] Order G.S.R.488(E), Department of Food and Public Distribution, https://dfpd.gov.in/WriteReadData/OrderUploadDocuments/8321c471-0d37-4ad3-b691-2ad280cfc780_Targeted%20Public%20Distribution%20System%20(Control)%20Order%202025.pdf.

[20] Notification F.No.23(5)/2015, Department of Food and Public Distribution, https://nfsa.gov.in/handlers/hndlViewImage.ashx?type=newsnotificationdoc&random=1693f28f-f25d-41fd-9a0d-8a2e2549f1c6&id=002020000000043.

[21] Unstarred Question No. 2822, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, August 6, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU2822_R1vsGb.pdf?source=pqals

[22] Chapter 8: Department of Food and Public Distribution, Volume III, Report of the 15th Finance Commission for 2021-26, https://fincomindia.nic.in/commission-reports-fifteenth.

[23] Unstarred Question No. 620 , Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, December 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU620_8aMtWF.pdf?source=pqals

[24] Unstarred question no. 1839, Lok Sabha, July 30, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU1839_Bz2sQO.pdf?source=pqals.

[25] Budget and Cost, Food Corporation of India, Accessed 31 January 2026, https://fci.gov.in/headquarter/view/BUDGET-AND-COST-584.

[26] "Free Foodgrains for 81.35 crore beneficiaries for five years: Cabinet Decision", Ministry of Consumer Affairs, Food & Public

Distribution, Press information Bureau, November 29, 2023, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1980689&reg=3&lang=2#:~:text=The%20Cabinet%20led%20by%20Prime,from%201%20st%20January%2C%202024.

[27] Economic Survey 2024-25, India Budget, https://www.indiabudget.gov.in/economicsurvey/.

[28] Schedule III, The National Food Security Act, 2013, https://www.indiacode.nic.in/bitstream/123456789/2113/1/201320.pdf.

[29] Unstarred Question No. 996, Rajya Sabha, Department of Food and Public Distribution, December 9, 2025, https://sansad.in/getFile/annex/269/AU996_5uRVTc.pdf

[30] "Centre to Encourage Decentralised Procurement", Press Information Bureau, Ministry of Consumer Affairs, Food & Public Distribution, March 5, 2013, https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=93033&reg=3&lang=2.

[31] "Securing Every Plate", Press information Bureau, October 15, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2179514.

[32] Procurement Policy, Department of Food and Public Distribution, https://dfpd.gov.in/procurement-policy.

[33] "Policy and System", Website of FCI, as accessed on January 21, 2026, https://fci.gov.in/view/Policy-and-System-684.

[34] Report no. 18, Standing Committee on Consumer Affairs, Food and Public Distribution: 'Demands for Grants (2022-23), Department of Food and Public Distribution', Lok Sabha, March 22, 2022, https://sansad.in/getFile/lsscommittee/Consumer%20Affairs,%20Food%20and%20Public%20Distribution/17_Food_Consumer_Affairs_And_Public_Distribution_18.pdf?source=loksabhadocs.

35 Report No. 20 of 2023, Storage Management and Movement of Food Grains by FCI, CAG, https://cag.gov.in/uploads/download_audit_report/2023/Report-No.-20-of-2023_PA-on-FCI_English-PDF-A-066b9d3c33f4c35.05840530.pdf

[36] Food Grain Bulletin December 2025, Department of Food and Public Distribution, https://dfpd.gov.in/WriteReadData/FoodBulletinUploadDocuments/8cc19261-0d0a-4ca7-b589-ab8708fb1b4d_Foodgrains%20Bulletin%20for%20December,%202025.pdf.

[37] Unstarred Question No. 1527, Lok Sabha, Department of Food and Public Distribution, September 20, 2020, https://sansad.in/getFile/loksabhaquestions/annex/174/AU1527.pdf?source=pqals.

[38] Schemes, Department of Food and Public Distribution, https://dfpd.gov.in/scheme/en.

[39] 8th Report: Demands for Grants 2025-26 of the Department of Food and Public Distribution, Standing Committee on Consumer Affairs, Food and Public Distribution, March 2025, https://sansad.in/getFile/lsscommittee/Consumer%20Affairs,%20Food%20and%20Public%20Distribution/18_Consumer_Affairs_Food_and_Public_Distribution_8.pdf?source=loksabhadocs.

[40] 12th Report: Action Taken Report on the Demands for Grants 2025-26 of the Department of Food and Public Distribution, Standing Committee on Consumer Affairs, Food and Public Distribution, December 2025, https://sansad.in/getFile/lsscommittee/Consumer%20Affairs,%20Food%20and%20Public%20Distribution/18_Consumer_Affairs_Food_and_Public_Distribution_8.pdf?source=loksabhadocs.

[41] 3rd Report: Demands for Grants 2015-16 of the Department of Food and Public Distribution, Standing Committee on Food, Consumer Affairs, and Public Distribution, April 2015, https://sansad.in/getFile/lsscommittee/Consumer%20Affairs,%20Food%20and%20Public%20Distribution/16_Food_Consumer_Affairs_And_Public_Distribution_3.pdf?source=loksabhadocs.

[42] Working Paper 294, "Leakages from Public Distribution System", January 2015, ICRIER, http://icrier.org/pdf/Working_Paper_294.pdf.

[43] Rationalising Public Distribution System in India, Indian Council for Research on International Economic Relations, November 2024, https://icrier.org/pdf/pb-27.pdf.

[44] Unstarred Question No. 3852, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, December 18, 2024, https://sansad.in/getFile/loksabhaquestions/annex/183/AU3852_1BOF8y.pdf?source=pqals.

[45] "Cash transfer of food subsidy directly into the bank account of PDS being implemented on a pilot basis in three UTs", Press Information Bureau, Ministry of Consumer Affairs, Food & Public Distribution, March 30, 2022, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1811483.

[46] Unstarred Question No. 1533, Rajya Sabha, Ministry of Consumer Affairs, Food and Public Distribution, December 10, 2021, https://sansad.in/getFile/annex/255/AU1533.pdf?source=pqars.

[47] "Pilot Project for Direct Benefit Transfer withdrawn 10 months after launch", The Indian Express, as accessed on January 28, 2025, https://indianexpress.com/article/india/jharkhand-pilot-project-for-direct-benefit-transfer-withdrawn-10-months-after-launch-5299959/.

[48] Experimenting with Cash Transfers in Food Subsidies: Lessons from Pilot in Nagri, Microsave Consulting, August 2019, https://www.microsave.net/wp-content/uploads/2019/10/191018_Nagri-case-study_Final.pdf.

[49] The 1.5 Billion People Question: Food, Vouchers, or Cash Transfers?, World Bank, 2017, https://www.worldbank.org/en/news/press-release/2017/09/28/food-assistance-remains-a-critical-safety-net-for-the-poor-and-vulnerable.

[50] Unstarred Question No. 2929, Rajya Sabha, Ministry of Consumer Affairs, Food and Public Distribution, August 20, 2010, https://sansad.in/getFile/annex/220/Au2929.pdf?source=pqars.

[51] File No. 7-15/2020.Py.III, Department of Food and Public Distribution, December 7, 2021, https://dfpd.gov.in/WriteReadData/Other/procurement_policy_updated.pdf.

[52] "Under PMGKAY-2, total 44.08 LMT food grains lifted by States/UTs till date; 23.69 LMT food grains distributed among 47.38 crore beneficiaries in July", Ministry of Consumer Affairs, Food & Public Distribution, Press Information Bureau, August 4, 2025, https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=214402.

[53] Unstarred question no. 1833, Rajya Sabha, Ministry of Consumer Affairs, Food and Public Distribution, August 4, 2023, https://sansad.in/getFile/annex/260/AU1833.pdf?source=pqars.

[54] "Cabinet approves Scheme of Sugar Subsidy for AAY Families under PDS", Press Release, Cabinet, February 1, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2001051&reg=3&lang=2.

[55] Nutritional Intake in India (2022-23 and 2023-24), MoSPI, https://www.mospi.gov.in/sites/default/files/publication_reports/Nutritional_Intake_in_India_L.pdf.

[56] ICMR-NIN Expert Committee, Dietary Guidelines for Indians-2024, https://www.nin.res.in/dietaryguidelines/pdfjs/locale/DGI07052024P.pdf.

[57] Household Consumption Expenditure Survey 2023-24, MoSPI, https://www.mospi.gov.in/sites/default/files/publication_reports/Final_Report_HCES_2023-24L.pdf.

[58] Allocation of Food Grains, Website of Department of Food and Public Distribution, as accessed on January 21, 2026, https://dfpd.gov.in/allocation-of-food-grains/en.

[59] "Cabinet approves continuation of supply of free Fortified Rice under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) and other welfare schemes from July, 2024 to December, 2028", Press Information Bureau, Union Cabinet, October 9, 2024,https://www.pib.gov.in/PressReleasePage.aspx?PRID=2063447&reg=3&lang=2.

[60] "Fortified Rice Scheme Extended to 2028 with ₹17,082 Crore Government Backing", Ministry of Food Processing Industries, August 21, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2159013.

[61] Efficacy and Safety of Iron Fortified Rice in India: A White Paper, NITI Aayog, 2023, https://www.nin.res.in/downloads/whitepaper.pdf.

[62] Food Safety and Standards (Fortification of Foods) Regulations, 2018

[63] . File No. RCD-02001/9/2021, Food Safety and Standards Authority of India, May 2, 2022, https://ams.fssai.gov.in/doc/foodcategories.pdf.

[64] File No. QA-11023/9/2022-RARD-FSSAI, Food Safety and Standards Authority of India, November 16, 2023, https://www.fssai.gov.in/upload/uploadfiles/files/order%20guidelines%20on%20sampling.pdf.

[65] "FSSAI convenes meeting of Rice Millers and Fortified Rice Kernel manufacturers aimed at strengthening Food Safety Standards and Compliance with Fortification", Press Release, Ministry of Health and Family Welfare, October 15, 2024, https://mohfw.gov.in/?q=en%2Fpressrelease-100.

[66]File no. QA-11023/9/2022-RARD-FSSAI, Food Safety and Standards Authority of India, December 17, 2025, https://www.fssai.gov.in/upload/uploadfiles/files/FSSAI%20order%20dated%2017th%20December%202025%20regarding%20revised%20list%20of%20labs%20for%20testing%20of%20fortificants%20in%20FR_FRK%20and%20premix%20for%20FRK.pdf.

[67] Starred question no. 327, Rajya Sabha, Ministry of Consumer Affairs, Food & Public Distribution, April 1, 2025, https://sansad.in/getFile/annex/267/AS327_5vjup8.pdf?source=pqars.

[68] "Why is artificial rice being distributed through India's public distribution system? | In Focus podcast", The Hindu, January 27, 2024, https://www.thehindu.com/podcast/why-is-artificial-rice-being-distributed-through-indias-public-distribution-system-in-focus-podcast/article67779767.ece.

[69] "Removal of health warning on iron-fortified food raises concern", Deccan herald, October 9, 2024, https://www.deccanherald.com/india/removal-of-health-warning-on-iron-fortified-food-raises-concern-3225894.

[70] "Fortified rice: SC gives Centre four weeks to review expert recommendations", Mint, July 10, 2024, https://www.livemint.com/news/india/fortified-rice-supreme-court-pds-free-rice-fortified-rice-distribution-iron-thalassemia-sickle-cell-disease-11720608404345.html.

[71] "Karnataka to look into reports on 'plastic' rice, sugar being sold: Health Minister Ramesh Kumar", Indian Express, June 9, 2017, https://indianexpress.com/article/india/karnataka-to-look-into-reports-on-plastic-rice-sugar-being-sold-health-minister-ramesh-kumar-4696319/.

[72] "Plastic rice in PDS armour, says Odisha Minister Atanu", The New Indian Express, March 1, 2023, https://www.newindianexpress.com/cities/bhubaneswar/2023/Mar/01/plastic-rice-in-pds-arumour-says-odisha-ministeratanu-2552040.html.

[73] Food Safety and Standards (Fortification of Foods) Regulations, 2018, https://www.fssai.gov.in/upload/uploadfiles/files/Compendium_Food_Fortification_Regulations_30_09_2021.pdf

[74] "Lab test confirms fortified rice, not plastic", Nagaland Post, FSSAI, June 21, 2022, https://www.fssai.gov.in/upload/media/FSSAI_news_Lab_Nagaland_22_06_2021.pdf.

[75] "Fortified Rice: Centre's ambitious initiative to combat micronutrient deficiencies", Ministry of Consumer Affairs, Food & Public Distribution, Press Information Bureau, October 17, 2024, https://sansad.in/getFile/loksabhaquestions/annex/184/AU4337_XPYnLS.pdf.

[76] Integrated Management of Public Distribution System, https://impds.nic.in/sale/#.

[77] Unstarred question no.210, Rajya Sabha, February 4, 2025, https://sansad.in/getFile/annex/267/AU210_m3yq46.pdf.

[78] Unstarred Question No. 1793, Rajya Sabha, December 16, 2025, https://sansad.in/getFile/annex/269/AU1793_fjXAYl.pdf.

[79] Unstarred Question No. 1797, Rajya Sabha, August 5, 2025, https://sansad.in/getFile/annex/268/AU1797_LhvAF8.pdf.

[80] "Sugarcane Cultivation", Ministry of Agriculture & Farmers Welfare, Press Information Bureau, December 12, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2203206&reg=3&lang=1.

[81] Report No. 6, Standing Committee on Consumer Affairs, Food and Public Distribution (2024-2025), December 16, 2024, https://sansad.in/getFile/lsscommittee/Consumer%20Affairs,%20Food%20and%20Public%20Distribution/18_Consumer_Affairs_Food_and_Public_Distribution_6.pdf?source=loksabhadocs.

[82] Report of the Task Force on Sugarcane and Sugar Industry, NITI Aayog, March 2020, https://www.niti.gov.in/sites/default/files/2021-08/10_Report_of_the_Task_Force_on_Sugarcan_%20and_Sugar_Industry_0.pdf.

[83] F. No.P-13032(16)/18/2017, Ministry of Petroleum and Natural Gas , Gazette of India, June 4, 2018, https://mopng.gov.in/files/uploads/NATIONAL_POLICY_ON_BIOFUELS-2018.pdf.

[84] "Government speed up ethanol blending with expanded production and infrastructure", Ministry of Petroleum & Natural Gas, Press Information bureau, August 11, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2155110&reg=3&lang=2.

[85] Report of the Expert Committee, Roadmap for Ethanol Blending in India 2020-25, NITI Aayog and Ministry of Petroleum and natural gas, June 2021, https://www.niti.gov.in/sites/default/files/2021-06/EthanolBlendingInIndia_compressed.pdf.

[86] "Cabinet approves Mechanism for procurement of ethanol by Public Sector Oil Marketing Companies (OMCs) under Ethanol Blended Petrol (EBP) Programme - Revision of ethanol price for supply to Public Sector OMCs for Ethanol Supply Year (ESY) 2024-25", Ministry of Petroleum & Natural Gas, Press Information Bureau, January 29, 2025, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2097307&reg=3&lang=2.

[87] Report of the Task Force on Sugarcane and Sugar Industry, NITI Aayog, March 2020, https://www.niti.gov.in/sites/default/files/2021-08/10_Report_of_the_Task_Force_on_Sugarcan_%20and_Sugar_Industry_0.pdf.

[88]" Price Policy for Sugarcane 2025-26 Season", Commission for Agricultural Costs & Prices, Ministry of Agriculture & Farmers Welfare, November 2024, https://cacp.da.gov.in/Document/EnglishReports/Sugarcane_202526_20250825135750397.pdf.

Annexure

Table 10: Procurement, offtake under NFSA, and stock of food grains (in lakh tonnes)

Year	Rice				Wheat			
	Procurement	Offtake	% Offtake	Stock	Procurement	Offtake	% Offtake	Stock
2015-16	342	273	96.3%	222	281	223	93.0%	145
2016-17	381	293	96.6%	231	230	229	95.4%	81
2017-18	382	316	100.5%	249	308	225	94.2%	132
2018-19	444	305	97.3%	294	358	219	91.5%	271
2019-20	518	306	98.5%	322	341	222	93.3%	247
2020-21	602	298	96.8%	291	390	220	91.5%	273
2021-22	576	268	89.2%	323	433	217	87.7%	190
2022-23	543	342	92.4%	249	188	171	94.7%	83
2023-24	525	358	93.4%	302	262	157	92.1%	75
2024-25	559	347	93.6%	382	266	169	91.9%	118

Note: Offtake data is for NFSA. % offtake is calculated against allocation made under NFSA for that year. Stock as of April 1 of the next financial year.
Source: Foodgrains Bulletins of various months, DFPD; PRS.

Table 11: Production and procurement of rice for central pool (in lakh tonnes)

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Andhra Pradesh	79.4	27.6	73.4	20.4	81.6	25.6
Arunachal Pradesh	2.5	0.0	2.6	0.0	2.6	0.0
Assam	56.2	4.0	55.4	2.6	49.0	5.7
Bihar	70.2	28.2	79.0	20.6	83.0	26.3
Chhattisgarh	98.1	58.7	97.0	83.0	103.7	78.0
Delhi	0.2	0.0	0.2	0.0	0.2	0.0
Goa	0.9	0.0	1.0	0.0	0.8	0.0
Gujarat	24.0	1.2	24.1	0.6	24.5	0.2
Haryana	51.1	39.8	59.8	39.5	60.6	36.2
Himachal Pradesh	1.3	0.1	1.7	0.2	1.4	0.3
Jharkhand	14.9	1.2	15.2	0.5	27.8	1.4
Jammu & Kashmir	6.0	0.2	6.4	0.2	6.4	0.2
Karnataka	42.8	0.1	31.3	0.0	39.5	0.0
Kerala	6.0	5.0	5.0	3.8	5.2	4.0
Madhya Pradesh	70.2	31.0	72.4	28.3	91.1	29.1
Maharashtra	39.0	12.4	39.0	7.8	38.7	10.7
Manipur	3.5	0.0	3.5	0.0	4.2	0.0
Meghalaya	2.8	0.0	2.7	0.0	2.8	0.0
Mizoram	0.4	0.0	0.4	0.0	0.4	0.0
Nagaland	3.7	0.0	3.7	0.0	3.4	0.0
Odisha	82.5	53.8	84.7	48.2	95.3	58.2
Punjab	129.9	122.0	143.6	124.1	143.6	116.1
Rajasthan	5.8	0.0	7.5	0.0	9.2	0.0
Sikkim	0.1	0.0	0.1	0.0	0.1	0.0
Tamil Nadu	75.6	23.0	68.0	23.8	70.9	32.6
Telangana	158.8	62.9	168.7	63.9	174.5	71.3
Tripura	7.9	0.0	7.9	0.0	7.2	0.2
Uttarakhand	6.3	6.0	6.4	4.9	5.9	4.5
Uttar Pradesh	161.4	43.9	159.9	36.1	207.6	38.7
West Bengal	154.8	21.8	156.9	16.8	160.2	19.9
Total	**1,357.6**	**543.2**	**1,378.3**	**525.5**	**1,501.8**	**559.3**

Sources: Foodgrains Bulletins of various months, DFPD; Unified Portal for Agricultural Statistics; PRS.

Table 12: Production and procurement of wheat for central pool (in lakh tonnes)

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Andaman & Nicobar Islands	0.0	0.0	0.0	0.0	0.0	0.0
Andhra Pradesh	0.0	0.0	0.0	0.0	0.0	0.0
Arunachal Pradesh	0.1	0.0	0.1	0.0	0.1	0.0
Assam	0.1	0.0	0.1	0.0	0.1	0.0
Bihar	65.1	0.0	71.7	0.0	71.9	0.1
Chandigarh	0.0	0.0	0.0	0.1	0.0	0.1
Chhattisgarh	1.9	0.0	1.8	0.0	2.4	0.0
Dadra & Nagar Haveli and Daman & Diu	0.0	0.0	0.0	0.0	0.0	0.0
Delhi	0.8	0.0	0.8	0.0	0.8	0.0
Goa	0.0	0.0	0.0	0.0	0.0	0.0
Gujarat	34.6	0.0	37.7	0.0	38.7	0.0
Haryana	109.3	41.9	111.9	63.2	114.0	71.5
Himachal Pradesh	5.9	0.0	7.9	0.0	6.5	0.0
Jharkhand	4.4	0.0	4.8	0.0	5.5	0.0
Jammu & Kashmir	5.9	0.0	5.9	0.0	5.9	0.0
Karnataka	2.0	0.0	1.9	0.0	2.1	0.0
Kerala	0.0	0.0	0.0	0.0	0.0	0.0
Ladakh	0.1	0.0	0.1	0.0	0.1	0.0
Lakshadweep	0.0	0.0	0.0	0.0	0.0	0.0
Madhya Pradesh	227.3	46.0	225.8	71.0	245.1	48.4
Maharashtra	23.7	0.0	19.9	0.0	22.9	0.0
Manipur	0.1	0.0	0.1	0.0	0.1	0.0
Meghalaya	0.0	0.0	0.0	0.0	0.0	0.0
Mizoram	0.0	0.0	0.0	0.0	0.0	0.0
Nagaland	0.0	0.0	0.0	0.0	0.0	0.0
Odisha	0.0	0.0	0.0	0.0	0.0	0.0
Puducherry	0.0	0.0	0.0	0.0	0.0	0.0
Punjab	167.8	96.5	177.4	121.1	179.9	124.6
Rajasthan	106.4	0.1	97.0	4.4	112.8	12.1
Sikkim	0.0	0.0	0.0	0.0	0.0	0.0
Tamil Nadu	0.0	0.0	0.0	0.0	0.0	0.0
Telangana	0.1	0.0	0.1	0.0	0.1	0.0
Tripura	0.0	0.0	0.0	0.0	0.0	0.0
Uttarakhand	8.3	0.0	8.7	0.0	8.6	0.0
Uttar Pradesh	336.1	3.4	353.4	2.2	356.5	9.3
West Bengal	5.6	0.0	5.9	0.0	5.7	0.0
Total	**1,105.5**	**187.9**	**1,132.9**	**262.0**	**1,179.5**	**266.1**

Sources: Foodgrains Bulletins of various months, DFPD; Unified Portal for Agricultural Statistics; PRS.

Table 13: Percentage of Calories from Cereals in 2023-24

State	Rural	Urban	State	Rural	Urban	State	Rural	Urban
Andhra Pradesh	45.9	42.7	Jharkhand	55.1	50.0	Punjab	35.5	33.8
Assam	51.2	43.8	Karnataka	42.2	37.1	Rajasthan	46.1	43.8
Bihar	51.0	47.5	Kerala	37.9	37.4	Tamil Nadu	41.0	37.0
Chhattisgarh	56.0	50.2	Madhya Pradesh	48.5	44.9	Telangana	50.5	41.5
Gujarat	42.0	35.4	Maharashtra	44.9	39.6	Uttar Pradesh	48.5	43.1
Haryana	38.0	33.4	Odisha	57.5	48.7	West Bengal	53.6	46.8

Source: Nutritional Intake in India (2022-23 and 2023-24), MoSPI; PRS.

Table 14: Status of eKYC completion for NFSA beneficiaries as of October 2025

State/UT	Number of Ration Cards	Number of Beneficiaries	Beneficiaries with eKYC completed	Completion Rate (in %)
Andhra Pradesh	88,37,973	2,68,23,200	2,50,59,919	93%
Assam	70,33,972	2,44,94,885	2,07,38,508	85%
Arunachal Pradesh	1,86,417	8,51,047	4,55,291	54%
Bihar	2,08,36,105	8,32,20,904	6,51,44,413	78%
Chhattisgarh	56,18,976	1,98,49,313	1,72,65,202	87%
Delhi	17,40,621	72,77,995	59,12,891	81%
Haryana	42,11,814	1,64,32,686	91,66,316	56%
Himachal Pradesh	7,40,855	28,25,555	27,49,841	97%
Goa	1,22,279	4,46,965	3,38,861	76%
Gujarat	75,83,635	3,52,78,131	3,20,67,896	91%
Jammu & Kashmir	16,60,400	67,40,632	58,78,557	87%
Jharkhand	60,30,329	2,62,98,890	2,00,82,241	76%
Karnataka	1,09,13,532	3,98,69,604	3,96,91,980	100%
Kerala	42,42,928	1,45,80,356	1,44,01,091	99%
Madhya Pradesh	1,31,86,400	5,35,08,215	4,94,22,460	92%
Maharashtra	1,67,85,945	6,83,22,243	4,03,74,787	59%
Manipur	5,82,335	21,15,890	1,15,371	6%
Meghalaya	4,21,888	21,45,105	8,40,140	39%
Mizoram	1,79,564	7,06,210	5,67,687	80%
Nagaland	3,33,943	11,78,425	9,02,732	77%
Rajasthan	1,09,43,305	4,43,98,244	4,13,40,735	93%
Sikkim	97,081	3,80,556	3,13,915	83%
Tamil Nadu	1,17,14,899	3,60,00,980	3,20,94,193	89%
Telangana	56,46,580	1,91,69,600	1,66,18,534	87%
Tripura	6,03,764	23,44,930	19,34,861	83%
Punjab	40,50,878	1,51,67,073	1,30,97,735	86%
Odisha	96,48,379	3,25,41,555	3,09,41,730	95%
Uttarakhand	13,97,689	60,80,620	25,20,196	41%
Uttar Pradesh	3,62,02,876	14,57,02,235	13,14,15,709	90%
West Bengal	1,37,30,496	5,99,14,052	5,89,62,690	98%
All-India	**20,56,69,243**	**79,61,02,389**	**68,14,95,972**	**86%**

Source: Unstarred Question No. [179]3, Rajya Sabha, Department of Food and Public Distribution, December 16, 2025; PRS.

Demand for Grants 2026-27 Analysis
Rural Development

Key Highlights

- MGNREGS restructured to VB-G RAM G under which 125 days of employment will be provided instead of 100; VB-G RAM G has been allocated Rs 95,692 crore.
- In the last decade employment provided under MGNREGS averaged around 48 days per household per year.
- PM Awas Yojana (G) has seen poor fund utilisation; 70% houses have been completed.

The Ministry of Rural Development aims to improve the quality of life in rural areas of the country and acts as the nodal agency for most development and welfare activities in rural India.[1] The Ministry comprises of two Departments, the Department of Rural Development and the Department of Land Resources. The Department of Rural Development works to enhance employment opportunities, ensure social security for the vulnerable, and facilitate infrastructure development for economic growth in rural areas.[1] The Department of Land Resources works to ensure sustainable development of rainfed cultivable and degraded lands, and optimise the use of land resources in the country.[2]

This note looks at the proposed expenditure of the Ministry for 2026-27. It also reviews trends in budgeting over the years, and challenges faced by the Ministry in implementing its programmes. First part covers the department of rural development, followed by second part covering department of land resources.

Allocation in 2026-27

In 2026-27, the Ministry of Rural Development (MoRD) has been allocated Rs 1,97,023 crore, 4% higher than the revised estimates of 2025-26. The Department of Rural Development has been allocated Rs 1,94,369 crore, 4% higher than the revised estimates of 2025-26. The Department of Land Resources has been allocated Rs 2,654 crore, which is 51% higher than the revised estimates of 2025-26.

Table 1: Budgetary Allocation to the Ministry of Rural Development (in Rs crore)

Department	24-25 Actuals	25-26 RE	26-27 BE	% Change
Rural Development	1,76,655	1,86,996	1,94,369	4%
Land Resources	2,652	1,757	2,654	51%
Total	**1,79,307**	**1,88,753**	**1,97,023**	**4%**

Note: BE is budget estimate and RE is revised estimate.
% Change from 2025-26 RE to 2026-27 BE.
Sources: Demands for Grants of the Ministry of Rural Development 2026-27; PRS.

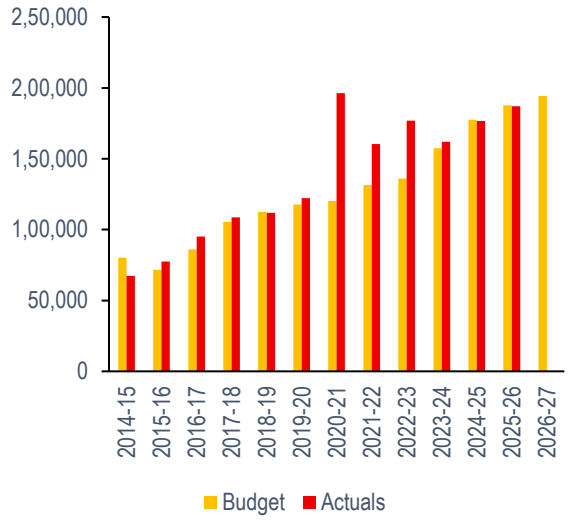
Department of Rural Development

Overview of Finances

Major schemes run by the Department include Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Gram Sadak Yojana (PMGSY), National Rural Livelihoods Mission (NRLM), Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) and National Social Assistance Programme (NSAP).

Barring 2018-19, the Department has spent more than it budgeted between 2015 and 2024. Between 2020-21 and 2022-23, allocation to the Department was increased significantly to provide more financial support during the pandemic. This increased allocation was towards MGNREGS to provide employment opportunities during the pandemic.[3]

Figure 1: Expenditure between 2014-15 and 2026-27 (in Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demands for Grants of the Ministry of Rural Development for various years; PRS.

Major schemes under the Department

MGNREGS restructured to VB-G RAM G

In December 2025, Parliament passed the Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin): VB-G Ram G Act, 2025 to replace the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA).[4] MGNREGA guaranteed 100 days of employment in a year to every rural household whose adult members volunteer for unskilled manual work.[5] Projects taken up under MGNREGS include those related to digging canals for irrigation, construction of Anganwadi centres, plantation drives, water supply and sanitation.[6] The VB-G RAM G Act increases the guarantee to 125 days.[4]

Allocation to schemes

In 2026-27, of the total allocation to the department, VB-G RAM G (40%) and PMAY-G (23%) together account for 63% of the Ministry's total gross expenditure. This is followed by MGNREGS (12%), NRLM (8%), PMGSY (8%), and NSAP (4%).

Table 2: Allocation to key schemes (Rs in Crore)

Schemes	2024-25 Actuals	2025-26 RE	2026-27 BE	% Change
VB-G RAM G	-	-	95,692	-
MGNREGS	85,834	88,000	30,000	-66%
PMAY-G	32,327	32,500	54,917	69%
NRLM	14,705	16,000	19,200	20%
PMGSY	17,871	11,000	19,000	73%
NSAP	9,652	9,197	9,671	5%

Note: % Change from 2025-26 RE to 2026-27 BE.
Sources: Union Budget Document 2026-27; PRS.

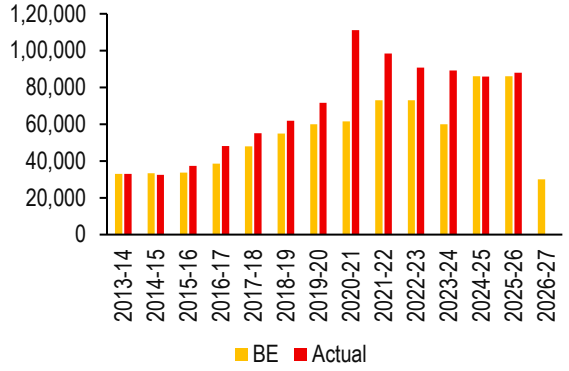
Key Issues and Analysis

Rural Employment Guarantee

Trend in allocation to MGNREGS

As MGNREGS is a demand driven scheme, the expenditure under it has varied in response to demand for work in rural areas. Expenditure increased by 55% in 2020-21 as the demand for work went up during COVID-19 pandemic driven by people migrating back to villages.[7]

Figure 2: Allocation to MGNREGS (in Rs crore)



Note:Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants, Department of Rural Development; PRS.

In 2026-27, allocation to MGNREGS is Rs 30,000 crore, a decrease of 66% over the revised estimates for 2025-26. VB-G RAM G has been allocated Rs 95,692 crore in 2026-27.

Cost structure

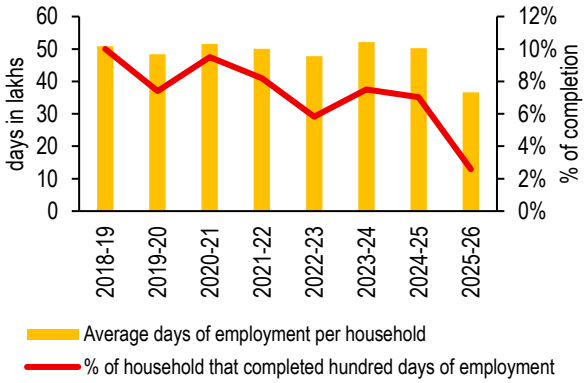
Under MGNREGA, the central government bears 100% wage cost, 75% materials cost and part of administrative costs.[5] State governments fund the remaining 25% materials cost, part of administration and unemployment allowance/ compensation in case of delay in wage payments. The VB-G RAM G Act amended this to provide that the scheme be implemented as a Centrally Sponsored Scheme. The central and state governments will share the expenditure in the 60:40 ratio (except for North-Eastern and Himalayan states where the ratio will be 90:10).[4] The central government will determine state-wise normative allocation. Any expenditure above this level will be entirely borne by the state government.

In the last five years, wage payments accounted for around 70% of the expenditure under the scheme.[8] Material cost accounted for 26% of total expenditure, of which about 20% has been borne by the centre. Thus, the Centre has borne around 90% of total expenditure on the scheme.[8] With the change in fund sharing pattern under the VB-G RAM G Act, the expenditure by state governments on the scheme may increase.

Days of employment provided under the scheme

Over the last decade, employment under MGNREGS has averaged around 48 days per household per year. Less than 10% of participating households complete 100 days of work.[9]

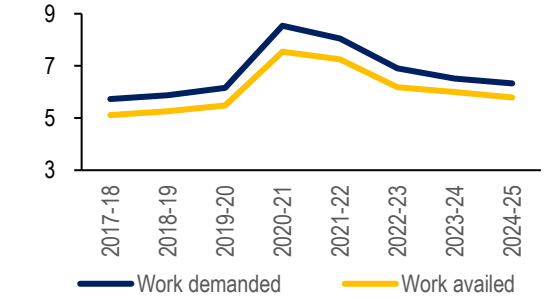
Figure 3: Average days of employment provided per household and households availing 100 days of work



Sources: MGNREGA Dashboard, on February 4, 2026; PRS.

In 2020-21, average days of employment increased to 52 days per household due to the COVID-19 pandemic. Employment generation moderated in the subsequent years, recording 50 days per household in 2024-25. On an average, seven crore households demanded work between 2017-25, of which six crore households (90%) could avail work (see figure 4).

Figure 4: Work demanded and work availed (households in crore)



Note: Data for 2025-26 till December 2025.
Sources: MGNREGA Dashboard, on December 29, 2025; PRS.

The Standing Committee on Rural Development (2024) noted that the scheme helps in providing support to the rural population during times of distress such as the COVID-19 pandemic.[7] The Economic Survey (2023-24) observed that work demanded under MGNREGS cannot be taken as a real indicator of rural distress.[10] As per the Survey, work provided under the scheme is linked to the institutional capacity of individual states. To access funds under the scheme, states need to budget in advance for the upcoming financial year.

This involves planning, and meetings at the Gram Panchayat, block and district levels. The Survey noted that states with higher institutional capacities, plan and execute the scheme more efficiently than states with lower capacities.

Wages under the scheme

Under MGNREGA, the Ministry of Rural Development notifies daily wage rates for MGNREGS workers for different states every financial year.[11] Over the past years, actual wage paid to workers has often been lower than the notified rate. In 2025-26, (as of December 2025), out of 31 states and Union Territories, the wages received by workers were below the notified wage rate in 20 states and UT.[12]

Table 3: Notified daily wage rate and average wage paid in select states in 2025 (in Rs)

State	Notified wage rate	Average wage paid
Andhra Pradesh	307	268
Chhattisgarh	261	245
Gujarat	288	264
Karnataka	370	342
Rajasthan	281	221
Tamil Nadu	336	268
Telangana	307	259

Sources: MGNREGA Dashboard, Ministry of Rural Development, as accessed on February 4, 2026; PRS.

Wages under MGNREGS vary across states as they are linked to the Consumer Price Index for Agriculture Labourers (CPI-AL) for the state.[27] CPI-AL tracks the change in prices of goods and services consumed by households whose primary income comes from agrarian labour.[13] The Standing Committee on Rural Development (2024) noted that given the rising cost of living, wages under MGNREGS are inadequate.[7] As per the Committee, the year 2009-10 is used as the base year for calculation of wage rates. It recommended that the Ministry consider revising the base so that wages would account for prevailing inflationary trends. While reviewing the scheme in 2025, the Standing Committee had reiterated the recommendation.[22]

Under the VB-G Ram G Act, the central government will notify wage rates for workers across states, similar to the existing system under MGNREGA.

Unemployment allowance payment

Under MGNREGA, a person demanding work was entitled to an unemployment allowance if work was not provided to them on demand within 15 days.[14] State governments are responsible for specifying the rate of unemployment allowance, and making the necessary budgetary provisions.[14] VB-G RAM G has similar provisions. However, between 2019-25, against the total unemployment allowance due, about 8% had been paid.[15]

In 2025-26, only 2% of due unemployment allowance had been paid as of February 2026.[16] Of the 14 states that had allowance due in 2025-26, Assam, Jharkhand and Uttar Pradesh accounted for all allowance paid.

Table 4: Unemployment allowance to be paid and actually paid (in Rs)

Year	Amount to be paid	Amount paid	Percentage paid
2019-20	30,30,253	31,106	1%
2020-21	61,40,016	4,62,646	8%
2021-22	1,70,42,459	6,70,454	4%
2022-23	89,92,628	10,49,600	12%
2023-24	21,97,678	3,21,552	15%
2024-25	23,40,635	6,75,490	29%
2025-26	6,44,284	9,965	2%

Sources: MGNREGA Dashboard, Ministry of Rural Development, as accessed on February 4, 2026; PRS.

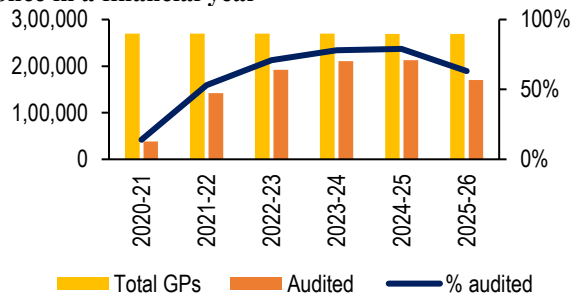
In 2023-24, the Economic Survey observed that the institutional capacity of states affects their ability to register and respond to demand for work under MGNREGS.[10] Inadequate capacity may result in demand not being registered in real time, which may, affect the payment of unemployment allowance by states. Despite statutory provisions, states released Rs 7.8 lakh in 2023 and Rs 90,000 in 2024 towards unemployment allowance.[10]

The Standing Committee on Rural Development and Panchayati Raj (2022) observed the delay and irregularities in payment of allowances.[17] It had urged the Department to ensure proper payment of allowances as the nodal agency. The Ministry had noted that it issues circulars, advisories, and conducts regular monitoring in states through visits by central teams.[17]

Inadequate capacity for social audits

As per MGNREGA, Gram Sabha is responsible for ensuring accountability by monitoring work under the scheme within a Gram Panchayat (GP).[18] Monitoring is conducted through social audits. States are required to set up independent Social Audit Units, which provide Gram Sabhas with resource persons to facilitate the audit process.[18] All records related to beneficiaries and work undertaken in the scheme are verified during the audit. As of December 2025, only 63% of the 2.7 lakh GPs (1.7 lakh) had conducted at least one social audit in 2025-26.[19]

Figure 5: GPs which completed social audits at least once in a financial year



Note: Data for 2025-26 till December 2025.
Sources: Social audit calendar vs audits completed, MGNREGA Dashboard, MoRD, as accessed on January 15, 2026; PRS.

The Devolution Index Report (2024) by the Ministry of

Panchayati Raj noted that in most states, panchayat offices have less than the sanctioned number of staff.[20] The report mentions that one Panchayat Secretary on an average manages 17 GPs in a state. Such capacity issues lead to inability of GPs to conduct regular activities such as social audits.[20]

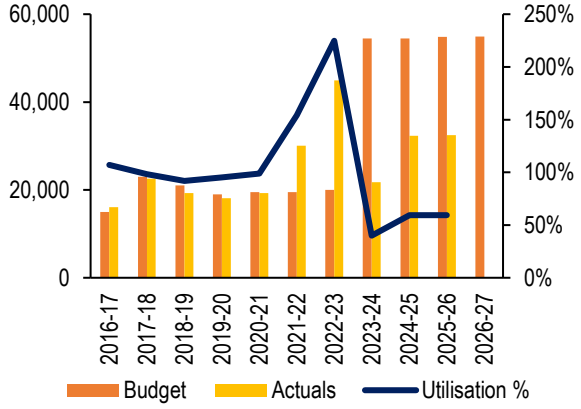
Pradhan Mantri Awas Yojana (Gramin)

PMAY (G) was launched in 2016 by subsuming the Indira Awaas Yojana to address gaps in the demand and supply of rural housing. It aimed to ensure housing for all by 2022. Based on the Socio Economic and Caste Census (SECC), 2011, the housing shortage in rural areas was estimated to be 4.03 crore.[21] The scheme targeted to build one crore houses in phase I (2016-19) and 1.95 crore houses in phase II (2019-22).[21] Of these 2.95 crore houses, about two crore households were selected from the SECC based permanent wait list and the rest were selected based on the Awaas+ survey of 2018.[22] The Awaas+ survey was conducted to identify eligible households left out under the 2011 SECC survey.[23]

By 2022, a total of 2.10 crore houses had been completed under both the phases.[24] To meet the targets, the programme was extended till March 2024.[24] In August 2024, the Union Cabinet approved extension of the scheme till 2028-29.[25] These targets aimed to (i) complete pending houses from earlier phases, and (ii) construct an additional two crore rural houses.

For 2026-27, the scheme has been allocated Rs 54,917 crore, an increase of 69% over the revised estimates of 2025-26. In 2025-26, Rs 32,500 crore has been spent, which is 41% lower than the budget estimate. The scheme has been witnessing under-utilisation since 2023-24, after a few years of over-spending.

Figure 6: Fund allocated for PMAY (G) (in Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants, Department of Rural Development; PRS.

Delay in house completion

Against the cumulative target of 4.15 crore houses (all phases), a total of 2.89 crore (70%) houses have been completed as of December 2025.[26] (See Table 15 in Annexure for houses completed against targets for last three years).

Table 5: Number of houses completed under the scheme year-over-year (in lakh)

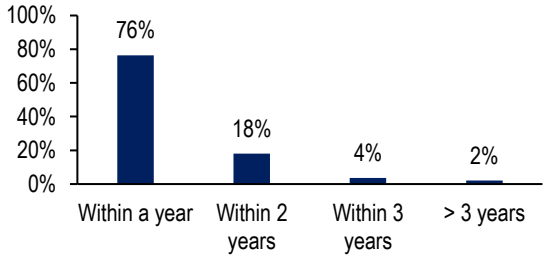
	Year	Target	Completed	Completion Rate
Phase I	2016-17	42	0.02	0.05%
	2017-18	32	38	121%
	2018-19	25	45	179%
Phase II	2019-20	56	21	38%
	2020-21	42	34	82%
	2021-22	67	42	64%
	2022-23	23	57	244%
	2023-24	9	21	239%
Extended targets	2024-25	84	13	16%
	2025-26	35	22	63%

Note: Houses completed in a year includes all houses completed irrespective of their sanctioning year.
Sources: PMAY (G) dashboard, as accessed on February 4, 2026; PRS.

The Ministry has given several reasons for delay in completion, including: (i) Covid-19 induced restrictions, (ii) unwillingness of beneficiaries, (iii) delay in landless beneficiaries getting allotted land, (iv) disputed succession, and (v) permanent migration.[22] Under the scheme, if a beneficiary does not have land to build a house, the responsibility of providing land is with the respective state government. The Standing Committee on Rural Development and Panchayati Raj (2023) recommended that the Ministry coordinate with state governments to ensure land for these beneficiaries and explore solutions like multi-storey housing.[27] Assam, Bihar, Maharashtra, and Odisha have schemes that provide financial assistance for land to landless beneficiaries.[22]

As of December 2025, on average it took 297 days to complete construction of a house under the scheme. Majority of houses (77%) were completed within a year.[28] Across 12 states and UTs, primarily in North Eastern and Hilly States, the average completion time was over a year (see Table 16 in annexure for state-wise average days taken for completion).

Figure 7: Average completion time of houses under PMAY G



Sources: PMAY-G Dashboard as accessed on February 4, 2026, Ministry or Rural Development; PRS

Financial assistance and implementation

Under the scheme, beneficiaries living in plains receive Rs 1.2 lakh, and those living in hilly areas receive Rs 1.3 lakh as per unit assistance.[27] The amount is transferred in three to four instalments which are linked to different stages of construction of the house. If a

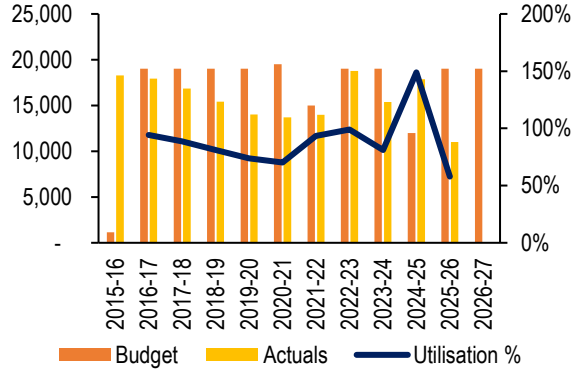
beneficiary wants to spend more than the amount provided through the scheme, they can avail home loans from financial institutions for up to Rs 70,000 with an interest subsidy of 3%.[21]

The Standing Committee on Rural Development and Panchayati Raj (2025) recommended that given the rising construction costs and inflationary pressures, the financial assistance provided under the scheme should be increased to four lakh rupees.[22] It observed that the enhanced assistance will help beneficiaries build quality housing that is durable and safe.

Pradhan Mantri Gram Sadak Yojana

The government had launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) in 2000 to provide all weather road connectivity to eligible rural habitations.[29] In 2026-27, it has been allocated Rs 19,000 crore, 73% higher than the revised estimates for 2025-26.

Figure 8: Fund allocated and utilised under PMGSY (in Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants of Department of Rural Development; PRS.

Table 6: Length of road sanctioned and completed under different verticals of PMGSY (in km)

Vertical	Sanctioned	Completed	Completion Rate
PMGSY I	6,44,735	6,25,097	97%
PMGSY II	49,795	49,086	99%
PMGSY III	1,22,388	1,02,444	84%
RCPLWEA	12,212	9,892	81%
JANMAN	7,316	1,176	16%
Total	**8,36,446**	**7,87,695**	**94%**

Sources: PMGSY Dashboard, MoRD, as accessed on December 28, 2025; PRS.

PMGSY has six verticals.[30,31] The first vertical targets providing road connections to habitations with a population of more than 500 people in plains and more than 250 people in North Eastern and hilly areas. The second vertical targets to upgrade 50,000 km of routes that act as major links. The third vertical, launched in 2019, targets to consolidate 1.2 lakh km of roadways that connect markets and city centres.[30] The Road Connectivity Project for Left Wing Extremism Affected Areas (RCPLWEA) was launched as a separate vertical in 2016 and was to be implemented till March 2023.[32] The Ministry also undertakes road construction in areas inhabited by Particularly Vulnerable Tribal Groups under PM-JANMAN.[33] In September 2024, the government launched PMGSY-IV with the objective of constructing 62,500 km of roads.[34] It will be implemented between 2024-25 and 2028-29 and would connect 25,000 habitations. As per the Ministry, surveys under PMGSY-IV have identified 40,547 unconnected habitations, as of December 2025.[35]

Pace of road construction

As of December 2025, out of the 8.3 lakh km of road sanctioned under the scheme, 94% of the roads have been completed.[36] The completion rate has been slow for the verticals which seek to build roads in LWE affected areas, and tribal areas. The Department has cited several reasons for the delay in achieving the targets, such as: (i) difficult terrain and law and order issues in areas affected by left wing extremism, (ii) challenges related to land acquisition and management of logistics and supply of inputs, and (iii) delay caused by contractors.[37] The Standing Committee on Rural Development and Panchayati Raj (2025) urged the department to prioritise completion of remaining projects thorough coordination and periodic follow-up with states.[22] The Committee also recommended that the road survey conducted under PMGSY-IV should take into account the latest population data as habitation distributions have changed since the last census.

Monitoring road maintenance

Under the scheme, contractors who build rural roads are responsible for maintenance for the five-year defect liability period (DLP) following completion.[38] After this period, the state governments are responsible for road maintenance. The Ministry monitors quality of roads through inspection during and after completion using a three-tier quality control system.[39] Between January and December 2025, 24% of roads inspected for maintenance work by the national quality monitors (NQMs) were found to be unsatisfactory.[40] During the same period, 16% of roads inspected for maintenance by state quality monitors (SQMs) were found to be unsatisfactory.[41]

Table 7: Work under the scheme found to be unsatisfactory during inspections

Level	Work status	Inspected	Unsatisfactory	%
NQM	Completed	880	199	23%
	Ongoing	984	91	9%
	Maintenance	2,017	480	24%
SQM	Completed	3,818	120	3%
	Ongoing	7,634	207	3%
	Maintenance	14,168	2,285	16%

Note: Data for period between January and December 2025.
Sources: PMGSY Dashboard accessed on December 28, 2025; PRS

The 15th Finance Commission had taken note of the inter-state disparity in maintenance of roads.[42] It had suggested that the Ministry bridge inter-state gaps and recommended that states learn from each other. One of the recommendations was to provide funds to states for

road maintenance. The Standing Committee on Rural Development and Panchayati Raj (2023) had reiterated the recommendation.[27] Currently, states are responsible for budgeting for the road maintenance work. Under PMGSY-III, before the scheme is launched in a state, the state has to enter a memorandum of understanding with the Ministry as per the programme guidelines.[43] This is to ensure that states allocate funds for ten years of routine maintenance after construction, including funds for renewal of roads if necessary.

Table 8: Models adopted by various states to improve road maintenance

States	Model Adopted
Chhattisgarh, Rajasthan	Zonal maintenance contracts are signed with contractors
Uttar Pradesh, Madhya Pradesh, Uttarakhand	SHGs made responsible for road maintenance
Madhya Pradesh, Punjab, Rajasthan	Mandi cess used for road maintenance

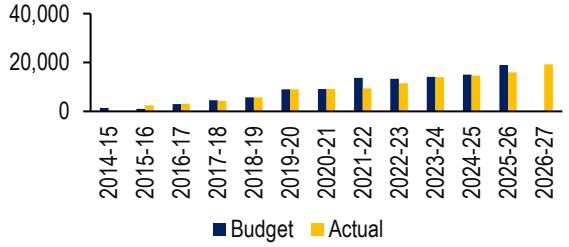
Sources: 15th Finance Commission Report, Vol III; PRS.

National Rural Livelihood Mission

The Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) aims to reduce poverty in rural areas by giving poor households access to finances and employment opportunities.[44] The scheme attempts to mobilise households through self-help groups (SHGs) and enhance access to credit and financial services. To strengthen community resources, the government provides a one time: (i) revolving fund of Rs 20,000 to Rs 30,000 per SHG, and (ii) community investment fund of up to Rs 2.50 lakh through SHG federations.[45] Under the SHG-Bank Linking programme it facilitates credit access for SHGs through interest subvention.

In 2026-27, the scheme has been allocated Rs 19,200 crore, 20% higher than revised estimate of 2025-26.

Figure 9: Budget utilisation under NRLM (in Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants of Department of Rural Development; PRS.

Till December 2025, 92 lakh SHGs had been promoted under the programme cumulatively, with participation of over 10 crore households.[46] As of December 2025, about 44 lakh SHGs had availed loans under the scheme in the 2025-26 financial year, with a total of Rs 1,20,678 crore disbursed among them.[47]

Access to credit for SHGs

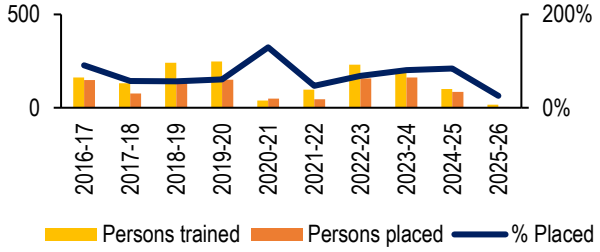
NABARD's Status of Microfinance in India report (2023-24) observed that the southern and eastern regions of the country disburse higher quantum of credit to SHGs compared to other regions.[48] The report noted that the higher operational cost associated with small-ticket loans and the perception of SHGs as high-risk borrowers (due to concerns related to credit usage) might discourage financial institutions from extending credit. It also observed that lack of adequate financial literacy and business acumen among members might prevent them from availing higher credit.[48] The Ministry has stated that it takes initiatives to sensitise bank officials and SHG members are imparted financial literacy through training and capacity building programmes.[51] In 2022, it had noted that SHGs have a loan repayment rate of about 98%.[49] The NABARD report observed that share of non-performing assets in loans outstanding for SHGs declined from 4% in 2021-22 to 2% in 2023-24.[48] It observed that the trend indicates efforts on banks' part towards improving asset quality and ensuring loan repayment.[48] Under NRLM, SHGs are also organised into village organisations and cluster level federations for better institutional and financial management.[50]

In 2019, an assessment study on the programme conducted under the Ministry revealed that: (i) 44% of loans taken by SHGs are used for agricultural activities, (ii) 25% of loans are used for purchase of cow, buffalo, goats and other livestock related activities, and (iii) 31% of loans are used for consumption, health and housing.[51] The study noted that participation in SHG institutions had a positive impact on household income, savings, and women's labour force participation.[51]

Deendayal Upadhyay Grameen Kausala Yojana

Under NRLM, financial support is provided for the Deendayal Upadhyay Grameen Kausala Yojana. It aims to provide placement-linked skill training to young people from poor households in rural areas. Of the 2,369 training centres created under the programme, as of March 2025, 629 (26%) were operational.[22] Between 2016 and August 2025, of the 14.7 lakh people trained under the programme, 10.2 lakh (69%) had been placed with jobs.[52] As per scheme guidelines, minimum 70% of trained candidates should be placed.[53]

Figure 10: Number of persons trained and placed under the scheme (in thousands) as of August 2025



Note: In 2020 and 2021, training centres were closed due to pandemic. Data for 2025-26 is till August 2025.
Sources: Standing Committee Report (2025), Lok Sabha Questions; PRS.

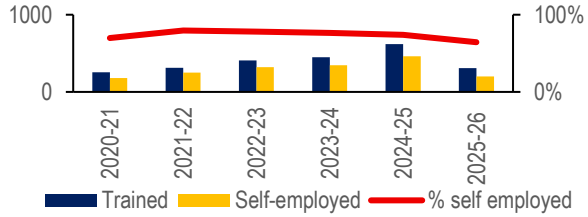
The International Labour Organisation in a report on employment (2020) observed that due to poor quality of school education, many trainees enter skill centres with low foundational skills.[54] The report noted that training

providers often lack the latest equipment and training methods.[54] Under the scheme, apart from financial support during the training period, the government also provides trainees support through migration centres and alumni networks to help in job retention.[55]

Rural Self-employment Training Institutes

Under this programme, the Ministry aims to establish Rural Self-employment Training Institutes (RSETIs) in all districts of the country to provide rural youth training for self-employment and entrepreneurship.[56] These institutes are established in collaboration with the public sector, cooperatives, and private sector banks in their respective districts. As of December 2025, 625 RSETIs were functional across 612 districts in the country.[57] As per the Ministry, between 2020 and 2025 (October), a total of 23.6 lakh candidates have been trained under the programme.[57] Of them, 74% (17.5 lakh) were self-employed and about 2% (34,798) have found wage employment.[57]

Figure 11: Youth trained in RSETIs and self-employed (in thousands)



Note: Data as of December 2025
Sources: Unstarred Question no 2,367, Rajya Sabha, December 19, 2025; PRS.

An impact evaluation study on RSETIs conducted under the Ministry noted that majority of candidates get enrolled to establish their own enterprises and about 80% are women.[58] The study recommended that these institutes should have permanent campus and mandated facilities.[58] It also recommended that the institute should offer courses more relevant to women, mandate training for instructors, and help trained candidates secure loans.[58] The Ministry has enhanced infrastructure grant for RSETIs from rupees one to two crore.[57] It has introduced refresher training programmes for faculties and has extended credit-linkage support to 50% of trained candidates.[57]

National Social Assistance Programme

Table 9: Fund allocation under NSAP (in Rs crore)

Scheme	Allocation
Old age pension scheme	6,905
National family benefit scheme	400
Widow pension scheme	2,027
Disability pension scheme	290
Annapurna scheme	10

Sources: Demands for Grants of the Department of Rural Development 2026-27; PRS.

The National Social Assistance Programme was introduced in 1995, to extend support to citizens who are destitute, aged, sick, or disabled.[59] It comprises of five sub-schemes, (i) Indira Gandhi National Old Age Pension Scheme (IGNOAPS), (ii) Indira Gandhi National Widow Pension Scheme (IGNWPS), (iii) Indira Gandhi National Disability Pension Scheme (IGNDPS), (iv) National Family Benefit Scheme, and the (v) Annapurna scheme. The scheme extends across rural and urban areas, and is implemented by states.

The scheme has been allocated Rs 9,671 crore in 2026-27, which is a 5% increase from the revised allocation for previous fiscal. Fund allocation for schemes under NSAP are as follows (see table 9).

Table 10: Fund utilisation under NSAP (in Rs crore)

Year	Budget Estimates	Actuals	% Utilisation
2015-16	9,074	8,616	95%
2016-17	9,500	8,854	93%
2017-18	9,500	8,694	92%
2018-19	9,975	8,418	84%
2019-20	9,200	8,692	94%
2020-21	9,197	42,443	461%
2021-22	9,200	8,152	89%
2022-23	9,652	9,651	100%
2023-24	9,636	9,476	98%
2024-25	9,652	6,844	71%
2025-26	9,652	6,460	67%

Notes: Revised estimates of 2025-26 is taken as actuals.
Sources: Demands for Grants of the Department of Rural Development; PRS.

Under IGNOAPS, senior citizens below the poverty line are entitled to a monthly pension of Rs 200 up to 79 years of age and Rs 500 thereafter. Given the rising cost of living, Members of Parliament have raised the issue of increasing the monthly assistance through the scheme.[60] To enhance the assistance amount, States and UTs have added to the amount provided by the centre from their own resources.[61] This ranges from Rs 50 to Rs 3,200.

The 15th Finance Commission recommended that states coordinate with the Union Ministry of Finance to work out a minimum standardised annual per capita amount to be spent on social security across the country. It also urged the states to conduct annual audits to verify and update the list of beneficiaries.[62]

While reviewing the scheme, the Public Accounts Committee (2025) noted inadequate beneficiary coverage under the scheme.[63] It recommended the Ministry to address discrepancies in beneficiary allocation.[63] The Ministry has noted that it's the responsibility of the state to identify and update the list of beneficiaries. The Committee has further recommended the Ministry to conduct an independent evaluation of the scheme with a specific focus on beneficiary inclusion and exclusion.[63]

In 2023, a CAG audit of the scheme found delay in disbursement of funds in several states.[64] Delay in transfer of funds from state treasury to implementing agencies resulted in non-disbursal of monthly pension to beneficiaries. Though NSAP is supposed to be monthly payment pension, four states were disbursing pensions on a quarterly basis, two states were

disbursing pensions annually and 17 states were disbursing funds on an ad hoc basis.

Table 11: Delay in transfer of funds from state treasury to implementing department

State/UT	Delay period
Arunachal Pradesh	251 to 265 days
Tamil Nadu	117 to 287 days
Maharashtra	39 to 189 days
Sikkim	60 to 990 days
Punjab	36 to 139 days

Sources: Report no. [10] of 2023, CAG; PRS.

Department of Land Resources

The Department of Land Resources aims to ensure sustainable development of rainfed and degraded land, and implement a modern land record management system.[65]

Overview of Finances

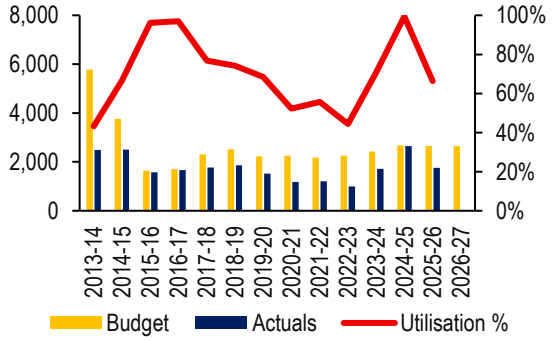
Table 12: Budgetary Allocation to the Department of Land Resources (in Rs crore)

Heads	24-25	25-26 RE	26-27 BE	% change
PMKSY-WDC	2,491	1,500	2,500	67%
DILRMP	137	230	125	-46%
Secretariat	25	28	29	4%
Total	**2,653**	**1,758**	**2,654**	**51%**

Note: BE is budget estimate, RE is revised estimate; % change refers to the % increase of 2026-27 BE over 2025-26 RE; PMKSY-WDC for Pradhan Mantri Krishi Sinchai Yojana – Watershed Development Component and DILRMP for Digital India Land Records Modernisation Programme.
Sources: Demands for Grants of the Department of Land Resources, 2026-27; PRS.

In 2026-27, the department has been allocated Rs 2,654 crore, which is 67% higher than the revised estimate for the previous year. Since 2013-14, the actual spending by the department has been consistently less than the budgeted estimate.

Figure 12: Utilisation of budgetary allocation by the Department of Land Resources (in Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants for Department of Land Resources; PRS.

Major schemes under the department

The department implements two major schemes: the Pradhan Mantri Krishi Sinchai Yojana – Watershed Development Component (PMKSY-WDC) and the Digital India Land Records Modernisation Programme (DILRMP). The National Land Record Modernisation Programme was revamped as DILRMP in 2016 to modernise the management of land records.[66] The scheme seeks to provide access to comprehensive information about land records, which would lead to: (i) optimum use of land resources, (ii) reduction in the number of land disputes, and (iii) efficient collection of land revenue. PMKSY-WDC is being implemented to improve the productive potential of rainfed and degraded land.[67] In 2025-26, the PMKSY-WDC accounts for 94% of the Department's allocation.

Key Issues and Analysis

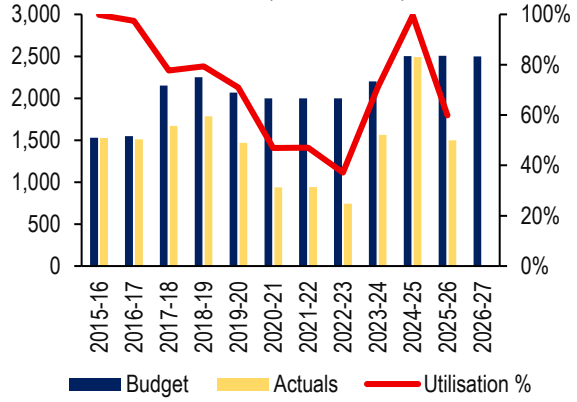
Unspent balances

The Standing Committee on Rural Development and Panchayati Raj (2025) noted reduction in overall budgetary allocation of the department year on year.[68] To increase coverage and benefit to beneficiaries, the committee urged the Ministry to increase the department's budgetary support.

Pradhan Mantri Krishi Sinchai Yojana – Watershed Development Component

Expenditure on PMKSY-WDC is estimated to be Rs 2,500 crore in 2026-27, a 67% increase over the revised estimate of 2025-26. Since 2015-16, allocation to the scheme has grown at an annualised rate (CAGR) of 5%. At the same time, fund utilisation under the scheme has remained low, even below 50% for some years. In 2025-26, the revised estimate is 40% of budget estimate.

Figure 13: Budgetary allocation and fund utilisation under PMKSY – WDC (In Rs crore)



Note: Revised estimates of 2025-26 is taken as actuals.
Sources: Demand for Grants for Department of Land Resources; PRS.

Incomplete projects under PMKSY-WDC

PMKSY-WDC is being implemented in two phases. PMKSY-WDC 1.0 was implemented from 2009-10 to 2014-15. PMKSY-WDC 2.0 was launched in 2021-22 and was expected to continue till 2025-26. WDC has several components meant for improving use of degraded land. These include afforestation, horticulture and construction of water harvesting structures. The rate of work and achievement of targets varies across all these segments (see table 13).[69]

Table 13: Target and achievement for various components under PMKSY-WDC for FY 2024-25

Activities (unit)	Target	Achievement	% achieved
Area brought under afforestation, agriculture (ha)	17,157	8,907	52%
Area brought under horticulture (ha)	29,023	11,186	39%
Area covered under soil and moisture conservation (ha)	1,41,429	56,871	40%
Water harvesting structures new created (no)	56,915	22,808	40%
Water harvesting structures renovated (no)	13,039	1,466	11%

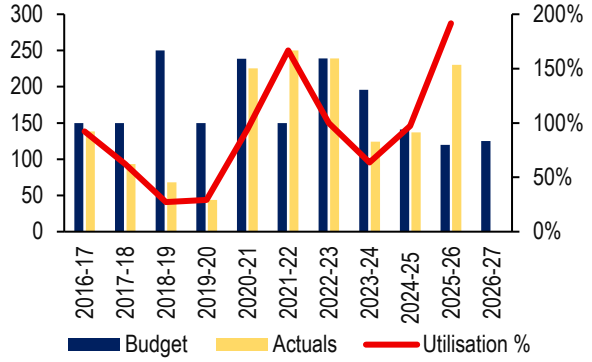
Sources: PMKSY-WDC 2.0 MIS, as accessed on January 28, 2026; PRS.

Digital India Land Records Modernisation Programme

DILRMP has been allocated Rs 125 crore in 2026-27, which is 46% lower than the revised estimates for the previous year. Apart from three years between 2017-18 to 2019-20, fund utilisation under the scheme has remained above 90%.

Data on land records is available in the form of text and spatial data.[71] Text data includes records of rights, which provide information about ownership of land, its use and irrigation status. Spatial data involves cadastral maps which contain information about the division of land and boundaries. Under the programme, cadastral maps are being digitised with modern Geographic Information System (GIS) encoding.

Figure 14: Budgetary allocation and fund utilisation under DILRMP (Rs in crore)



Note: Revised estimates of 2025-26 is taken as actuals. Sources: Demand for Grants for Department of Land Resources; PRS.

Slow progress of components

DILRMP has eight components, including: (i) computerisation of land records, (ii) digitisation of cadastral maps, (iii) linking cadastral maps to record of rights, (iv) modernisation of record rooms, and (v) integration of sub registrar offices with land records.[70] The official records need to be updated to reflect the ground reality.[71] The maps need to be changed when: (i) a plot is divided into more plots, (ii) a plot is transferred to other persons through gift, sale or inheritance. Resurvey becomes necessary when boundaries shown in the record do not match actual conditions on the ground. The Standing Committee on Rural Development and Panchayati Raj (2024) noted that effective implementation of the scheme can help in resolution of disputes related to land records.[72] It had urged the Ministry to ensure timely completion. Previously, the department had mentioned the need for skilled manpower and delays by state governments as reasons for slow progress in some cases.[73]

Table 14: Progress of activities under DILRMP

Activity	Achievement
Computerisation of record of rights	100%
Computerisation of sub-registrar offices	100%
Computerisation of revenue courts	93%
Digitisation of cadastral maps	97%
Survey or resurvey completed	15%

Sources: DILRMP MIS, as accessed on January 28, 2026; PRS.

[1] About the Ministry, Ministry of Rural Development, as accessed on February 4, 2025, https://www.dord.gov.in/department.

[2] About the Department, Department of Land Resources, as accessed on February 4, 2024, https://dolr.gov.in/about-department/history-background/.

[3] Demand No. 87, Department of Rural Development, Ministry of Rural Development, Union Budget 2022-23, https://www.indiabudget.gov.in/budget2022-23/doc/eb/sbe87.pdf.

[4] The Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission (Gramin) VB-G RAM G Bill, 2025, https://prsindia.org/billtrack/the-viksit-bharat-%E2%80%93-guarantee-for-rozgar-and-ajeevika-mission-gramin-vb-%E2%80%93-g-ram-g-bill-2025.

[5] The National Rural Employment Guarantee Act, 2005, Ministry of Law, Ministry of Rural Development, https://nregaplus.nic.in/Netnrega/Data/Library/Books/1_MGNREGA_Act.pdf.

[6] MGNREGA Operational Guidelines 2013, Ministry of Rural Development, https://drdashimla.nic.in/guideline/nrega.pdf.

[7] Rural Employment through Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) – An insight into wage rates and other matters relating thereto, Thirty Seventh Report of Standing Committee on Rural Development and Panchayati Raj (2023-24), February 2024, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_37.pdf?source=loksabhadocs.

[8] Statement R7 Financial Statement for various years, NREGA dashboard, https://mnregaweb4.nic.in/netnrega/Citizen_html/financialstatement.a

spx?lflag=eng&fin_year=2024-2025&source=national&labels=labels&Digest=O57D2k1AxQj89t4Y5xNiBg.

[9] Employment generated during the year MGNREGA Dashboard, Ministry of Rural Development, as accessed on February 4, 2026, https://nreganarep.nic.in/netnrega/citizen_html/demregister.aspx?lflag=eng&fin_year=2024-2025&source=national&labels=labels&Digest=O57D2k1AxQj89t4Y5xNiBg.

[10] Economic Survey 2023-24, Ministry of Finance, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.

[11] State-wise wage rate for unskilled manual workers, Ministry of Rural Development, March 27, 2024, https://nregaplus.nic.in/netnrega/writereaddata/Circulars/2476Wage_Rate_notification_FY_2024-25.pdf.

[12] Average Wage Paid in Rs, MGNREA Dashboard, Ministry of Rural Development, https://mnregaweb4.nic.in/netnrega/avg_wage_paid.aspx?fin_year=2022-2023&source=national&Digest=tcKvOx2xp47V1TJeb2KhXQ

[13] National Consumer Price Index Numbers, Ministry of Statistics and Programme Implementation, https://mospi.gov.in/112-national-consumer-price-index-numbers

[14] The Mahatma Gandhi National Rural Employment Guarantee Act, 2005, https://www.indiacode.nic.in/bitstream/123456789/6930/1/the_mahatma_gandhi_national_rural_employment_guarantee_act%2C_2005.pdf.

[15] Unemployment Allowance in Financial Year 2023-24, MGNREGA Dashboard, Ministry of Rural Development, as accessed on August 12, 2024, https://mnregaweb4.nic.in/netnrega/state_html/unempall_new.aspx?fin_year=2023-2024&source=national&Digest=akdjO9VfTrWA9tZ+TJ0C7A.

[16] R 19.1 Unemployment Allowance in Financial Year 2024-25, NREGA Reports, Ministry of Rural Development, as accessed on January 22, 2025, https://mnregaweb4.nic.in/netnrega/state_html/unempall_new.aspx?fin_year=2024-2025&source=national&Digest=A5biDOmxWUswueiINVvFwg.

[17] Twenty Fifth Report of the Standing Committee on Rural Development and Panchayati Raj, Lok Sabha, August 3, 2022, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_25.pdf?source=loksabhadocs.

[18] MGNREGS Annual Master Circular 2024-25, Ministry of Rural Development, https://nregaplus.nic.in/netnrega/writereaddata/Circulars/AMC_2024-25-English.pdf.

[19] R.9.1.3 Social Audit Calendar vs Audits Completed, NREGA Dashboard, Ministry of Rural Development, as accessed on January 22, 2025, https://nreganarep.nic.in/netnrega/MISreport4.aspx.

[20] Status of Devolution to Panchayats, Ministry of Panchayati Raj, 2024, https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/feb/doc20252135501601.pdf.

[21] Overview of Pradhan Mantri Awas Yojana – Gramin (PMAY-G), Ministry of Rural Development, https://rural.gov.in/sites/default/files/Overview%20of%20PMAY-G.pdf.

[22] 19th report of Standing Committee on Rural Development, 2024-25, August 11, 2025, Lok Sabha, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/18_Rural_Development_and_Panchayati_Raj_19.pdf?source=loksabhadocs.

[23] Awas Plus Scheme, Ministry of Rural Development, Press Information Bureau, March 12, 2023, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1906802&reg=3&lang=2.

[24] Houses for all under Pradhan Mantri Awas Yojana – Gramin, Press Information Bureau, Ministry of Rural Development, December 13, 2022, https://pib.gov.in/PressReleasePage.aspx?PRID=1883183.

[25] Cabinet approves implementation of the Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) during FY 2024-25 to 2028-29, Ministry of Rural Development, PIB, August 9, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2043921.

[26] PMAY (G) Dashboard, Ministry of Rural Development, as accessed on December 27, 2025, https://pmayg.nic.in/netiay/PBIDashboard/PMAYGDashboard.aspx

[27] Thirty Three Report of the Standing Committee on Rural Development and Panchayati Raj (2022-23), July, 2023, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_33.pdf?source=loksabhadocs.

[28] Average Completion time of houses sanctioned under PMAY – G, Ministry of Rural Development, as accessed on December 27, 2025, https://rhreporting.nic.in/netiay/DataAnalytics/AverageCompletionTimeADReport.aspx.

[29] Pradhan Mantri Gram Sadak Yojana Programme Guidelines, Ministry of Rural Development, January, 2015, https://pmgsy.nic.in/sites/default/files/pdf/PMGSY_E_J_2015.pdf.

[30] Programme Guidelines, Pradhan Mantri Gram Sadak Yojana - II, https://pmgsy.nic.in/sites/default/files/pdf/PMGSY_Guidelines_Final.pdf.

[31] Programme Guidelines, Pradhan Mantri Gram Sadak Yojana – III, https://pmgsy.nic.in/sites/default/files/PMGSY_III_guidelines.pdf

[32] PMGSY Programme Guidelines for Road Connectivity Project for Left Wing Extremism Affected Area, Ministry of Rural Development, January, 2017, https://pmgsy.nic.in/sites/default/files/RCPLWEA22feb17.pdf.

[33] Beneficiaries under PM-JANMAN, Unstarred question no 623, Ministry of Tribal Affairs, Rajya Sabha, February 7, 2024, https://sansad.in/getFile/annex/263/AU623.pdf?source=pqars.

[34] Cabinet approves implementation of the Pradhan Mantri Gram Sadak Yojana - IV (PMGSY-IV) during FY 2024-25 to 2028-29, Press Information Bureau, September 11, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2053894.

[35] Implementation of PMGSY IV, Unstarred Question no 2378, Ministry of Rural Development, Rajya Sabha, December 19, 2025, https://sansad.in/getFile/annex/269/AU2378_36y523.pdf?source=pqars.

[36] PMGSY Dashboard, Ministry of Rural Development, as of December 28, 2025, https://app.powerbi.com/view?r=eyJrIjoiZTA2NzM0ZjAtNjhmMS00ZWE1LWIzMTUtY2Y3MjRjZTk5ZWQyIiwidCI6IjliZjc5NjA5LWU0ZTgtNDdhZC1hYTUzLTI0NjQ2MTg1NTM4YyJ9&pageName=ReportSection6c3e4a4e09e5c16ec50c.

[37] Thirty Sixth Report on Action Taken on the Report on Pradhan Mantri Gram Sadak Yojana, Standing Committee on Rural Development and Panchayati Raj (2023-24), Ministry of Rural Development, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_36.pdf?source=loksabhadocs.

[38] Maintenance of Roads under Pradhan Mantri Gram Sadak Yojana, Ministry of Rural Development, Press Information Bureau, February 6, 2024, https://rural.gov.in/en/press-release/maintenance-roads-under-pradhan-mantri-gram-sadak-yojana.

[39] Quality Control, monitoring and evaluation, Performance Audit of Pradhan Mantri Gram Sadak Yojana, Comptroller and Auditor General of India, 2016, https://cag.gov.in/uploads/download_audit_report/2016/Chapter_6_Quality_Control,_Monitoring_and_Evaluation.pdf.

[40] Pradhan Mantri Gram Sadak Yojana, NQM, Regarded Grading Abstract, as of December 28, 2025, https://pmgsy.dord.gov.in/#

[41] Pradhan Mantri Gram Sadak Yojana, SQM, Regarded Grading Abstract, as of December 28, 2025, https://pmgsy.dord.gov.in/#.

[42] Report of the Fifteenth Finance Commission, Volume III, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC-Vol-III-Union.pdf.

[43] Programme Guidelines (PMGSY-III), Ministry of Rural Development, October, 2019, https://www.pmgsy.nic.in/sites/default/files/PMGSY_III_guidelines.pdf.

[44] Introduction, Deendayal Antyodaya Yojana-National Rural Livelihood Mission, Ministry of Rural Development, accessed on June 15, 2024, https://aajeevika.gov.in/about/introduction.

[45] Bank Credit to Women SHGs, Unstarred Question No 3025, Ministry of Rural Development, Rajya Sabha, December 20, 2024, https://sansad.in/getFile/annex/266/AU3025_UtFvZ3.pdf?source=pqars.

[46] Dashboard, National Rural Livelihoods Mission, Ministry of Rural Development, as accessed on December 28, 2025, https://nrlm.gov.in/dashboardForOuter.do?methodName=dashboard.

[47] Progress under NRLM, NRLM Dashboard, Ministry of Rural Development, as accessed on December 28, 2024, https://preprodmis.lokos.in/dashboardForOuter.do?methodName=dashboard.

[48] Status of Microfinance In India 2023-24, National Bank for Agriculture and Rural Development, https://www.nabard.org/auth/writereaddata/tender/0808244223NABARD-SOMFI%20%20%20%20%20%20%20%2020232024%20%20%20%20%20%2030072024.pdf.

[49] The loan repayment rate by SHGs to Banks is 97.71 percent, Ministry of Rural Development, Press Information Bureau, December 22, 2022, https://rural.gov.in/en/press-release/loan-repayment-rate-shgs-banks-9771-percent#:~:text=1%2C68%2C920.11%20Crores.-,The%20Loan%20repayment%20rate%20by%20SHGs%20to%20Banks%20is%2097.71,Mission%20(DAY%2DNRLM).

[50] National Rural Livelihoods Mission, Mission Guidelines, Ministry of Rural Development, https://rural.gov.in/sites/default/files/NRLM_Guidelines_English.pdf.

[51] Outcome of SHG bank linkage project, Unstarred Question no 1,219, Ministry of Rural Development, Rajya Sabha, December 13, 2023, https://sansad.in/getFile/annex/262/AU1219.pdf?source=pqars.

[52] Starred Question no 337, Achievements Under DDU-GKY, Ministry of Rural Development, Lok Sabha, August 12, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AS337_cOAyj5.pdf?source=pqals.

[53] Programme Guidelines, Deendayal Upadhyaya Grameen Kaushalya Yojana, Ministry of Rural Development, July 2016, https://rural.gov.in/sites/default/files/DDUGKY_Guidelines_English_1.pdf.

[54] State of Skills, International Labour Organisation, January 2020, https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/genericdocument/wcms_742201.pdf.

[55] Beneficiaries under Deen Dayal Upadhyaya Grameen Kaushalya Yojana - DDU-GKY, Press Information Bureau, Ministry of Rural Development, December 17, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2085248#:~:text=Based%20on%20the%20implementation%20experiences,unit%20for%20training%20and%20placement.

[56] Establishment of RSETI, Unstarred Question no 3985, Ministry of Rural Development, Rajya Sabha, April 4, 2025, https://sansad.in/getFile/annex/267/AU3985_doKUg4.pdf?source=pqars.

[57] Achievements of RSETIS, Unstarred Question No 2367, Ministry of Rural Development, Rajya Sabha, December 19, 2025, https://sansad.in/getFile/annex/269/AU2367_Jdsb5w.pdf?source=pqars.

[58] Evaluation study of rural self-employment training institutes, Ministry of Rural Development, https://kaushal.rural.gov.in/assets/files/Evaluation-Impact-Study-of-Rural-Self-Employment-Training-Institutes.pdf.

[59] About Us, National Social Assistance Programme, Ministry of Rural Development, accessed on July 16, 2024, https://nsap.nic.in/circular.do?method=aboutus.

[60] Unstarred Question No 651, Increasing Pension Under NSAP, Ministry of Rural Development, https://sansad.in/getFile/loksabhaquestions/annex/1715/AU651.pdf?source=pqals

[61] Thirty Third Report on Demand for Grants, Ministry of Rural Development (Department of Rural Development), Standing Committee on Rural Development and Panchayati Raj, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_33.pdf?source=loksabhadocs

[62] Report of the Fifteenth Finance Commission, Volume – III, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC-Vol-III-Union.pdf

[63] 35th Report of the Public Accounts Committee, Lok Sabha, December 15, 2025, https://sansad.in/getFile/lsscommittee/Public%20Accounts/18_Public_Accounts_35.pdf?source=loksabhadocs.

[64] Report of the Comptroller and Auditor General of India on Performance Audit of National Social Assistance Programme, CAG, 2023, https://cag.gov.in/uploads/download_audit_report/2023/Report-No.-10-of-2023_NSAP_English_PDF-A-064d229f832dad7.55068084.pdf.

[65] "About the Department", Department of Land Resources, accessed on July 17, 2024, https://dolr.gov.in/en/about-us/about-department.

[66] DILRMP, Department of Land Resources, as accessed on July 18, 2024, https://dolr.gov.in/programmes-schemes/dilrmp-2/.

[67] Watershed Development Component of PMKSY, Department of Land Resources, Ministry of Rural Development, as accessed on July 17, 2024, https://dolr.gov.in/wdcpmksy/

[68] Report no. 6, Standing Committee on Rural Development and Panchayati Raj, Demand for Grants (2025-26), Department of Land Resources, Ministry of Rural Development, March 12, 2025, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/18_Rural_Development_and_Panchayati_Raj_6.pdf?source=loksabhadocs.

[69] Report T2 – State wise, district wise and project wise details of targets, achievements and works of activities till selected financial year, 2023=24, as accessed on July 18, 2024, https://wdcpmksy.dolr.gov.in/activityWiseUptoPlanAchievWork

[70] Operational Guidelines of Digital India Land Records Modernisation Programme (DILRMP), Ministry of Rural Development, 2019, https://dolr.gov.in/sites/default/files/Final%20%20Guideline%20of%20DILRMP%2002-01-2019.pdf.

[71] Annual Report 2022-23, Ministry of Land Resources, https://rural.gov.in/sites/default/files/AnnualReport2022_23_English_0.pdf.

[72] Report no. 2, Standing Committee on Rural Development and Panchayati Raj, Demand for Grants (2024-25), Department of Land Resources, Ministry of Rural Development, December 12, 2024, https://sansad.in/getFile/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/18_Rural_Development_and_Panchayati_Raj_2.pdf?source=loksabhadocs.

[73] Twenty Seventh Report on Demand for Grants (2022-23) of Department of Land Resources, Standing Committee on Rural Development and Panchayati Raj, August 3, 2022, https://loksabhadocs.nic.in/lsscommittee/Rural%20Development%20and%20Panchayati%20Raj/17_Rural_Development_and_Panchayati_Raj_27.pdf.

Annexure

Table 15: Proportion of houses completed against cumulative target under PMAY-Gramin (as of January 2026)

	MoRD Target	Sanctioned	Completed	Completion against target
Arunachal Pradesh	35,937	35,404	35,582	99%
Assam	26,11,793	21,67,921	19,90,974	76%
Bihar	44,92,010	39,28,189	37,10,515	83%
Chhattisgarh	23,41,457	17,72,161	11,21,050	48%
Goa	257	253	240	93%
Gujarat	9,02,354	7,81,951	5,64,855	63%
Haryana	1,06,460	31,441	28,795	27%
Himachal Pradesh	1,21,502	92,922	24,080	20%
Jammu and Kashmir	3,36,498	3,33,155	2,95,137	88%
Jharkhand	20,12,107	16,62,892	15,64,359	78%
Kerala	2,32,916	62,135	34,097	15%
Madhya Pradesh	49,89,236	40,49,223	36,87,490	74%
Maharashtra	33,40,872	25,58,248	12,69,264	38%
Manipur	1,08,550	97,978	37,773	35%
Meghalaya	1,88,034	1,82,890	1,29,505	69%
Mizoram	29,967	29,542	24,593	82%
Nagaland	48,830	48,085	21,978	45%
Odisha	28,49,889	27,80,187	23,40,492	82%
Punjab	1,03,674	61,956	38,750	37%
Rajasthan	22,15,247	18,72,955	17,00,136	77%
Sikkim	1,399	1,373	1,386	99%
Tamil Nadu	9,57,825	7,39,889	6,33,145	66%
Tripura	3,76,913	3,72,974	3,67,787	98%
Uttar Pradesh	36,85,704	36,35,296	36,10,909	98%
Uttarakhand	69,194	68,381	68,091	98%
West Bengal	45,69,423	44,23,752	34,19,112	75%
Andaman and Nicobar	3,424	3,028	1,227	36%
Dadra and Nagar Haveli	11,206	10,995	3,937	35%
Daman and Diu	158	127	24	15%
Lakshadweep	45	53	45	100%
Puducherry	-	-	-	
Andhra Pradesh	2,47,114	1,67,931	83,826	34%
Karnataka	9,44,140	1,83,410	1,45,077	15%
Telangana	-	-	-	
Ladakh	3,004	3,004	3,004	100%
Total	**3,79,37,139**	**3,21,59,701**	**2,69,57,235**	**71%**

Note: Includes targets set in 2024-25;
Sources: PMAY-G Dashboard, as on January 31, 2026; PRS

Table 16: State-wise average days taken for completion (as of January 2026)

State	Average Completion Time (in days)	State	Average Completion Time (in days)
Arunachal Pradesh	276	Punjab	305
Assam	313	Rajasthan	311
Bihar	351	Sikkim	358
Chhattisgarh	327	Tamil Nadu	370
Goa	630	Tripura	281
Gujarat	316	Uttar Pradesh	195
Haryana	434	Uttarakhand	223
Himachal Pradesh	303	West Bengal	276
Jammu and Kashmir	464	Andaman and Nicobar	371
Jharkhand	367	Dadra and Nagar Haveli	708
Kerala	348	Daman and Diu	326
Madhya Pradesh	265	Lakshadweep	786
Maharashtra	356	Puducherry	-
Manipur	473	Andhra Pradesh	179
Meghalaya	448	Karnataka	72
Mizoram	468	Telangana	-
Nagaland	492	Ladakh	120
Odisha	283	**Average**	**297**

Sources: PMAY-G Dashboard, as on January 31, 2026; PRS.

Demand for Grants 2026-27 Analysis

Agriculture and Farmers Welfare

Highlights

- Between 2011-12 and 2024-25, agriculture growth has been slower than overall GDP growth. It has been driven largely by allied activities rather than crops.
- Despite employing nearly half the workforce, agriculture contributes less than 20% of the value added to the economy, reflecting low productivity.
- Lower agricultural productivity is driven by fragmented landholdings, limited mechanisation, inadequate access to quality inputs, and continued dependence on rain-fed agriculture.
- Gaps in post-harvest infrastructure, market access, and crop insurance implementation constrain income realisation for farmers.

The Ministry of Agriculture and Farmers Welfare has two departments: (i) Agriculture and Farmers Welfare and (ii) Agricultural Research and Education. The Department of Agriculture and Farmers Welfare implements policies and programmes related to farmer welfare and manages agricultural inputs. The other department coordinates and promotes agricultural research and education. This note examines the proposed budget allocations of the Ministry of Agriculture and Farmers Welfare for 2026-27 and discusses key issues in the sector.

Overview of Finances

Allocation in 2026-27

In 2026-27, the Ministry has been allocated Rs 1,40,529 crore, higher than the revised estimate of 2025-26 by 5.4%. The Ministry has allocated 93% of its budget to the Department of Agriculture and Farmers Welfare and 7% to Department of Agricultural Research and Education.

Table 1: Allocation towards the Ministry of Agriculture and Farmers Welfare (in Rs crore)

	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from RE 2025-26 to BE 2026-27
Agriculture and Farmers Welfare	1,29,933	1,23,089	1,30,561	6%
Agricultural Research and Education	9,811	10,281	9,967	-3%
Total	**1,39,744**	**1,33,370**	**1,40,529**	**5.4%**

Note: BE- Budget Estimates; RE- Revised Estimates.
Sources: Expenditure Budget, Ministry of Agriculture and Farmers Welfare, Union Budget 2026-27; PRS.

Key Announcements in Budget Speech 2026-27

- Bharat VISTAAR: A multi-lingual Artificial Intelligence tool will be launched to integrate AgriStack portals and the ICAR package on agricultural practices. Rs 150 crore has been allocated for this scheme in 2026-27.
- Coconut Promotion Scheme: Initiatives under this scheme aim to replace old and non-productive trees with new varieties and plants in major coconut growing states.
- Dedicated programmes have been proposed for enhancing production, processing, and export competitiveness of coconut, sandalwood, cashew, cocoa, and nuts. Rs 350 crore has been allocated as support for high value agriculture.

Key Expenditure Heads

PM-KISAN: The highest allocation in 2026-27 is for the PM Kisan Samman Nidhi scheme (PM KISAN). The scheme has been allocated Rs 63,500 crore, which is about 45% of the Ministry budget. This allocation is the same as the revised estimates of 2025-26. PM KISAN is a central sector scheme which was operationalised in December 2018.[1] Under the scheme, income support of Rs 6,000 per year is given to landholding farmer families in three equal instalments.[1] The benefit per farmer under the scheme has remained the same since its inception.

MISS: The second-highest allocation (16% of the total ministry budget in 2026-27) is towards Modified Interest Subvention Scheme (MISS). Under this scheme, interest subvention is provided for credit to farmers through Kisan Credit Cards.[2,3] In 2026-27, Rs 22,600 crore have been allocated to the scheme, which is the same as the allocation for 2025-26.

Krishionnati Yojana: Krishionnati Yojana and Rashtriya Krishi Vikas Yojana (RKVY) are two umbrella schemes under the Ministry. RKVY was launched in 2007 as a scheme to provide incentives to states to draw up their comprehensive agricultural development plans. The scheme currently has sub-components which focus on the following: (i) soil health and fertility, (ii) agricultural mechanisation, (iii) crop diversification, (iv) rainfed area development, and (v) irrigation. In 2026-27, Rs 8,550 crore have been allocated to this scheme, 22% higher than the revised estimates of 2025-26. Krishionnati Yojana has been allocated Rs 11,200 crore for 2026-27. This scheme subsumed earlier schemes such as the scheme on agricultural marketing, the national food security mission, the

Table 2: Allocation towards key schemes under the Ministry (in Rs crore)

	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from 2025-26 RE to 2026-27 BE	Share in Ministry's budget
Department of Agriculture and Farmers Welfare					
of which					
PM Kisan Samman Nidhi	66,121	63,500	63,500	0.0%	45%
Modified Interest Subvention Scheme	22,600	22,600	22,600	0.0%	16%
Crop Insurance Scheme	14,473	12,267	12,200	-0.5%	9%
Krishionnati Yojana	5,600	6,800	11,200	64.7%	8%
Rashtriya Krishi Vikas Yojana	7,386	7,000	8,550	22%	6%
PM Annadata Aay Sanrakshan Yojna (PM-AASHA)	5,438	6,941	7,200	3.7%	5%
Namo Drone Didi	1	100	677	576.9%	0.5%
Support for high-value agriculture	-	-	350	0.0%	0.2%
Agriculture Infrastructure Fund	725	900	910	1.1%	0.6%
Department of Agricultural Research and Education					
of which					
Autonomous Bodies	6,836	7,313	7,096	-3.0%	5.0%
Crop science for food and nutritional security	894	965	970	0.4%	0.7%
Strengthening Agricultural Education, Management & Social Sciences	621	645	515	-20.2%	0.4%

Sources: Expenditure Budget, Ministry of Agriculture and Farmers Welfare, Union Budget 2026-27; PRS.

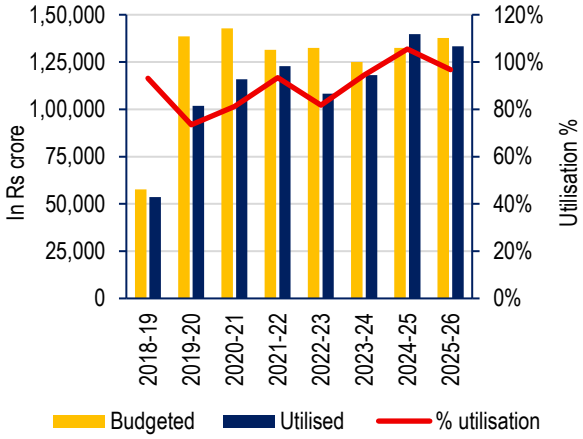
national mission on horticulture, and the scheme on agriculture census and statistics.

PM-AASHA: The government introduced the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) in 2018 to ensure remunerative prices to farmers for production of oilseeds, pulses, and copra. In September 2024, the price support scheme and the market intervention scheme were converged under PM-AASHA. This scheme has been allocated Rs 7,200 crore, an increase of 3.7% over the revised estimate of 2025-26.

Agriculture Infrastructure Fund (AIF): AIF was launched in 2020 to strengthen agriculture infrastructure through creation of farm gate storage and logistics infrastructure.[4] A provision of Rs 1,00,000 crore was made under the fund, from which loans are disbursed through lending institutions with an interest rate up to 9%.[5] In 2026-27, Rs 910 crore have been allocated to this fund.

Namo Drone Didi Scheme: This scheme was launched in November 2024 to provide drones to women self-help groups which can be rented to farmers for agricultural purposes. Under the scheme, a subsidy is provided up to 80% of the cost of a drone. In 2026-27, Rs 677 crore have been allocated for this scheme. In 2025-26, the expenditure under this scheme is estimated to be Rs 100 crore, against the budget allocation of Rs 677 crore (85% lower).

Figure 1: The Ministry has utilised 90% of the allocated funds between 2015-16 and 2025-26



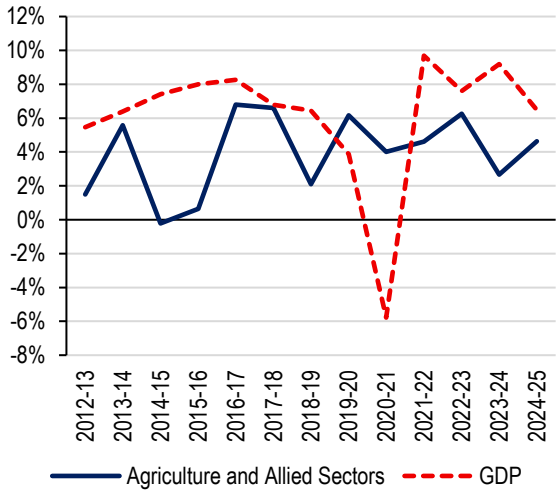
Note: Revised Estimates have been used as Actuals for 2025-26.
Sources: Budget Documents for various years; PRS.

Growth in Agriculture

According to the Land Use Statistics, 50% of the total 307 million hectare of land across states is used for agricultural purposes in India.[6] Between 2011-12 and 2024-25, the agriculture and allied sector grew at an annual rate of 4% while the overall GDP growth in this period was 6% (see Figure 2 on next page). Within the agriculture sector, output value of the allied sectors grew at an annual rate of 5% between 2011-12 and 2023-24, as compared to the crop sector which grew at 2% annually.[7] Allied

sectors consist of livestock, forestry and logging, and fishing and aquaculture.

Figure 2: Growth in agriculture has been volatile between 2011-12 and 2024-25 (in %)

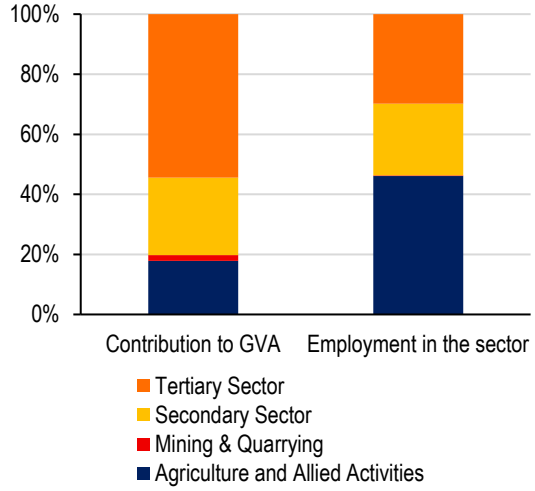


Sources: Ministry of Statistics and Programme Implementation; PRS.

A report released by the Ministry of Statistics and Programme Implementation (MoSPI, 2025) noted that this growth variance highlights a gradual diversification within the agriculture sector.[7] It observed that this diversification reflects changing demand patterns, policy support, and technological improvements.[7]

Agriculture and allied sector accounts for 18% of India's total economic output, measured as a share of Gross Value Added (GVA). However, it employs about 46% of the workforce in India despite its low contribution to economic output (see Figure 3).

Figure 3: Agriculture and allied sector employs the largest share of workforce (in %)



Sources: National Account Statistics, Periodic Labour Force Survey, MoSPI; PRS.

Issues for Consideration

The agriculture sector in India faces several issues across the value chain including low productivity of crops, dependence on rain-fed agriculture, inequitable and insufficient access to factors of production, and rising water stress across states.

Low Agricultural Productivity

Agricultural productivity is measured as a ratio of total agricultural output to total input, including land, labour, fertiliser, and machinery. The Committee on Doubling Farmers Income (DFI, 2018) noted that the productivity of various crops in India is lower than those in other countries (see Table 3).[8] It observed that the average crop yield in such countries is higher due to better input management and longer growing periods.

Table 3: Global yield comparison of major crops (in kg/hectare)

Country	Yield (in kg/hectare)
Paddy	
India	4,229
China	7,076
Bangladesh	4,891
Indonesia	5,238
Wheat	
India	3,537
China	5,855
Russia	3,551
USA	3,127
Maize	
India	3,387
USA	10,880
China	6,436
Russia	5,999
Sugarcane	
India	84,906
Brazil	73,393
Thailand	60,388
China	79,822

Sources: Unified Portal for Agricultural Statistics, as accessed on January 3, 2026; PRS.

The Commission for Agricultural Costs and Prices (2025) noted the following as reasons for a higher yield gap in agriculture: (i) non-availability of inputs and services, (ii) fragmented land holdings, and (iii) lack of farm mechanisation.

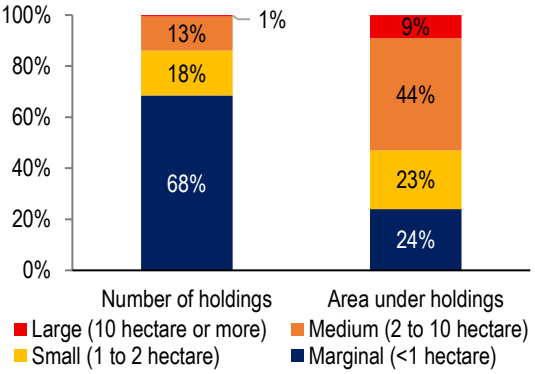
The DFI Committee (2018) recommended enhancing agricultural productivity through minimising yield gap of various crops. It recommended achieving this through improvement in market access, purchasing power of consumers, productivity enhancement of agricultural workforce, and improved water and fertiliser management.

Fragmented Landholdings

An operational holding is defined as land which is wholly or partially used for agricultural production and is operated as a unit by one person.[9] According to the Agricultural Census data (2015-16), India's agriculture sector is dominated by marginal and small farm holdings.[10] According to this data,

around 68% of the total land holdings were marginal land holdings (less than 1 hectare) while the area covered by these marginal land holdings was 24% of the total operational area covered.

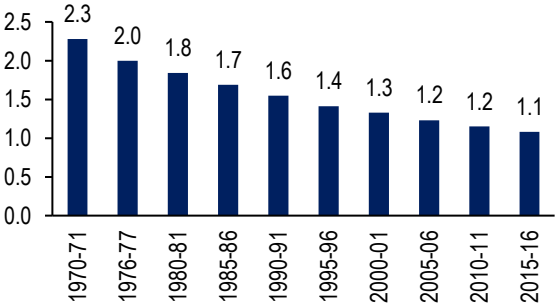
Figure 4: Number and area of operational landholdings by size group (as a % of total)



Sources: Agricultural Statistics at a Glance 2022; Ministry of Agriculture and Farmers Welfare, April 5, 2023; PRS.

The DFI Committee noted that over the years, the average size of landholdings has declined. The number of semi-medium, medium, and large land holdings have declined significantly. On the other hand, between 1980-81 and 2010-11, the number of marginal and small holdings has increased. It attributed this decline in average size of operational land holdings to an increase in rural population. In addition, area under farming has also declined due to the diversion of farm area for non-agricultural purposes.

Figure 5: Average size of operational holdings (in hectare)



Sources: Agriculture Census 2015-16; PRS.

The National Commission on Farmers (Chair: M.S. Swaminathan) observed that fragmented and scattered operational holdings are a major challenge to productivity.[10] Lower average size of holdings affects the scale of production, adoption of technology, marketable surplus left with the farmer, access to accredit and other support services.[10]

The DFI Committee (2018) observed that Farmer Producer Organisations (FPOs) and Village Producer Organisations (VPOs) offer the benefits of operations at scale to small and marginal farmers at different stages of the agricultural value chain.[11] The Committee noted that such collectives increase the bargaining power of each farmer-member and recommended a minimum 7,000 FPOs and VPOs by 2022-23.[11]

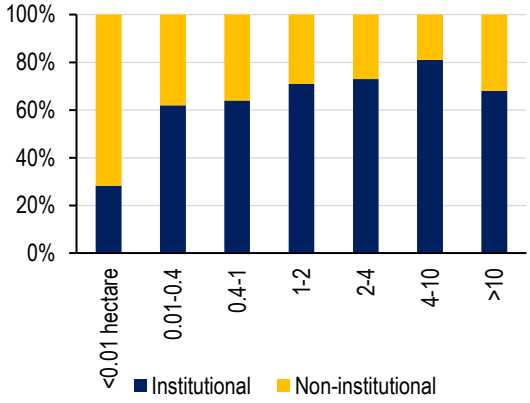
The government launched a central sector scheme for formation and promotion of 10,000 FPOs in 2020.[12] The scheme was launched with a total outlay of Rs 6,865 crore.[12] Under this scheme, financial assistance of Rs 18 lakh per FPO is provided for a period of three years.[12] As of December 31, 2025, 10,000 FPOs have been registered under the scheme.[12] In 2026-27, Rs 500 crore has been allocated towards this scheme. This is 14% lower than the revised estimates for 2025-26.

Access to credit

Access to timely and affordable credit is a critical constraint across multiple stages of the agricultural value chain, from input procurement to post-harvest operations. Working capital is required by farmers during multiple stages of the agricultural supply chain including: (i) at the beginning of the growing season, (ii) during later stages of production and harvesting, (iii) for investment in farm machinery, and (iv) for harvesting, processing, transport, and marketing.

A report by NITI Aayog (2022) observed a formal credit gap among Indian farmers.[13] It noted that around 30% of India's agricultural households have borrowed money from non-institutional sources. These sources largely include relatives, friends, or informal moneylenders. The report also noted that according to a NABARD survey (2018), farmers with plot sizes smaller than two hectares took a greater share of loans from non-institutional lenders (See Figure 6).

Figure 6: Distribution of outstanding loans per agricultural household (in %)



Sources: Situation Assessment of Agricultural Households and Land and Holdings of Household in Rural India, 2019; PRS.

The flow of institutional credit to the agriculture sector has grown at an annualised rate of 14% between 2012-13 and 2023-24.[14] Institutional credit has grown from Rs 6 lakh crore in 2012-13 to Rs 25 lakh crore in 2023-24.[14]

To provide farmers access to affordable credit at cheaper rates, the Kisan Credit Card (KCC Scheme) was launched by the government in 1998.[15] It

targets provision of credit for post-harvest expenses, marketing loans, consumption requirements of farmer household, capital for maintenance of farm assets, and short-term credit requirement for cultivation.[15]

As of March 2025, a total of 7.7 crore KCCs were operational with total amount outstanding worth Rs 10.2 lakh crore.[16] The Ministry of Agriculture and Farmers Welfare increased the limit under KCC from three lakh rupees to five lakh rupees in 2025-26.[17] In 2006-07, the Interest Subvention Scheme was launched offering KCC loans at 7% interest. This scheme was modified in 2022 as the Modified Interest Subvention Scheme (MISS) under which farmers can avail short-term credit at a subsidised interest rate of 7%.

Under the Formation and Promotion of 10,000 FPOs scheme, each FPO is provided financial assistance up to Rs 18 lakh over a three-year period.[18] In addition, a matching equity grant up to Rs 2,000 per farmer member of the FPO is being provided, with a maximum limit of up to Rs 15 lakh per FPO.[18] The government is also issuing a credit guarantee of up to crore rupees per FPO for loans secured from eligible lending institutions.[18] As of December 31, 2025, credit guarantees worth Rs 663 crore have been issued to FPOs and Rs 431 crore has been distributed as matching equity grants to around 6,500 FPOs.[18]

Access to quality inputs

NITI Aayog (2022) highlighted the importance of increasing the use of high-yielding variety seeds, expanding irrigation coverage, improving use of fertilisers and pesticides, and greater mechanisation of agriculture to improve agricultural productivity.[13]

Access to quality seeds

In 2018, the DFI Committee observed that the use of quality seeds can boost agricultural productivity by 15-20%.[19] Further, it noted that productivity can further be raised up to 45% with efficient management of other inputs such as water, fertilisers, and cultivation practices.[19] Therefore, the use of quality seeds is important for enhancing productivity and improving climate resilience in agriculture.

A Report by the Commission for Agricultural Cost and Prices (2025) highlighted inadequate access to good quality seeds as one of the major constraints faced by farmers.[20] It noted the lower adoption of improved varieties of seeds, despite the release of large number of varieties.[20]

A report by NITI Aayog (2018) noted that farm saved seeds are often degenerated and poor in vigour.[21] This adversely affects the productivity of crops and its yield.[21] Farmers in India currently use purchased seeds or seeds saved from previous harvests.

Seed replacement ratio (SSR) measures how much of the total cropped area is sown with certified seeds in comparison to farm saved seeds.[21] NITI Aayog observed a demand supply mismatch as one of the reasons for lower SRR across states. It noted that a large share of total cultivated area is sown with farm saved seeds (see Table 4).[21] In addition, certified seeds are adequately available for fruits, vegetables, flowers, and high value crops.[21] However, not enough seeds are supplied for low-value and high-volume crops such as rice and wheat.[21] NITI Aayog (2018) observed that adequate seeds of good variety need to be produced to achieve the desired level of SRR.[21]

Table 4: Seed replacement rate in India for major crops (in %)

Crop	2011-12	2019-20	2025-26*	2030-31*
Rice	36	38	40	43
Wheat	33	42	41	45
Nutri-cereals	42	41	55	58
Maize	57	68	64	66
Pulses	25	42	44	48
Oilseeds	48	44	45	45
Sugarcane	10	10	10	10

Note: *SRR for 2025-26 and 2030-31 is projected by NITI Aayog on the basis of growth between 2011-12 and 2021-22.
Sources: Crop Husbandry, Agriculture Inputs, Demand and Supply, NITI Aayog, 2024; PRS.

A National Mission on High-Yielding Seeds was announced in the 2025-26 Union Budget with a total outlay of Rs 100 crore. However, according to the revised estimates for 2025-26, no funds under the Mission have been utilised. Further, no funds have been allocated towards the Mission for 2026-27. The Mission was announced with the following objectives: (i) to ensure commercial availability of more than 100 seed varieties, (ii) development and propagation of climate and pest resilient high-yielding variety (HYV) seeds, and (iii) strengthening research on HYV seeds.[21]

The Ministry of Agriculture and Farmers Welfare released a draft Seeds Bill, 2025 in November 2025 for public comments.[22] The draft Bill aims to regulate the quality of seeds and planting materials to ensure availability of quality seeds for farms. It also aims to curb the sale of spurious and poor-quality seeds.[22]

NITI Aayog (2025) observed the importance of continued investment in research and development for improved yield and productivity.[23] In 2025, the Indian Council for Agricultural Research developed India's first genome-edited rice varieties.[24] The advanced varieties are expected to offer the following benefits: (i) a 19% increase in yield, (ii) a 20% reduction in greenhouse gas emissions, (iii) saving of 7,500 cubic meters of irrigation water, and

(iv) improved tolerance to drought, salinity, and climate stress.[24]

Dependence on rain-fed agriculture and irrigation practices

The area under irrigation has increased from 44% of total cultivated area in 2000-01 to 63% in 2023-24 at the national level.[25] The remaining cultivated area is under rainfed agriculture. Further, the irrigation coverage is uneven across crops (see Table 5).

Table 5: Area under irrigation under different crops (2022-23, in thousand hectare)

Crop	Area under cultivation	Area under irrigation	% area irrigated
Rice	49,525	34,140	69%
Jowar	3,639	459	13%
Bajra	7,574	963	13%
Wheat	34,994	33,434	96%
Gram	9,790	3,860	39%
Sugarcane	6,794	6,716	99%

Sources: Land Use Statistics 2022-23; PRS.

In 2020, agriculture accounted for 89% of total annual water extraction in India.[13] Despite this, irrigation in India remains inefficient and unsustainable.[19] The DFI Committee (2018) noted that under the prevailing irrigation system, there is a wide gap between the irrigation potential created and irrigation potential utilised.[19]

Efficient irrigation helps increase crop yields, optimise water use, and reduce pressure on depleting groundwater resources.26 The per-tonne water requirement (measured as cubic meter of water used to produce one tonne of crop) for major crops such as rice, wheat, cottonseed, and soyabean in India is significantly higher than other major countries (see Table 6).

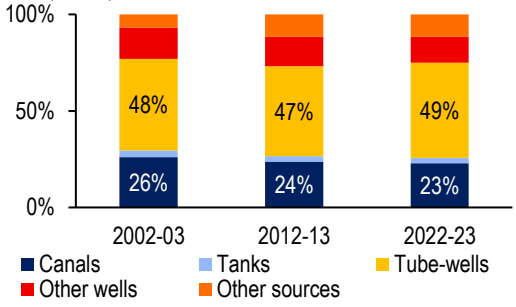
Table 6: Water use for crops (in cubic meter per tonne)

Crop	India	US	China
Rice	4,254	1,903	1,972
Wheat	1,654	849	690
Soyabean	4,124	1,869	2,617
Sugarcane	159	103	117
Cottonseed	8,264	2,535	1,419

Sources: National Water Mission, Ministry of Jal Shakti and NITI Aayog; PRS.

In 2022-23, 49% of the total irrigated area was irrigated through tubewells (see Figure 7).[25] The Standing Committee on Water Resources (2023) noted over extraction of groundwater for irrigation in states including Punjab, Haryana, Rajasthan, Karnataka, Tamil Nadu, and Uttar Pradesh. The Committee attributed this over extraction primarily to wide cultivation of water guzzler paddy and sugarcane crops.[25] Other contributing factors include assured market procurement for certain crops and highly subsidised pricing of water, power, and fertilisers.[25] NABARD (2018) noted that most of these water guzzling crops are concentrated in some of the most water scarce regions of the country, which is leading to severe depletion of groundwater reserves in these states.[25]

Figure 7: Sources of irrigation for gross cropped area (in %)

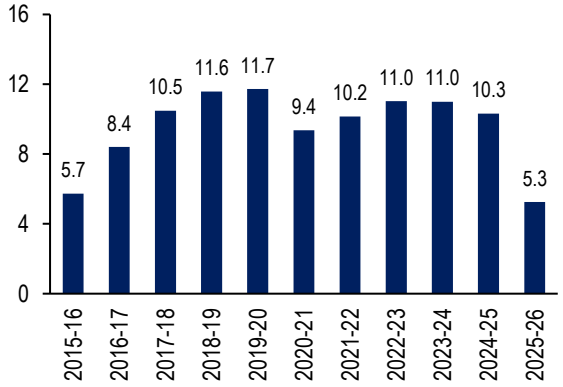


Sources: Land Use Statistics 2022-23; PRS.

The DFI Committee (2018) identified the following as reasons for sub-optimal utilisation of created facilities: (i) inadequate maintenance of canal systems, (ii) lack of participatory management, (iii) changing land use pattern, and (iv) soil degradation.[19] It noted a high proportion of cultivated area being diverted for water guzzling primary crops.[19] The Committee recommended diversification of crops to low-water consuming crops such as maize, pulses, and oilseeds.[19]

Commission of Agricultural Costs and Prices (CACP, 2025) noted that efficient irrigation techniques including drip and sprinkler irrigation help reduce water waste through precise irrigation. The Pradhan Mantri Krishi Sinchayee Yojana was launched in 2015-16 to improve water use efficiency and expand irrigation coverage (see Figure 8). The scheme was launched with the following objectives: (i) increase area under irrigation, (ii) improve on-farm efficiency of water use, (iii) enhance adoption of precision irrigation, (iv) enhance recharge of aquifers, and (v) promote sustainable water conservation practices.[27]

Figure 8: Annual area covered under Per Drop More Crop component (in lakh hectare)



Sources: Per Drop More Crop Dashboard, as accessed on February 6, 2026; PRS.

Only one component under this scheme is currently implemented by the Ministry of Agriculture and Farmers Welfare. The Per Drop More Crop

component under PM Krishi Sinchayee Yojana is a micro irrigation scheme aimed at enhancing water efficiency.

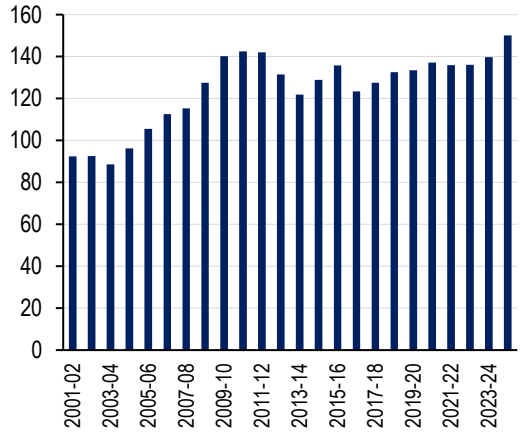
Usage of Fertilisers

Dependence on imports

The month-wise requirement of fertilisers is assessed before the commencement of each cropping season by the Ministry of Agriculture and Farmers Welfare.[27] The Department of Fertilisers under the Ministry of Chemicals and Fertilisers is responsible for ensuring adequate and timely availability of fertilisers in the country.[27] The Ministry ensures this by planning production, imports, and distribution of fertilisers at affordable prices to farmers.

The consumption of chemical fertilisers in India has increased from 92 kg of fertilisers used per hectare in 2001-02 to 150 kg per hectare of land in 2024-25.[25] Out of total consumption, the share of Nitrogenous (N) fertilisers is 67%, Phosphatic (P) fertilisers is 25%, and Potassic (K) fertilisers is 7%.[25]

Figure 9: Consumption of Nitrogenous, Phosphatic, and Potassic fertilisers (in kg per hectare)



Sources: Agricultural Statistics at a Glance 2024-25; PRS.

The country is heavily dependent on imports of raw materials for fertiliser production. Around 89% and 28% of the total potassic and phosphatic consumption requirement is fulfilled through imports respectively. The Standing Committee on Chemicals and Fertilisers (2025) noted that the country has deficient reserves of phosphate and no reserves of potash (see Table 7).[28] This has made the country dependent on imports for fertiliser production. The Committee (2025) observed a gap between the domestic production and consumption of fertilisers in India. In 2024-25, against the total requirement of 329 lakh tonne of NPK fertilisers, only 148 lakh tonne was produced domestically. The Committee (2025) recommended the Department to intensify its measures to ensure timely completion of new fertiliser projects and capacity enhancement initiatives.[28] It recommended expanding P&K fertiliser capacity through fiscal and tax incentives for setting up new units.[28]

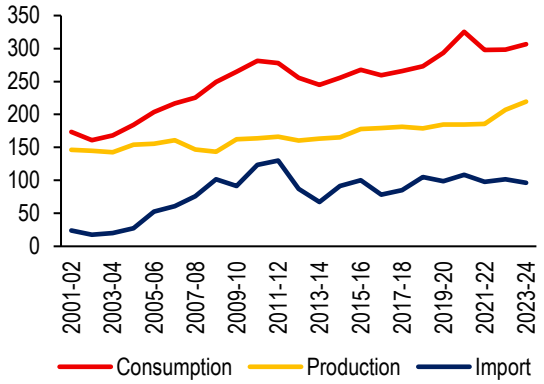
Table 7: Reserves of phosphate rock across countries

Country	Reserves (in lakh tonne)
Morocco and Western Sahara	5,00,000
China	32,000
Egypt	28,000
Algeria	22,000
Brazil	16,000
South Africa	16,000
Saudi Arabia	14,000
Australia	11,000
Russia	6,000
Israel	530
India	460

Sources: Report No. [15], Standing Committee on Chemicals and Fertilisers, December 1, 2025; PRS.

Between 2001-02 and 2024-25, consumption of NPK fertilisers grew at an annual average rate of 2.8%.[25] In comparison, domestic production of NPK fertilisers only grew at an annual average rate of 0.1%.[25] Between this period, the imports of NPK fertilisers grew at 5.2% annually.[25] Therefore, most of the increase in consumption is being fulfilled through increased imports.

Figure 10: Production and import of fertilisers (in lakh tonne)



Sources: Agricultural Statistics at a Glance 2024-25; PRS.

Imbalanced use of chemical fertilisers

The government offers subsidy to manufacturers on the production of fertilisers. Under the Nutrient Based Subsidy (NBS) scheme, a fixed amount of subsidy is provided per kg of nutrient contained in P&K fertilisers.[28] The MRP for P&K fertilisers is determined on the basis of market prices and fixed by fertiliser companies.[28] The government provides a fixed subsidy to manufacturers which is notified on an annual/semi-annual basis.[28]

The broad varieties of chemical fertilisers used by farmers in the country include Urea, DAP, MOP, NPKS, and SSP. The NBS scheme is applicable on all of these fertilisers except Urea fertilisers.[29]

The government also provides a subsidy for urea fertilisers. The urea subsidy scheme has three different components: (i) indigenous urea subsidy provided to domestic urea production units, (ii) imported urea subsidy directed towards imports, and

(iii) a freight subsidy for movement of urea across the country. Under the current scheme, urea is provided to farmers at a statutorily notified MRP of Rs 242 per bag of 45 kg urea. The Standing Committee on Chemicals and Fertilisers (2025) noted an imbalance skewed towards excessive application of nitrogenous or Urea based fertilisers.[29] It noted that indiscriminate and imbalanced use of fertilisers can lead to multi-nutrient deficiencies and deterioration of soil-health over the years.[29] The Committee (2024) also noted that since the prices of P and K fertilisers are decontrolled, the market prices of these fertilisers have increased.30 This has led to farmers overconsuming the price regulated urea fertiliser.[29] The Standing Committee (2024) also recommended the government to review its NBS policy to remove the disincentives for farmers to overuse urea.[29]

CACP (2025) observed that a higher subsidy on Urea in comparison to P&K fertilisers is leading to excessive consumption of nitrogenous fertilisers (see Table 8).[20] The ideal ratio for application of N:P:K fertilisers is recommended at 4:2:1.[32] NITI Aayog (2022) observed that soil health cannot be maintained without the regular application of organic manures and recycling of crop residue.[13]

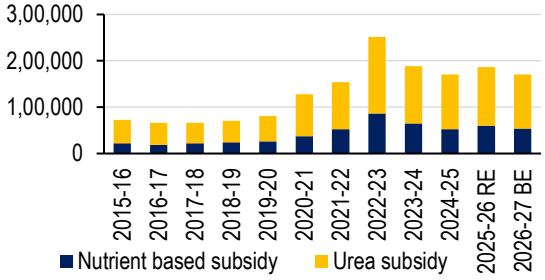
Table 8: All-India consumption ratios of Nitrogen and Phosphorus based fertilisers

Year	N : P : K Ratio
Ideal ratio	4 : 2 : 1
2018-19	6.6 : 2.6 : 1
2019-20	7.3 : 2.9 : 1
2020-21	6.5 : 2.8 : 1
2021-22	7.7 : 3.1 : 1
2022-23	11.8 : 4.6 : 1
2023-24	10.9 : 4.4 : 1

Sources: Price Policy for Kharif Crops, 2025-26, Commission for Agricultural Costs and Prices; PRS.

In 2026-27, Rs 1,70,799 crore has been allocated towards the NBS and Urea Subsidy scheme (see Figure 11) by the Ministry of Chemicals and Fertilisers. Total fertiliser subsidy is estimated to be 3.2% of the total budget of the central government in 2026-27.

Figure 11: Fertiliser subsidy offered on P&K and Urea fertilisers (in Rs crore)



Sources: Statement 7, Union Budget of various years; PRS.

Total fertiliser subsidy bill of the Union government has increased at an average rate of 8% annually between 2015-16 and 2026-27 (BE). The subsidy bill increased significantly in 2022-23 due to high input costs, geopolitical tensions, global supply chain disruptions, and export restrictions from China.[31]

Extension Services

NITI Aayog (2022) noted the importance of extension services in transfer of scientific knowledge, improved technologies, and sustainable agricultural practices to farmers.[13] Extension services help farmers get information regarding scientific research and new knowledge in agricultural practices.[32] In India, extension services are delivered through public agencies, Krishi Vigyan Kendras, agricultural universities, private firms, and digital platforms. The DFI Committee (2018) had identified issues in delivering extension services including manpower shortage, non-harmonised and narrow range of activities, poor targeting of farmers, weak monitoring mechanisms, and poor outreach.[33] The Economic Survey (2025-26) also observed that delivery of extension services still struggles with the same issues.[34]

The government introduced the PM Program for Restoration, Awareness Generation, Nourishment, and Amelioration of Mother Earth (PM-PRANAM) scheme in June 2023.[35] The PM-PRANAM scheme aims to incentivise states that actively contribute to reducing the use of chemical fertilisers in a year (Urea, DAP, NPK, and MOP).[36] Under this scheme, states are given grants on the basis of reduction in fertiliser consumption compared to the average consumption over the previous three years. However, as of February 2026, no incentives have been released to any state.[36]

Crop Insurance

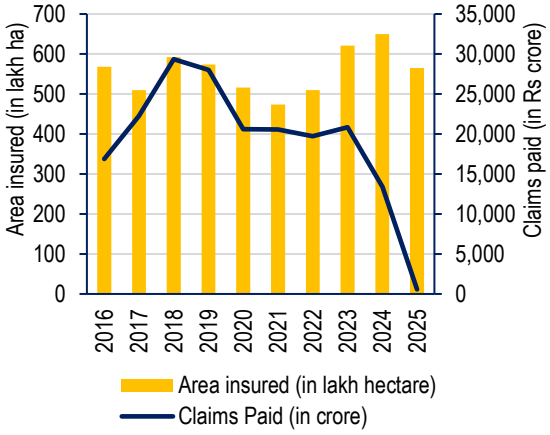
The government provides crop insurance to farmers against all non-preventable natural risks from pre-sowing to post-harvest stage. Agricultural insurance is provided under the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme (RWBCIS). These schemes cover all farmers including sharecroppers and tenant farmers growing notified food crops, oilseeds, and horticulture crops.[37] In 2026-27, the government has allocated Rs 12,200 crore to the crop insurance schemes, which is similar to the revised estimates of 2025-26.

Under PMFBY, insurance coverage is offered to farmers at a maximum premium of 2% of sum insured to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. The maximum premium to be paid by farmers for commercial and horticultural crops is 5%. The balance of the prevailing premium and the premium paid by the farmers is paid by the government. This premium subsidy is shared equally between the centre and states. Some states are also paying the farmers' share of premium, where the farmer is only required to pay one rupee.[38] These states include

Maharashtra, Odisha, Meghalaya, Puducherry, and Jharkhand.

The DFI Committee (2018) noted that only 20% of the Gross Cropped Area (GCA) was insured in 2014-15. The Committee also noted the aim of the government to scale up the insurance penetration to about 50% of GCA by 2019.[39] In 2022, 28% (621 lakh hectare) of the total gross cropped area was insured under PMFBY and RWBCIS.[40,41]

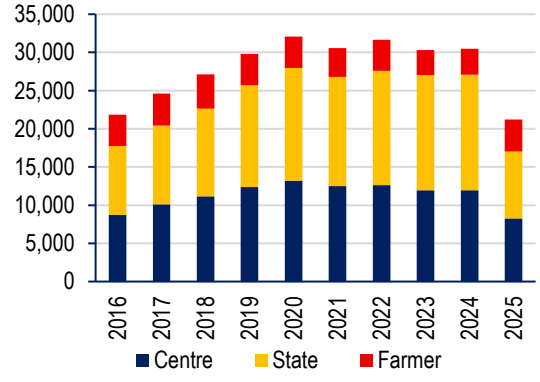
Figure 12: Claims paid to farmers in recent years have declined



Note: The data for all years is as reported on PMFBY Dashboard.
Sources: PMFBY Dashboard, as accessed on February 18, 2026; PRS.

On average, claims worth Rs 21,288 crore have been paid to farmers every year under the two schemes between 2016 and 2024. However, claims paid under the scheme have reduced significantly to only Rs 576 crore in 2025, while the area insured in the same year has not changed much. Similarly, the premiums paid by the centre and state have also reduced in 2025 by Rs 10,092 crore (see Figure 13).

Figure 13: Premiums paid under the scheme by the centre, states, and farmers (in Rs crore)



Sources: PMFBY Dashboard, as accessed on February 18, 2026; PRS.

The Standing Committee on Agriculture (2021) has observed that delays in settlement of claims is one of the major challenges in implementation of PMFBY.[42] It noted the following as reasons for delays in settlement of claims: (i) delayed transmission of yield data, (ii) late release of state share in premium subsidy, (iii) late release of yield data by states, and (iv) yield related disputes between insurance companies and states.[42] The Committee also recommended that the premium paid by the farmer should be returned with interest if the reason for delay is non-payment of subsidy by state.[42]

The Standing Committee on Agriculture (2024) recommended exploring the possibility of provision of compulsory universal crop insurance for smallholder farmers with land holding up to two hectare.[43]

Post harvest infrastructure

Post-harvest losses refer to the degradation in the quality and quantity of food between the harvest and consumption stage.44 Post harvest losses may adversely impact the productivity of the food processing sector.[46] Many agricultural and allied products are seasonal and perishable in nature, which need processing in short periods of time.

According to a study to determine post-harvest losses in 2020-21, the quantity of agriculture produce lost in 2020-21 was estimated at about 69 million metric tonnes (5.5% of the total agricultural produce).[46] These include cereals, pulses, oilseeds, fruits, vegetables, plantation crops, and livestock produce (see Table 9).[46]

Table 9: Post-harvest losses in 2020-21

Category	Quantity Lost (in million tonne)	Monetary loss (in Rs crore)
Livestock produce	3	29,871
Fruits	7.3	29,545
Vegetables	12	27,459
Cereals	12.5	26,001
Plantation crops	30.6	16,413
Oilseeds	2.1	10,925
Pulses	1.4	9,289
Total	**68.9**	**1,49,503**

Sources: Study to determine post-harvest losses in agri produces in India - 2022, NABCONS, MoFPI; PRS.

These categories contributed to a loss of about Rs 1.5 lakh crore.[44] The highest contributors to monetary loss were perishable commodities such as fruits and vegetables, and livestock produce.[44] The Standing Committee on Agriculture (2024) observed that favourable policies and infrastructure development for processing and storage are needed to reduce post-harvest losses.[45] These measures are required across stages such as harvesting, collection, transport, processing, and packaging.

To address this issue, the Ministry of Food Processing Industries has been implementing the PM Kisan Samapada Yojana. The scheme targets building of storage and transportation infrastructure, agro-processing cluster, and food processing and preservation capacities.

The DFI Committee (2018) had observed that a significant proportion of the produce is also wasted during periods of abundant supply and in the absence of an assured price.[10] In such cases, farmers

may sometimes not even recover the logistics cost due to distress sale.[10]

Another reason for perishable loss is inadequate and inefficient storage infrastructure between consumers and the farm gate.[10] Dr. Saumitra Chaudhari Committee (2012) had estimated the cold storage requirement in the country to be 61 million tonne.[46] The Committee was constituted by the erstwhile Planning Commission. As of January 2025, the cold storage capacity across states was estimated at 39.7 million tonne.[14]

In August 2024, the AIF scheme was expanded to: (i) extend the financing facility period from 2023-24 up to 2025-26, (ii) extend the overall operational period from 2029-30 up to 2032-33, (iii) expand eligible beneficiaries to include Agricultural Produce Market Committees and state agencies, and (iv) broaden the scope of eligible assets to include integrated processing projects and community level farming infrastructure assets.[47]

As of February 18, 2026, a total of Rs 60,583 crore has been disbursed for around 1.43 lakh projects.[48] Through these loans, funds have been extended for projects including primary processing units, warehouses, sorting and grading units, and cold storage projects. In 2026-27, AIF has been allocated Rs 910 crore, which is 1.1% higher than the revised estimates of 2025-26.

Agricultural Marketing

The government introduced the Agricultural Marketing Infrastructure scheme (AMI) in 2014. Under the scheme, financial support is provided to farmers, individuals, food processing units, cooperatives, agri-entrepreneurs, and state agencies, for creating storage and agricultural marketing infrastructure.

As of March 2024, a total of 69,101 projects have been sanctioned under the AMI scheme.[49] For these projects, subsidy worth Rs 6,301 crore has been released under the scheme.[49]

Agriculture markets are regulated in India by Agriculture Produce Marketing Committees (APMCs). APMCs are established by state governments. APMCs regulate trade by: (i) providing licenses to traders/ commission agents, (ii) levying market fees/ cess on sale of agricultural produce in the APMC market, and (iii) providing the necessary infrastructure within markets to facilitate trade.[50]

The National Commission on Farmers (2006) had recommended that there should be a market within a range of 5 km of farms, a distance negotiable by walk or cart in an hour. In 2019, the Standing Committee on Agriculture noted that to meet this norm, 41,000 markets will be needed in the country. In 2023, there were 7,085 APMC regulated mandis in the country.[51]

In 2016, the central government launched the National Agriculture Market (e-NAM), an electronic trading portal aimed at integrating existing APMC mandis into a unified national market for agricultural commodities.[52] Under the scheme, the government provides free software and financial assistance of up to Rs 75 lakh per APMC market for integration with the portal. As of January 2026, 1,522 mandis across 23 states and 4 union territories had been integrated with e-NAM.[53] The Standing Committee on Agriculture (2019) recommended expanding the coverage of the e-NAM scheme in states where APMC markets are non-existent.

Farmer Producer Organisations

The DFI Committee (2018) noted the need to expand the efforts of FPOs to marketing and post-production efforts.[54] It observed that the lack of market connectivity will lead to the collaborative output being directed only towards local markets.[54] The Committee recommended linking FPOs to multiple demand centres.[54] This would lead to faster outflow of produce and inflow of returns for farmers.[54]

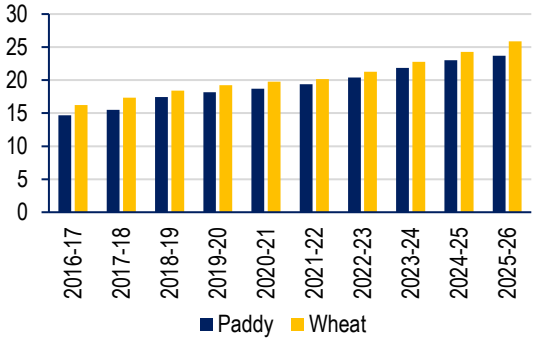
Under the FPO scheme, Cluster Based Business Organisations (CBBOs) are being linked to FPOs to offer them professional handholding support for up to five years.[18] CBBOs are engaged in linking FPOs with buyers and processors outside the traditional mandi system and local markets.[18]

Additionally, FPOs are being onboarded on digital platforms such as Open Network for Digital Commerce (ONDC) and Government e-Marketplace (GeM) platforms. As of June 30, 2025, more than 9,000 FPOs have been onboarded on ONDC platform, with 216 FPOs on the GeM portal.[55] This has allowed FPOs to sell their agri-produce digitally.[55] In addition, 171 business organisations have established backward market linkages with around 500 FPOs for procurement of raw materials, finished agri-products, and agri commodities.[55]

Remunerative pricing and procurement

Minimum Support Price: The government fixes the Minimum Support Price (MSP) for 22 agricultural crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). MSP is the assured price announced by the central government at which foodgrains are procured from farmers by the central and state governments and their agencies.[56] For 2025-26, the MSP for paddy and wheat has been fixed at Rs 23.7 per kg and Rs 25.9 per kg.[57]

Figure 14: MSP recommended by CACP for paddy and wheat (in Rs per kg)



Sources: Commission of Agricultural Costs and Prices, as accessed on February 15, 2026; PRS.

In 2006, the National Commission on Farmers recommended setting the MSP for crops at least 50% higher than the weighted average of the production cost. The Ministry adopted that recommendation in 2018-19, and MSP for all kharif and rabi crops was increased to reflect a return of at least 50% of the cost of production.[58]

A2 indicates the cost incurred to produce the crop, and FL indicates the cost of family labour.[26] A2+FL accounts for the cost of production plus value of family labour.[26] C2 is the cost of production after including other costs such as family labour, rental value of owned land, and interest on fixed capital excluding land.[26]

Table 10: Minimum Support Price for select crops in 2025-26

Crop	Cost of production (in Rs per kg)			MSP as a proportion of A2+FL	MSP as a proportion of C2
	A2+FL	C2	MSP		
Paddy	15.8	20.9	23.7	1.5	1.1
Wheat	12.4	18.0	25.9	2.1	1.4
Jowar	24.7	32.1	37.0	1.5	1.2
Bajra	17.0	22.1	27.8	1.6	1.3
Maize	15.1	19.5	24.0	1.6	1.2
Barley	13.6	18.6	21.5	1.6	1.2
Gram	37.0	48.8	58.8	1.6	1.2

Sources: Commission of Agricultural Costs and Prices, as accessed on February 15, 2026; PRS.

In 2024-25, 23% and 49% of the total wheat and rice produced was procured by the government respectively. Punjab, Madhya Pradesh, Haryana, and Rajasthan alone accounted for 96% of the total wheat procurement in 2024-25.[59] States such as Punjab, Chhattisgarh, Telangana, and Odisha accounted for 59% of the total rice procurement in 2024-25.

The Standing Committee on Agriculture (2024) recommended implementing a legally binding MSP system in the country. It noted that legalising MSP would allow farmers with assured income to invest more in agricultural practices. However, the DFI Committee (2018) noted that legalising MSP for all crops may lead to higher retail inflation. It observed that when more crops are sold at MSP, these costs may be passed down to consumers leading to higher retail inflation.

Procurement of pulses: India is the world's largest pulse cultivator and producer contributing 38% to the total global cultivated area, and 28% to the global pulses output.[60]

Under the Price Support Scheme (PSS), the government intervenes by procuring MSP notified crops whenever their market prices of fall below MSP. The procurement is made through central agencies such as NAFED, SFAC, and FCI. However, this procurement has largely remained limited to pulses, oilseeds, and cotton. Under the Market Intervention Scheme, horticulture crops not covered under MSP are procured when market price falls by more than 10%.

In 2026-27, Rs 7,200 crore have been allocated for the PM-AASHA scheme, which is 4% higher than the revised estimates for 2025-26. Since 2018-19, PM-AASHA has covered 99 lakh farmers through procurement of 195 lakh metric tonne of pulses, oilseeds, and copra.[61]

In 2025-26, a budget announcement was made introducing the Mission for Pulses for procurement of pulses. The scheme was allocated Rs 1,000 crore in 2025-26. According to the revised estimates, no funds have been utilised under this scheme. In 2026-27, no allocation has been made for this scheme. In 2024-25, about 3% of the total pulses production was procured under PSS. In India, food inflation is primarily driven by vegetables and pulses.[34] RBI (2024) observed that to ensure stability in prices, procurement of pulses needs to be scaled up and operationalised.

Income Support through direct benefit transfers: Since its inception, Rs 4.09 lakh crore have been disbursed to beneficiaries through 21 instalments under the PM-KISAN scheme.[62] Under the scheme, the amount is directly transferred to the farmer's Aadhaar-seeded bank account. However, as of February 6, 2026, there were around 30 lakh farmers whose Aadhaar is not seeded with bank accounts.[62] The Standing Committee on Agriculture and Farmers Welfare (2020) noted that only landholding farmer families are covered under the scheme.[63] It recommended extending the benefits to landless and tenant farmers.[63]

[1] Ministry of Agriculture and Farmers Welfare, "Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)", PM-KISAN portal, as accessed on January 29, 2026, https://pmkisan.gov.in/#About.

[2] "Cabinet approves continuation of Modified Interest Subvention Scheme (MISS) for FY 2025-26 with existing 1.5% Interest Subvention (IS)", Ministry of Agriculture and Farmers Welfare, May 28, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131989&reg=3&lang=2.

[3] Ministry of Agriculture and Farmers Welfare, "Frequently Asked Questions – Kisan Credit Card (KCC)", KCC portal, as accessed on January 29, 2026, 2026, https://fasalrin.gov.in/faq.

[4] Unstarred Question No. 398, Lok Sabha, Ministry of Agriculture and Farmers Welfare, February 4, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU398_h9RqVn.pdf?source=pqals.

[5] Starred Question No. 101, Lok Sabha, Ministry of Agriculture and Farmers Welfare, July 20, 2024, https://eparlib.nic.in/bitstream/123456789/2977765/1/AS101_Zv2zbg.pdf.

[6] Land Use Statistics – 2022-23, Ministry of Agriculture and Farmers Welfare, September 2024, https://desagri.gov.in/wp-content/uploads/2024/09/Final-file-of-LUS-2022-23-for-uploading.pdf.

[7] Statistical Report on Value of Output from Agriculture and Allied Sectors (2011-12 to 2023-24), Ministry of Statistics and Programme Implementation, June 27, 2025, https://www.mospi.gov.in/sites/default/files/publication_reports/Brochure2025_r.pdf.

[8] Volume VIII, Report of the Committee for Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, December 2017, https://agriwelfare.gov.in/Documents/DFI%20Vol-8B.pdf.

[9] Land Holdings and Agricultural Census, National Statistics Commission, as accessed on February 3, 2026, https://nsc.mospi.gov.in/49-land-holdings-and-agricultural-census.

[10] Volume II, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, August 2017, https://agriwelfare.gov.in/Documents/DFI%20Volume%202.pdf.

[11] Volume XIII, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, January 2018, https://agriwelfare.gov.in/Documents/DFI%20Volume%2013.pdf.

[12] "Central Schemes Support Farmers, FPOs and SHGs to Boost Income and Rural Entrepreneurship", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, February 3, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222801&reg=3&lang=2.

[13] A New Paradigm for Indian Agriculture: From Agroindustry to Agroecology, NITI Aayog, March 2023, https://www.niti.gov.in/sites/default/files/2023-03/A-New-Paradigm-for-Indian-Agriculture-from-Agroindustry-to-Agroecology.pdf.

[14] Agricultural Statistics at a Glance 2023, Ministry of Agriculture and Farmers Welfare, September 5, 2024, https://desagri.gov.in/wp-content/uploads/2024/09/Agricultural-Statistics-at-a-Glance-2023.pdf.

[15] "Factsheet – Kisan Credit Card," Press Information Bureau, Others, January 17, 2022, https://www.pib.gov.in/FactsheetDetails.aspx?Id=148600&reg=3&lang=2.

[16] Unstarred Question No 2500, Lok Sabha, Ministry of Finance, August 4, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU2500_MY7k37.pdf?source=pqals.

[17] Budget Speech, Union Budget 2025-26, https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

[18] Starred Question No. 30, Lok Sabha, Ministry of Agriculture and Farmers Welfare, February 4, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AS30_0J4V1W.pdf?source=pqals.

[19] Volume VII, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, March 2018, https://agriwelfare.gov.in/Documents/DFI%20Volume%207.pdf.

[20] Price Policy for Kharif Crops: Marketing Season 2025-26, Commission for Agricultural Costs and Prices, Ministry of Agriculture and Farmers Welfare, Government of India, 2025, https://cacp.da.gov.in/Document/EnglishReports/KharifReports2025-26_20250825125215821.pdf.

[21] "Demand & Supply Projections Towards 2033", Working Group Report on Demand and Supply Projections towards 2032, NITI Aayog, February 2018, https://www.niti.gov.in/sites/default/files/2021-08/Working-Group-Report-Demand-Supply-30-07-21.pdf.

[22] The Draft Seeds Bill, 2025, Department of Agriculture and Farmers Welfare, 2025, https://seednet.gov.in/CMS/Home/NewsEvents/Seeds%20Bill%202025%20Seed%20Net.pdf

[23] Reimagining Agriculture: Roadmap for Frontier Technology-Led Transformation, NITI Aayog, November 2025, https://niti.gov.in/sites/default/files/2025-10/Reimagining_Agriculture_Roadmap_for_Frontier_Technology_Led_Transformation.pdf

[24] "Union Agriculture Minister Shri Shivraj Singh Chouhan Announces Two Genome-Edited Rice Varieties Developed in India", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, May 4, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2126802&reg=3&lang=2.

[25] Agricultural Statistics at a Glance 2024-25, Ministry of Agriculture and Farmers Welfare, November 2024, https://desagri.gov.in/wp-content/uploads/2024/11/Agricultural-Statisitcs-at-a-Glance-2024-25_%E0%A4%95%E0%A5%83%E0%A4%B7%E0%A4%BF-%E0%A4%B8%E0%A4%BE%E0%A4%82%E0%A4%96%E0%A5%8D%E0%A4%AF%E0%A4%BF%E0%A4%95%E0%A5%80-%E0%A4%8F%E0%A4%95-%E0%A4%9D%E0%A4%B2%E0%A4%95-2024%E2%80%9325.pdf.

[26] Price Policy for Rabi Crops – Marketing Season 2026-27, Commission for Agricultural Costs & Prices, July 2025, https://cacp.da.gov.in/Document/EnglishReports/ViewQuestionare%20(2)_20251110111404262.pdf.

[27] The Government of India (Allocation of Business) Rules, 1961, https://cabsec.gov.in/writereaddata/allocationbusinessrule/completeaobrules/english/1_Upload_3861.pdf.

[28] Report No. 43, "Planning For Fertilizers Production And Import Policy On Fertilizers Including Gst And Import Duty Thereon", Standing Committee on Chemicals and Fertilisers, August 9, 2023, https://sansad.in/getFile/lsscommittee/Chemicals%20&%20Fertilizers/17_Chemicals_And_Fertilizers_43.pdf?source=loksabhadocs.

[29] Report No. 15, "Self-Sufficiency In Production Of Fertilizers With A View To Curb Import Of Fertilizers-Review Of Constraints Thereof", Standing Committee on Chemicals and Fertilisers, December 1, 2025, https://sansad.in/getFile/lsscommittee/Chemicals%20&%20Fertilizers/18_Chemicals_And_Fertilizers_15.pdf?source=loksabhadocs.

[30] Report No. 52, "Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Forty-Third Report (Seventeenth Lok Sabha) on 'Planning for Fertilizers Production and Import Policy on Fertilizers Including GST and Import Duty thereon' of the Ministry of Chemicals and Fertilizers", Standing Committee on Chemicals and Fertilisers, February 8, 2024, https://sansad.in/getFile/lsscommittee/Chemicals%20&%20Fertilizers/17_Chemicals_And_Fertilizers_52.pdf?source=loksabhadocs.

[31] "Fertilizer prices expected to remain higher for longer," World Bank Open Data Blog, World Bank, May 11, 2022, https://blogs.worldbank.org/en/opendata/fertilizer-prices-expected-remain-higher-longer

[32] "Extension – Schemes and Initiatives," Ministry of Agriculture and Farmers Welfare, as accessed on January 31, 2026, https://agriwelfare.gov.in/en/Extenson.

[33] Volume XIV, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare,

September 2018, https://agriwelfare.gov.in/Documents/DFI_Volume_14.pdf.

[34] Economic Survey of India 2024-25, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.

[35] "PM PRANAM – Scheme Details," Department of Fertilisers, Ministry of Chemicals and Fertilisers, as accessed on February 04, 2026, https://fert.gov.in/en/offerings/schemes-services/pm-pranam.

[36] Starred Question No. 211, Ministry of Chemicals and Fertilisers, February 13, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AS211_SXmaPc.pdf?source=pqals.

[37] Pradhan Mantri Fasal Bima Yojana – Operational Guidelines, Ministry of Agriculture and Farmers Welfare, https://pmfby.amnex.co.in/pmfby/pdf/operational_guidelines_pmfby.pdf

[38] "Insurance Claims by Farmers", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, February 4, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2099760&reg=3&lang=2#:~:text=in%20weather%20indices.-,PMFBY%20is%20available%20to%20all%20farmers%20who%20insure%20their%20crops,the%20ratio%20of%2090:10.&text=District-,Farmer%20Applications%20to%20whom%20Claims,PMFBY/RWBCIS%20(No.).

[39] Volume X, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, April 2018, https://agriwelfare.gov.in/Documents/DFI%20Vol-10.pdf.

[40] "PMFBY – Graphical Dashboard," Ministry of Agriculture and Farmers Welfare, as accessed on February 6, 2026, https://pmfby.gov.in/adminStatistics/graphicalDashboard.

[41] Annual Report 2024-25, Ministry of Agriculture and Farmers Welfare, 2025, https://www.agriwelfare.gov.in/Documents/AR_Eng_2024_25.pdf

[42] Report No. 29, "Pradhan Mantri Fasal Bima Yojana - An Evaluation", Standing Committee on Agriculture and Farmers Welfare, August 10, 2021, https://sansad.in/getFile/lsscommittee/Agriculture,%20Animal%20Husbandry%20and%20Food%20Processing/17_Agriculture_29.pdf?source=loksabhadocs

[43] Report No. 1, "Demands for Grants (2024-25)", Standing Committee on Agriculture and Farmers Welfare, December 17, 2024, https://sansad.in/getFile/lsscommittee/Agriculture,%20Animal%20Husbandry%20and%20Food%20Processing/18_Agriculture_Animal_Husbandry_and_Food_Processing_1.pdf?source=loksabhadocs.

[44] Study to determine post-harvest losses of agri produces in India, NABARD Consultancy Services, Ministry of Food Processing Industries, December 7, 2022, https://www.mofpi.gov.in/sites/default/files/phl_study_final_report_07.12.2022_2.pdf

[45] Report No. 67, Standing Committee on Agriculture, Animal Husbandry, and Food Processing: 'Scheme for creation/expansion of food processing and preservation capacities – an evaluation', Lok Sabha, February 7, 2024, https://sansad.in/getFile/lsscommittee/Agriculture,%20Animal%20Husbandry%20and%20Food%20Processing/17_Agriculture_Animal_Husbandry_and_Food_Processing_67.pdf?source=loksabhadocs.

[46] Report of the Committee on Encouraging Investments in Supply Chains including Provisions for Col Storage for More Efficient Distribution of Farm Produce, Development Policy Division, Planning Commission, May 2012, https://nccd.gov.in/PDF/DSCC_Report_final.pdf.

[47] "Agricultural Infrastructure Fund (AIF) Scheme" Press Information Bureau, Ministry of Agriculture and Farmers Welfare, August 28, 2024, https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/aug/doc2024828382201.pdf.

[48] "Agricultural Infrastructure Fund – Dashboard," Ministry of Agriculture and Farmers Welfare, as accessed on February 10, 2026, https://agriinfra.dac.gov.in/Home/Dashboard.

[49] Progress of Storage Infrastructure assisted under Agricultural Marketing Infrastructure (AMI) as on March 31, 2024, Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, https://dmi.gov.in/Documents/ProgressReportofAMIasonMarch2024.pdf.

[50] Report No. 62, Standing Committee on Agriculture (2018-19): 'Agriculture Marketing and Role of Weekly Gramin Haats', Lok Sabha, January 3, 2019, https://loksabhadocs.nic.in/lsscommittee/Agriculture,%20Animal%20Husbandry%20and%20Food%20Processing/16_Agriculture_62.pdf.

[51] Unstarred Question No. 588, Lok Sabha, Ministry of Agriculture and Farmers Welfare, February 6, 2024, https://sansad.in/getFile/loksabhaquestions/annex/1715/AU588.pdf?source=pqals

[52] "eNAM: Transforming Agricultural Trade into a Seamless Experience", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, February 20, 2024, https://pib.gov.in/FactsheetDetails.aspx?Id=149061#:~:text=The%20initiative%20was%20launched%20by,system%20and%20online%20payment%20facility

[53] e-NAM Dashboard, as accessed on February 13, 2026, https://enam.gov.in/web/.

[54] Volume IV, Report of the Committee on Doubling Farmers' Income, Ministry of Agriculture and Farmers Welfare, 2017, https://agriwelfare.gov.in/Documents/DFI%20Volume%204.pdf.

[55] "Linkage of FPOs with Industries", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, July 25, 2025, https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2148519&reg=3&lang=2

[56] Essential Commodities Act, 1955, as amended, Government of India, https://www.indiacode.nic.in/bitstream/123456789/2113/1/201320.pdf.

[57] "Minimum Support Price – MSP Portal," Commission for Agricultural Costs and Prices, Ministry of Agriculture and Farmers Welfare, as accessed on February 16, 2026, https://cacp.da.gov.in/Home/MSP.

[58] "Serving Farmers and Saving Farming" Fifth Report, National Commission on Farmers, October 4, 2006, https://agriwelfare.gov.in/sites/default/files/NCF5%20Vol.-1%20%281%29.pdf.

[59] "UPAG – Unified Portal for Agricultural Statistics," Government of Uttar Pradesh, as accessed on February 16, 2026, https://upag.gov.in/.

[60] Strategies and Pathways for Accelerating Growth in Pulses towards the Goal of Atmanirbharta, NITI Aayog, 2025, https://niti.gov.in/sites/default/files/2025-09/Strategies-and-Pathways-for-Accelerating-Growth-in-Pulses-towards-the-Goal-of-Atmanirbharta.pdf.

[61] "Empowering Farmers through PM-AASHA", Press Information Bureau, Ministry of Agriculture and Farmers Welfare, December 18, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2085530#.

[62] Unstarred Question No 1080, Lok Sabha, Ministry of Agriculture and Farmers Welfare, February 10, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU1810_CAbf2W.pdf?source=pqals.

[63] Report No. 9, "Demand for Grants (2020-21)", Standing Committee on Agriculture, Lok Sabha, March 3, 2020, https://sansad.in/getFile/lsscommittee/Agriculture,%20Animal%20Husbandry%20and%20Food%20Processing/17_Agriculture_9.pdf?source=loksabhadocs.

Demand for Grants 2026-27 Analysis
Education

Highlights

- Centre and states together spend around 4.1% of GDP on education, lower than the recommended 6%.
- NEP aims to attain 100% gross enrolment ratio (GER) at all levels of school education. In 2024-25, GER at secondary and higher secondary level was 79% and 58%, respectively.
- Contribution of HEIs in R&D spending is low. On average, 47% of funds for research and innovation was utilised between 2017-18 and 2024-25.

Education is listed in the Concurrent List of the Constitution.[1] This means that education is a shared responsibility of both the Centre and states. The Centre is responsible for determining the standards of higher education institutions (HEIs).[2] States are responsible for development of school and higher education.

The National Education Policy, 2020 guides the overall development and direction of the education sector in the country.[3] Some of its key features include: (i) universal access to school education from pre-primary to grade 12, (ii) including vocational education in mainstream education, (iii) increasing enrolment in higher education, and (iv) establishing multidisciplinary research universities.[3]

The Union Ministry of Education is responsible for formulating national policies and schemes on education. At the school education level, the Ministry funds the Samagra Shiksha scheme, the mid-day meal scheme (PM POSHAN), and some schools such as Kendriya Vidyalayas and Navodaya Vidyalayas. With respect to higher education, the Ministry funds autonomous bodies such as IITs, NITs, central universities, and gives grants to universities through UGC.

This note examines the allocation to the Ministry of Education in 2026-27. This includes allocations to the Department of School Education and the Department of Higher Education. The note also highlights some of the key challenges in the sector.

Overview of finances

The Ministry has been allocated Rs 1,39,289 crore for the year 2026-27.[4] This is 14% higher than the revised estimates of 2025-26. The Department of School Education and Literacy has been allocated Rs 83,562 crore (60% of the Ministry's budget), and Department of Higher Education has been allocated Rs 55,727 crore (40% of the Ministry's budget).[56] See Table 1 for share of allocation to the respective departments.

Announcements in budget speech 2026-27

- Five university townships will be established in the industrial and logistic corridors.
- Support will be provided to the Indian Institute of Creative Technologies, Mumbai to establish gaming and content creator laboratories in 15,000 secondary schools and 500 colleges.

Table 1: Expenditure of Ministry of Education (in Rs crore)

Departments	2024-25 Actuals	2025-26 Revised	2026-27 Budget	Change from 25-26 RE to 26-27 BE
School Education	65,159	70,567	83,562	18%
Higher Education	45,577	51,382	55,727	8%
Total	**1,10,736**	**1,21,949**	**1,39,289**	**14%**

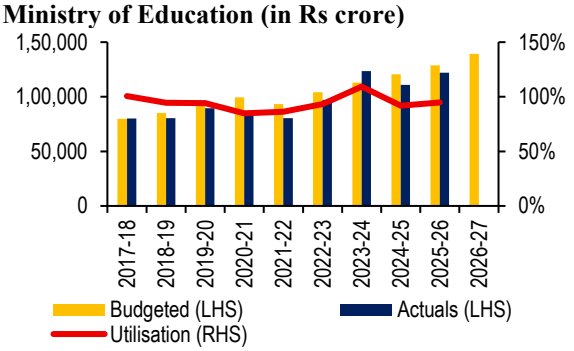
Note: BE is Budget Estimates and RE is Revised Estimates.
Sources: Demand No. [25] and 26, Expenditure Budget 2026-27; PRS.

Expenditure and allocation

Between 2017-18 and 2024-25, the Ministry's expenditure grew at a compounded annual growth rate (CAGR) of 5%. The Standing Committee on Education (2025) recommended that the allocation to the Ministry must be increased between 8% and 10% from allocation made in the previous year.[7] This will ensure that the Departments keep up with inflation trends.[7]

As of 2025-26, around 95% of the funds allocated were utilised until the revised stage (see Figure 1). The Standing Committee (2025) had noted that until February 2025, the department of school education had utilised around 59% of the allocated funds.[7] The remaining funds would have to be utilised within the last two months of the financial year. It recommended that expenditure in the last quarter must be limited to 33% of the allocation. Not more than 15% of the allocation must be spent in the last month of the financial year.[7]

Figure 1: Expenditure and allocation to the Ministry of Education (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budgets 2017-18 to 2026-27; PRS.

Table 2: Main heads of the Ministry's expenditure (in Rs crore)

Heads	2024-25	2025-26 RE	2026-27 BE	% Change from 25-26 RE to 26-27 BE	Share in Ministry's Budget
School Education	**65,159**	**70,567**	**83,562**	**18%**	**60%**
Samagra Shiksha	36,502	38,000	42,100	11%	30%
Autonomous bodies*	14,090	15,907	16,867	6%	12%
PM POSHAN	9,903	10,600	12,750	20%	9%
PM SHRI	3,504	4,500	7,500	67%	5%
Others	1,160	1,560	4,345	179%	3%
Higher Education	**45,577**	**51,382**	**55,727**	**8%**	**40%**
Central Universities	16,042	17,085	17,440	2%	13%
IITs	10,309	11,525	12,123	5%	9%
NITs and IIEST	5,393	5,854	6,260	7%	4%
UGC and AICTE	3,816	3,691	3,939	7%	3%
Student Aid	1,205	1,740	2,160	24%	2%
PM USHA	301	800	1,850	131%	1%
IISER	1,459	1,357	1,319	-3%	1%
Others	7,052	9,330	10,636	14%	8%
Total	**1,10,736**	**1,21,949**	**1,39,289**	**14%**	**100%**

Note: *Allocations to the autonomous bodies are made to schools such as Kendriya Vidyalaya and Navodaya Vidyalaya. It is also provided to autonomous institutions such as National Council of Educational Research and Training and National Bal Bhawan. BE is the Budget Estimates and RE is the Revised Estimates.
Source: Demands No. 25 and 26, Expenditure Budget 2026-27, Union Budget; PRS

Issues and Analysis

The National Education Policy, 2020 recommends school education to be provided in four stages : (i) foundational (3 to 8 years), (ii) preparatory (8 to 11 years), (iii) middle (11 to 14 years), and (iv) secondary (14 to 18 years).[3] The Right of Children to Free and Compulsory Education (RTE) Act, 2009 mandates free and compulsory education to all children between age six and 14 years.[8]

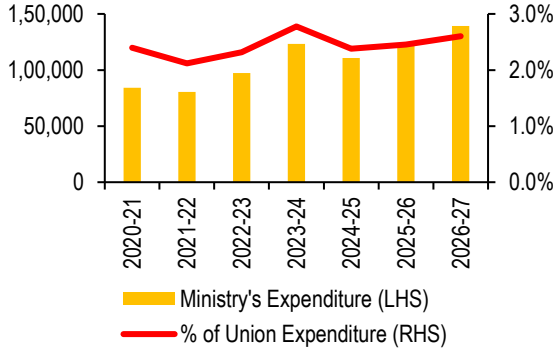
As of 2024-25, there were around 14.7 lakh schools, with nearly 24.7 crore children enrolled in them.[9] 49% of children were enrolled in government schools and another 10% in government-aided schools.[9] As of 2024-25, there were nearly one crore teachers in the country.[9] Around 51% of them teach in government schools and another 7% in government-aided schools.[9]

Higher education in India is provided through institutions of national importance, central universities, state universities, private universities, and deemed-to-be universities. As of January 2026, there were 1,395 universities.[10] Around four crore students are enrolled in HEIs.[10] As of 2021-22, there were 16 lakh teachers in the HEIs.[11]

Low public spending on education

The National Education Policy, 2020 recommends the combined spending of the centre and states on education to be 6% of GDP.[3] However, as of 2022-23, this combined spending is estimated to be 4.1% of GDP.[12] The spending on education as a proportion of the overall budget is estimated to range around 2.4% to 2.6% between 2024-25 and 2026-27 (see Figure 2).

Figure 2: Expenditure of the central government on education (in Rs crore)



Note: Figures for 2025-26 are Revised Estimates, and for 2026-27 are Budget Estimates.
Sources: Union Budget documents of various years; PRS.

Other countries such as Germany, USA, and United Kingdom spend a higher share of their GDP on education (see Table 3).

Table 3: Spending on education as share of GDP in selected countries

Countries	% of GDP	As of year
India	4.1	2022
China	4.0	2023
Germany	5.2	2022
Japan	3.3	2021
South Africa	6	2024
United States	5.4	2021
United Kingdom	5.9	2021

Sources: World Bank; PRS.

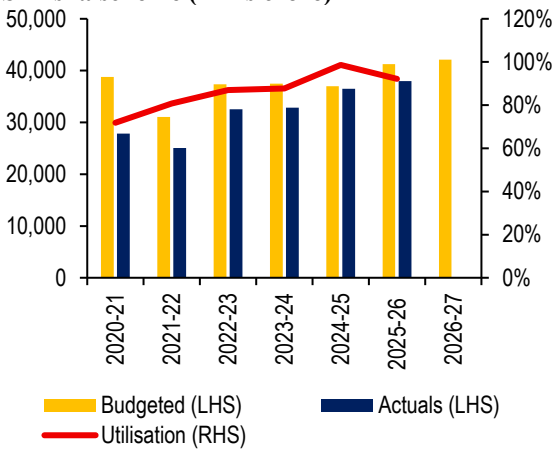
School Education

Samagra Shiksha Abhiyan

This scheme, launched in 2018, subsumed schemes such as Sarva Shiksha Abhiyan, Rashtriya Madhyamika Shiksha Abhiyan, and several teacher education initiatives. Key objectives of the scheme include: (i) supporting states to implement the National Education Policy, 2020 and RTE Act, 2009, (ii) ensuring equity and inclusion at all levels of school education, (iii) strengthening teacher training, (iv) ensuring minimum standards in schooling, and (v) promoting vocational education.

This is a centrally sponsored scheme, implying that both the centre and states are responsible for funding the scheme. The centre and states share funds in the ratio of 60:40 in most states, and 90:10 in Himalayan and north-eastern states. In 2026-27, Rs 42,100 crore has been allocated to the scheme (30% of the Ministry's budget).[5] This is 11% higher than the revised estimates of 2025-26. On average, 86% of allocation is utilised annually (see Figure 3). The utilisation of funds has been improving over the years. However, it has marginally decreased in 2025-26 (revised figures).

Figure 3: Utilisation of funds under Samagra Shiksha scheme (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

PM POSHAN

This scheme, launched in 2021-22, subsumed the Mid-day Meal scheme. Under the scheme, one nutritious meal in a day is provided to children in schools from pre-primary to grade 8. This is equivalent to the age group of three to 14 years. The scheme aims at reducing stunting, underweight, anaemia in children. The Standing Committee on Education (2025) noted that adolescent malnutrition continues to be a concern (see Table 4).[22] It also noted that there is a lack of monitoring mechanism to ensure meal quality.[22] The Committee recommended the following: (i) expand scheme to secondary grades, (ii) include breakfast in the scheme, and (iii) conduct quality audits through independent agencies.[22] The Committee also recommended providing milk, iron, and protein components in the meals.[22]

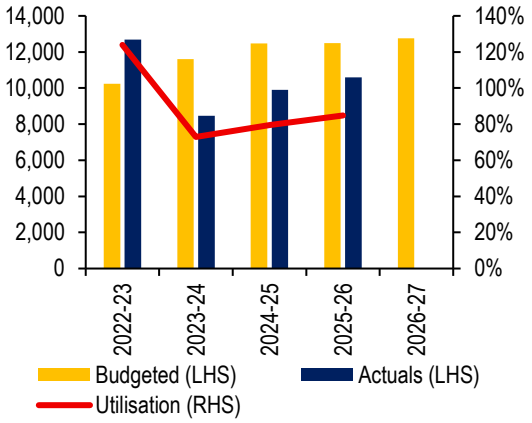
Table 4: Malnutrition in children

Age group	Stunted	Wasted	Overweight	Anaemic
under five years*	36%	19%	3%	67%
5 to 9 years	22%	5%	4%	24%
10 to 14 years	26%	8%	5%	28%
15 to 19 years		5%	4%	

Sources: *NFHS-5, 2019-21; Comprehensive National Nutrition Survey, 2016-18; PRS.

In 2026-27, Rs 12,750 crore has been allocated to the scheme (9% of the Ministry's budget).[5] This is 20% higher than revised estimates of 2025-26. This allocation covers nearly 11.2 crore children studying in government and government-aided schools.[13] The utilisation of funds decreased in 2023-24. However, it has been increasing since then (see Figure 4).

Figure 4: Utilisation of funds under PM-POSHAN scheme (in Rs crore)



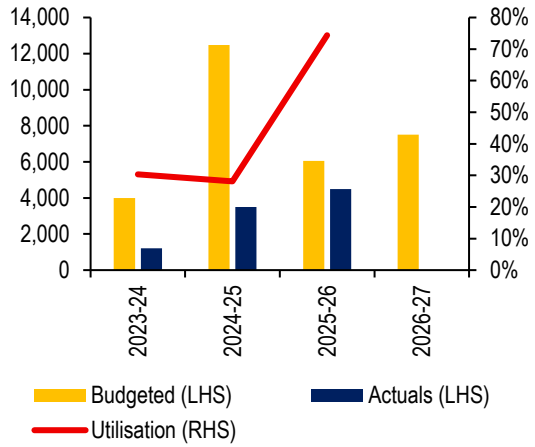
Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

PM SHRI

The scheme aims at upgrading around 14,500 government schools as per the goals of the National Education Policy, 2020.[14] The scheme will be implemented between 2022-23 and 2027-28 with a central share of Rs 18,128 crore.[15] The state share for this period is Rs 9,232 crore.[15] Between 2023-24 and 2024-25, Rs 4,788 crore has been released.[16]

In 2026-27, Rs 7,500 crore has been allocated to the scheme.[5] This is 67% higher than the revised estimates of 2025-26. The utilisation of funds has increased between 2024-25 and 2025-26 (see Figure 5). As of January 2026, 13,070 PM SHRI schools have been upgraded.[14]

Figure 5: Utilisation of funds under PM-SHRI scheme (in Rs crore)



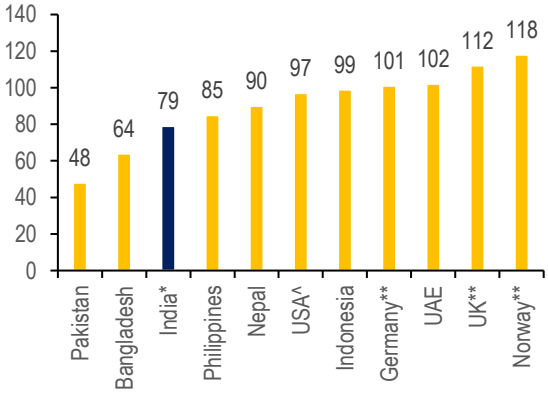
Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

Enrolment

Low enrolment in secondary grades

The National Education Policy, 2020 aims at achieving 100% Gross Enrolment Ratio (GER) at all school levels.[3] GER refers to the total number of students enrolled in a specific education level, regardless of their age, divided by official school-age population for that level.[9] With the RTE Act, 2009 mandating enrolment at the primary education level, enrolment at primary stage is around 91% (see Table 5). However, GER in secondary grades continues to be low. As of 2024-25, GER in secondary and higher secondary grades was 79% and 58%, respectively.[17] See Figure 6 for a comparison of GER in secondary education with other countries.

Figure 6: GER (in %) in secondary grade in India and other countries (as of 2024)



Note: **numbers are indicative as of 2023; ^numbers are indicative as of 2022.
Sources: *UDISE 2024-25, Existing structure; World Bank; PRS.

GER in primary and upper primary grades are higher. The transition rate from lower grades to higher grades also varies (see Table 5). Transition rate is the percentage of students who pass from one grade to the next higher grade.

Table 5: Enrolment and transition rates across different grades (in %)

Grade	GER	Transition rate
1 to 5 (primary)	91	Not applicable
6 to 8 (upper primary)	90	92
9 to 10 (secondary)	79	87
11 to 12 (higher secondary)	58	75

Sources: UDISE report, Existing structure, 2024-25; PRS.

The Economic Survey (2025-26) noted that GER in secondary grades is low because of fewer secondary schools.[18] The Survey also noted that around 17% of schools in rural areas are secondary schools. In urban areas, this share is 38%.[18] The Survey highlighted key reasons for children (14 to 18 years) not attending school (see Table 6).

Table 6: Reasons for not attending school for out-of-school adolescents (14 to 18 years)

Reason	% children
Supplement household income	44%
Attend domestic chores	28%
Education not necessary	8%
School too far	1%
Other	19%

Sources: Unit level data of PLFS 2023-24, Economic Survey (2025-26); PRS.

States such as West Bengal (20%), Gujarat (14%), Jammu and Kashmir (13%), and Karnataka (12%) have the highest dropout rates at secondary levels.[9] The Economic Survey (2025-26) recommended that skilling must be integrated with secondary schools in order to make schools more relevant to students.[18] It will also provide them early exposure to employable skills.[18] School education must be aligned with national skilling priorities.[18] This will reduce the share of dropout students and build a productive workforce.[18]

Teacher vacancies

Pupil Teacher Ratio (PTR) is defined as average number of students per teacher at a specific level of education.[9] The National Education Policy, 2020 recommends PTR to be 30:1 at each level of school education.[3] As of 2024-25, the average PTR in schools is 24:1.[9] This is better than the recommended level. However, NITI Aayog (2021) has noted that 36% of government schools in India had less than 50 students and just one or two teachers.[19] This leads to teachers teaching multiple grades.[3] This may result in lowering PTR.

Also, PTR in grades 11 to 12 is higher than the recommended level in certain states. These include Jharkhand (47:1), Maharashtra (37:1), Odisha (37:1), and Uttar Pradesh (35:1).[17] NITI Aayog (2023) noted that shortage of teachers as one of the challenges in achieving recommended PTR levels.[20] As of 2024-25, nearly 10 lakh teaching posts were vacant.[21] Some of the reasons for shortage of teachers include: (i) lack of regular

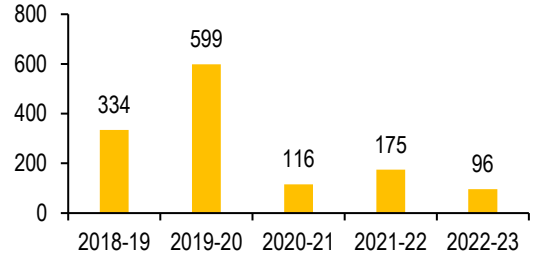
recruitment, (ii) non-sanctioning of posts, (iii) lack of teachers specialised in a subject, and (iv) small school size affecting distribution of teachers across schools.[7]

The Standing Committee on Education (2025) also noted that the recruitment of contractual teachers in central government schools such as KVs has nearly doubled between 2023-24 and 2024-25.[22] It recommended that vacancies of teaching posts must be filled through regular appointment.[22]

Challenges with teacher training

Teacher training constitutes one of the vital components of Samagra Shiksha scheme. Since 2019-20, there has been an overall decrease in the expenditure made on teacher training under the scheme (see Figure 7).

Figure 7: Decrease in the expenditure of the Ministry on teacher training (in Rs crore)



Sources: Unstarred Question No. [199]5, Ministry of Education, Rajya Sabha, December 20, 2023; PRS.

The National Council for Teacher Education (NCTE) delineates minimum qualifications required for teaching at various levels of education.[23] These range from passing senior secondary (for teaching at pre-primary level) to attaining post-graduation along with a B.A.Ed. or B.Sc. Ed. (for senior secondary level).[23] As of 2024-25, more than 50% of teachers at pre-primary levels are not professionally qualified.[9] More than 10% of teachers at all other levels of school are not professionally qualified as of 2024-25 (see Table 7).[17] These figures are higher in north-eastern states (see Table 19 in the Annexure).

Table 7: Professionally unqualified teachers (in %) (as of 2024-25)

Grade	Professionally unqualified teachers
Pre-primary	52%
1 to 5 (primary)	12%
6 to 8 (upper-primary)	12%
9 to 10 (secondary)	10%
10 to 12 (higher secondary)	11%

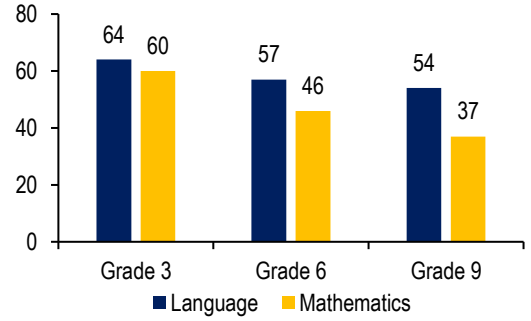
Sources: UDISE 2024-25, Existing structure; PRS.

The National Initiative for School Heads and Teachers' Holistic Advancement (NISHTHA) was launched under the Samagra Shiksha scheme in 2019.[24] It guides teacher training and seeks to enhance capacity of teachers, school heads and other resource persons. It trains these entities through digital learning modules. As of January 2026, 43% of the targeted teachers and 49% of the targeted school heads have been trained under the programme.[24]

Learning outcomes

The Performance Assessment, Review, and Analysis of Knowledge for Holistic Development (PARAKH) 2024, conducted by NCERT, assesses the learning outcomes in children at the end of foundational, preparatory, and middle stage.[25] As per the assessment, the average score in language and mathematics decreases as children progress to higher grades (see Figure 8).

Figure 8: Average score (out of 100) in language and mathematics across grade 3, 6, and 9



Sources: PARAKH 2024; PRS.

According to the National Achievement Survey (NAS), between 2017 and 2021, there was a decline in learning outcomes of children in grade 3, 5, 8, and 10.[26] See Table 8 for average score in language and mathematics across different grades in 2017 and 2021.

Table 8: Decrease in average score (out of 100) in language and mathematics across grades

	Language		Mathematics	
Grade	2017	2021	2017	2021
3	67	62	63	57
5	58	55	53	44
8	56	53	42	36
10	36	43	34	32

Sources: NAS 2017 and 2021; PRS.

The Economic Survey (2025-26) noted that focus must be shifted from ensuring enrolment to improving learning outcomes.[18] Some of the recommendations to bridge learning gaps across grades include: (i) refining instructional strategies, and (ii) providing additional learning though digital infrastructure.[25] The Survey recommended strengthening of district and state teacher training institutions.[18] Parents and communities must also be involved to create a learner-focused environment for students.[18]

NIPUN Bharat Mission: The mission was launched in 2021 to ensure foundational literacy and numeracy by 2026-27.[27] This includes achieving proficiency in basic arithmetic and reading by grade 3.[27] The program also sets targets for learning outcomes, designing teaching-learning

material, and teacher training.[27] Between 2021-22 and 2023-24, an outlay of Rs 7,178 crore was approved towards the scheme.[28] Out of this, Rs 5,007 crore (70%) has been spent.[28]

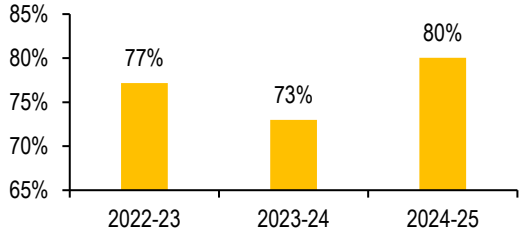
A Foundational Learning Study 2022 was conducted as a baseline study for NIPUN mission.[29] According to the study, 52% of students up to grade 3 met minimum standards for proficiency in numeracy and 54% of students met minimum standards for English.[29]

Access to pre-school education

The National Education Policy, 2020 aims to provide universal access to early childhood care and education (ECCE) to children between three to eight years.[3] ECCE refers to the learning and development of a child up to the age of eight years. ECCE in India is provided through pre-schools and anganwadi centres (AWCs).[3] According to the National Education Policy, 2020, ECCE allows children to develop physically, cognitively, socio-emotionally, and culturally.[3] It is also necessary for development of early language, literacy and numeracy.[3] As of January 2026, there are around 14 lakh AWCs.[30] As of 2024-25, out of nearly 8.7 lakh government schools with class 1, nearly 3 lakh schools had AWCs located in the school campus.[9] Nearly 2.5 lakh schools had pre-school and around 81 thousand schools had both AWCs and pre-schools. In September 2025, the Ministry in collaboration with Ministry of Women and Child development launched guidelines to co-locate the existing AWCs within the school campus.[31]

The National Education Policy, 2020 also emphasises on at least one year of preparatory class for all children entering grade 1.[9] As of 2024-25, 80% of students enrolled in grade 1 had pre-school experience.[9] 24% of these children had a pre-school experience in an AWC or ECCE centre.[9] The share of children entering grade 1 having preschool experience has increased over the years (see Figure 9).

Figure 9: Children enrolled in grade 1 having pre-school experience



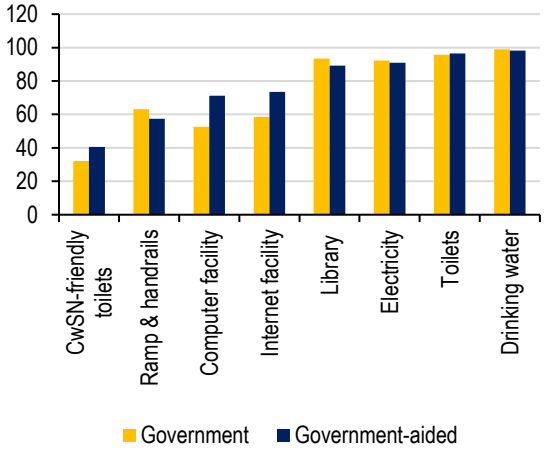
Sources: UDISE reports; PRS.

The National Education Policy, 2020 proposed a three-month of school preparation module named 'vidyapravesh'.[9] The module was launched in 2021 to provide ECCE to all children entering grade 1.[32] As of December 2025, 8.9 lakh schools are implementing 'vidyapravesh' module.[33] Nearly 4.2 crore children benefitted from this module in 2024-25.[33]

Infrastructure

The RTE Act, 2009 mandates the government to provide basic infrastructure in schools.[8] These include drinking water, libraries, toilets, and electricity. However, there is a lack of digital infrastructure and infrastructure for children with disabilities (CwD) (see Figure 10).

Figure 10: Government and government-aided schools (in %) with basic infrastructure facilities

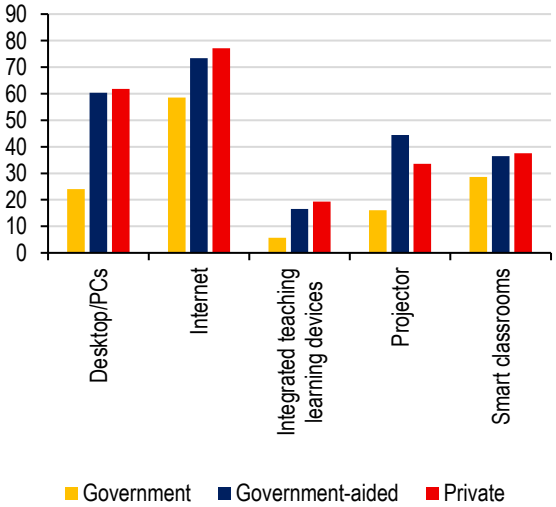


Sources: UDISE 2024-25; PRS.

Lack of digital infrastructure

The National Education Policy, 2020 aims at emphasising the use of technology for learning.[3] It also states that eliminating digital divide is essential for digital education in the country.[3] However, there is a lack of digital infrastructure in schools. Private schools have greater coverage of digital infrastructure as compared to government and government-aided schools (see Figure 11).

Figure 11: Digital and ICT infrastructure in schools across different management (in %)



Sources: UDISE, 2024-25; PRS.

In 2020, the Ministry launched PM eVidya to offer education through internet, radio, and TVs.[34] Nearly 200 DTH TV and 400 radio channels are enabled under the initiative.[34] Digital Infrastructure for Knowledge Sharing (DIKSHA) platform

provides curriculum aligned virtual content across all grades along with QR coded textbooks.[34]

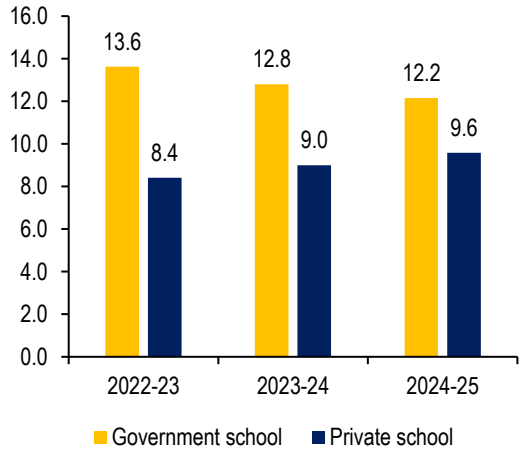
Lack of infrastructure for children with special needs

The National Education Policy, 2020 aims at providing equitable and inclusive education to all children.[3] This includes CwD and children coming from underserved backgrounds.[3] As of 2024-25, there are nearly 21.5 lakh CwD enrolled in schools.[9] However, schools do not have the infrastructure to meet the learning needs of CwD. As of 2024-25, 32% government schools have CwD friendly toilets.[9] For the same year, 63% government schools have ramps with handrails for CwD.[9] Under Samagra Shiksha scheme, the following initiatives are taken: (i) block-level identification and assessment of CwD, (ii) making videos accessible in Indian sign language, (iii) providing braille books, and (iv) providing stipend to girls with special needs.[35,36,37]

Increase in enrolment in private schools, despite high cost

According to National Sample Survey Office (NSSO), as of 2025, the cost of school education in a private school is 10 times higher than that in a government school.[38] This cost is higher in urban areas than in rural areas.[38] Despite the high cost of school education in private schools, the number of students enrolling in private schools are increasing. Nearly 9.6 crore children are enrolled in private schools as of 2024-25.[9] This is higher than 2022-23 and 2023-24 (see Figure 12).[38]

Figure 12: Enrolment in schools (in crore)



Sources: UDISE reports; PRS.

According to the NSSO 75th round, 34% of the respondents stated that the quality of public institution is not satisfactory (see Table 9).[39] Public institutions include government schools, universities, and colleges.

Table 9: Reasons for studying in private institutions (as of 2017-18)

Reason	% of respondents
Quality of public institution not satisfactory	34%
Private institution located nearby	27%
Uses English as medium of instruction	17%
Provides facilities such as transport and hostels	14%

Sources: Household Social Consumption on Education in India, NSSO, 2017-18; PRS.

Cost of education in government schools

The RTE of 2009 aims at providing free education to all children between age six and 14 years.[8] However, according to the Comprehensive Modular Survey on Education conducted by NSO (April to June 2025), around 27% of students reported that they are paying course fees in government schools at different levels of education (see Table 10).[38] The average cost per student in government school is Rs 2,863 per year.[38] This cost covers expenditure on course fee and transportation.[38] Around 8% of students enrolled in grades 1 to 8 are paying an average course fee of Rs 229 per year in a government school.[40]

Table 10: Average annual cost per student in a government school across different enrolments

Level of Enrolment	Rural	Urban	All
Pre-primary	557	1,094	627
Primary	1,676	2,827	1,818
Middle	2,520	3,646	2,682
Secondary	4,362	5,512	4,581
Higher Secondary	7,206	7,568	7,293

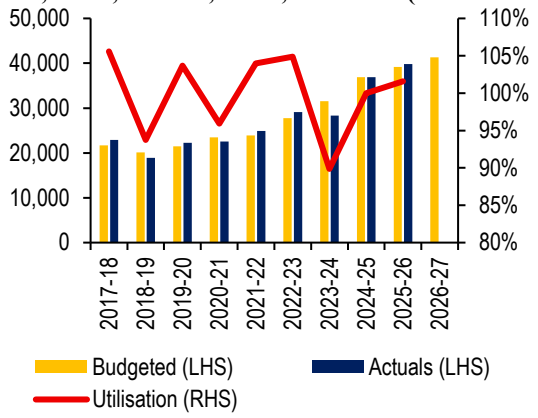
Sources: Comprehensive Modular Survey: Education, 2025; PRS.

Higher Education

Allocation to the HEIs

A large share of the Department of Higher Education's budget goes towards funding HEIs. For 2026-27, an outlay of Rs 41,303 crore has been allocated to the HEIs such as central universities, IITs, NITs, IISERs, IIITs, and IIMs (30% of the Ministry budget).[6] This is 4% higher than the revised estimates of 2025-26. Allocations to the HEIs have increased in between 2018-19 and 2026-27. However, the utilisation drops nearly in alternate years (see Figure 13). The expenditure made under this head grew at CAGR of 7% between 2017-18 and 2024-25.

Figure 13: Utilisation of funds in HEIs such as IITs, NITs, IISERs, IIITs, and IIMs (in Rs crore)



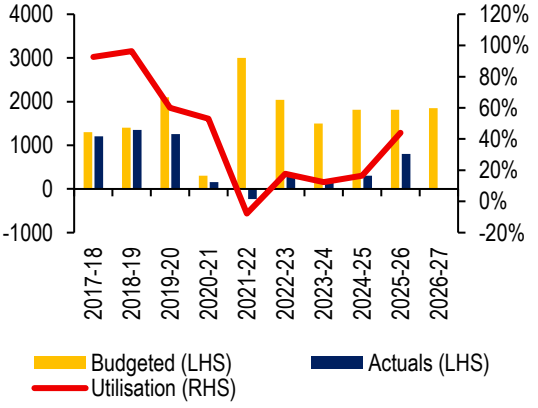
Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

PM USHA

The Pradhan Mantri Rashtriya Uchhatar Shiksha Abhiyaan (PM-RUSA) was launched in 2013 to fund upgradation of infrastructure, education, and overall quality of HEIs.[41] It was implemented in two phases: (i) RUSA 1.0 in 2012-17, and (ii) RUSA 2.0 in 2017-22. In 2024, the scheme was renamed as Pradhan Mantri Ucchatar Shiksha Abhiyaan (PM USHA). The scheme has been expanded to fund HEIs to build digital infrastructure and convert single-stream HEIs into multi-disciplinary institutions.

An outlay of Rs 1,850 crore has been allocated to the scheme for 2026-27.[6] This is 131% higher than the revised estimates of 2025-26. Since 2022-23, the scheme has seen under-utilisation. On average, 16% of the funds allocated were utilised between 2022-23 and 2024-25 (see Figure 14). The utilisation decreased significantly in 2021-22. The Standing Committee on Education (2023) noted that this was due to low utilisation of funds by states and less project proposals received from them.[42] The Ministry estimates underutilisation of 44% in 2025-26 as well.

Figure 14: Low-utilisation of funds under PM USHA scheme (in Rs crore)

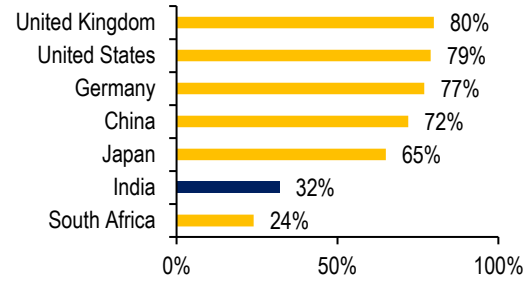


Note: Figures in 2021-22 are in negative due to net recoveries.
Revised Estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

Enrolment in higher education below NEP target

The National Education Policy, 2020 aims at achieving 50% GER in HEIs by 2030.[3] As of 2021-22, the GER was 28%.[11] GER in higher education in India remains lower than several other advanced economies (see Figure 15).

Figure 15: Comparison of GER in tertiary education across selected countries (as of 2022)



Note: Tertiary education refers to all formal post-secondary education, including public and private universities, technical training institutes, and vocational schools.
Sources: World Bank; PRS.

There are wide inter-state disparities in higher education enrolment. States such as Tamil Nadu (47%) and Kerala (41%) have higher GER than states such as Bihar (17%), Jharkhand (19%), and Uttar Pradesh (24%).[11] There is also unequal distribution of universities across the country. NITI Aayog (2025) noted that states where the university density is lower than average include Bihar, Uttar Pradesh, and West Bengal.[43] The university density is defined as total number of universities per one lakh eligible population.[43]

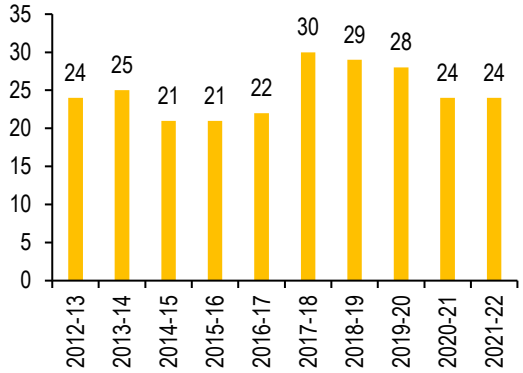
The Viksit Bharat Shiksha Adhishthan Bill, 2025

The Viksit Bharat Shiksha Adhishthan (VBSA) Bill was introduced in Lok Sabha on December 15, 2025.[44] It establishes VBSA (the Commission) as a single regulator for all HEIs. It replaces three existing regulators: (i) the University Grants Commission, (ii) All India Council for Technical Education, and (iii) National Council for Teacher Education. Three councils will be established under the Commission. These include: (i) regulatory council, (ii) accreditation council, and (iii) standards council. The Bill was referred to a Joint Parliamentary Committee on December 16, 2025.

Faculty vacancies in HEIs

In higher education, the number of students per faculty in a classroom teaching is higher than recommended. The Standing Committee on Education (2023) recommended the pupil teacher ratio (PTR) in HEIs to be 15:1.[45] This means that there should be one teacher for every 15 students. As of 2021-22, PTR in HEIs is 23:1.[11] High PTR results in higher number of students being taught by a faculty in a classroom. PTR has improved since 2017-18 (see Figure 16). However, states such as Bihar (64:1), Jharkhand (54:1), and Uttar Pradesh (35:1) have higher PTR.[11]

Figure 16: PTR in HEIs between 2017-18 and 2021-22



Sources: AISHE reports; PRS.

The Standing Committee on Education (2025) noted that faculty vacancies in HEIs impacts the PTR.[46] It dilutes the quality of teaching in such institutions.[46] As of December 2024, 29% of teaching posts in central universities were lying vacant (see Table 11).[46]

Table 11: Vacancy in faculty posts across HEIs (as of January, 2025)

Position	Sanctioned	Filled	Vacant	Vacancy
Professor	2,540	1,113	1,427	56%
Associate Professor	5,102	3,149	1,953	38%
Assistant Professor	11,298	9,268	2,030	18%
Total	**18,940**	**13,530**	**5,410**	**29%**

Sources: 364th report on Demands for Grants 2025-26 of the Department of Higher Education; PRS.

Vacancies are higher in institutions of national importance such as Indian Institutes of Information Technology (IIITs) and Indian Institutes of Technology (IITs) (see Table 12).

Table 12: Vacancies in centrally funded HEIs (as of March, 2023)

Institutions	Sanctioned	Filled	Vacant	Vacancy
Central Universities*	18,940	13,530	5,410	29%
IITs	11,292	6,712	4,415	39%
IIITs	1,315	599	705	54%
NITs	7,483	5,277	2,206	29%
IIMs	1,570	1,086	484	31%
IISERs	735	683	52	7%
Total	**41,351**	**27,133**	**14,042**	**34%**

Note: *figures are as of 31st December, 2024.
Sources: *364th Report, Standing Committee on Education, Women, Children, Youth and Sports, March 2025; 348th Report, Standing Committee on Education, Women, Children, Youth and Sports, March 2023; PRS.

According to the Ministry reasons for vacancies include retirement, resignation, or transfer of faculties to newly opened institutions.[47] The vacancies in centrally funded HEIs are filled through a recruitment drive stated in September, 2022.[47] As of July 2025, around 28,450 posts have been filled.[47] This includes 16,507 faculty positions.[47]

Accreditation of HEIs

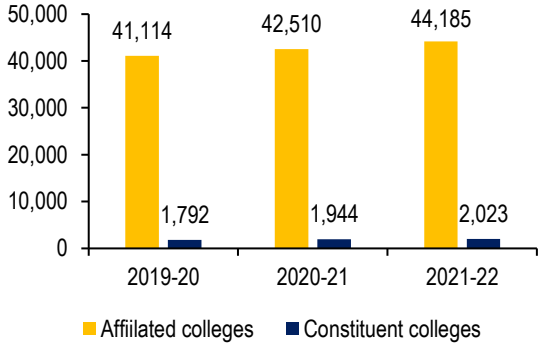
The National Assessment and Accreditation Council (NAAC) evaluates the quality of HEIs. Its grading is based on criteria such as curriculum, teaching quality, infrastructure and research. As of August 2025, NAAC had accredited around 19,837 colleges and 1,078 universities.[48]

NITI Aayog (2025) noted that several colleges choose to not get accredited due to high costs of the process.[43] The National Knowledge Commission (2009) had recommended allowing multiple agencies to be included in the accreditation process through licencing.[49] It recommended that these entities should follow uniform parameters set by the regulator of higher education.[49] According to the VBSA Bill, 2025, HEIs will be accredited according to the Institutional Accreditation Framework, developed by the accreditation council. The framework will provide accreditation on the basis of educational outcomes and transparency in public disclosure of academic, financial, and operational matters.

Colleges in India are usually affiliated with a university. The National Knowledge Commission (2009) noted that each university was affiliating a large number of colleges, making it difficult to enforce minimum standards of curriculum, teaching and infrastructure. NITI Aayog (2025) noted that affiliated colleges face major delays in obtaining approval for new courses from the university.[43]

To end the system of affiliating colleges, the National Education Policy, 2020 provides for establishment of autonomous degree granting colleges or constituent colleges. However, the number of affiliated colleges has increased from 2019-20 to 2021-22 (see Figure 17).

Figure 17: Number of affiliated colleges and constituent colleges



Sources: AISHE reports; PRS.

As of January 2026, there are 1,658 autonomous colleges recognised by UGC.[50] These colleges are provided autonomous status for a specific period.[51] Such colleges have autonomy over their administrative and academic matters.[51] These colleges however do not grant their own degrees.[51] The degree is granted by the parent university to

which they are affiliated.[51] Constituent colleges are entirely a part of the university, and are administered by the university.[3] As of 2021-22, there are 2,023 constituent colleges and 44,185 affiliated colleges.[11]

Establishment of new HEIs

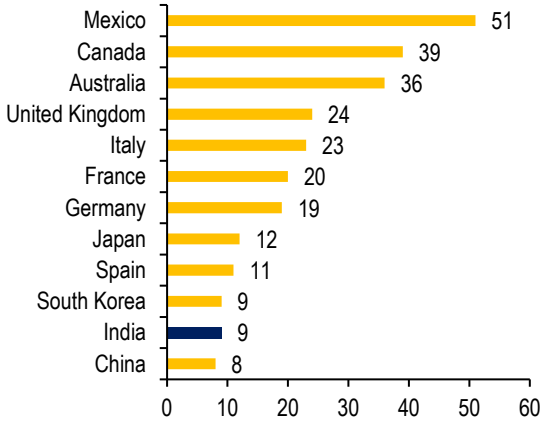
As of 2021-22, there are 1,168 universities in India.[11] This includes 53 central universities, 423 state public universities, and 33 government deemed-to-be universities.[11] Between 2014-15 and 2020-21, 10 central universities and 107 state public universities have been established.[52,11] The number of IITs and IIMs have also increased. Between 2014-15 and 2024-25, seven IITs and eight IIMs were created.[53]

CAG (2021) noted several issues in the construction of around eight IITs established during 2008-14.[54] There were instances of delay in land transfers for the project.[54] This led to extension of the project from six years to 13 years.[54] The revised estimates of the project also increased from Rs 6,080 crore to Rs 14,332 crore.[54]

Limited role of higher education in research and development

In 2020-21, India spent 0.64% of its GDP on research and development.[55] The share of universities in the India's research expenditure was 9%.[55] This is lower than several other countries (see Figure 18).

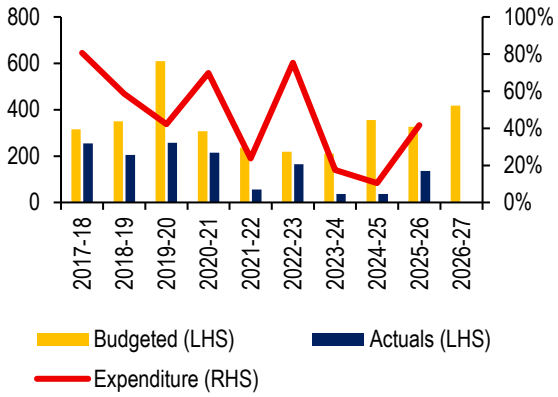
Figure 18: Share of universities in research spending across selected countries (in %)



Sources: Research and Development Statistics at a glance 2022-23, Ministry of Science and Technology; PRS.

An outlay of Rs 418 crore has been allocated for research and innovation in the higher education. This is 207% higher than the revised estimates of 2025-26. However, in 2025-26, revised estimate is 58% lower than its budgeted estimate (Rs 327 crore). Since 2017-18, the scheme has been witnessing under-utilisation consistently (see Figure 19). On average, 47% of the funds allocated were utilised between 2017-18 and 2024-25.

Figure 19: Utilisation of funds for research and innovation (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

In 2026-27, around 72% of the funds for research and innovation will be spent on the Multidisciplinary Education and Research Improvement in Technical Education (MERITE) scheme. MERITE is a central sector scheme with a total outlay of Rs 4,200 crore for 2025-26 to 2029-30.[56] Around Rs 2,100 crore of this allocation has been provided as a loan from the World Bank.[56] The scheme aims at improving research and innovation across 175 engineering institutions and 100 polytechnics. An outlay of Rs 300 crore has been allocated to the scheme for 2026-27.[6]

To conduct interdisciplinary research, three centres of excellence in artificial intelligence (AI-COEs) have been established in field of health, agriculture, and sustainable cities.[57] These include AI-COEs in IISC Bangalore, IIT Kanpur, and IIT Ropar.[57] In 2025, AI-COE in the field of education was announced to be established in IIT Madras.[57] These four AI-COEs receive allocation from the Ministry.[6] For 2026-27, an outlay of Rs 350 crore has been allocated for the same.[6] As of December, 2025, six research parks have also been established in five IITs and one IISc.[58]

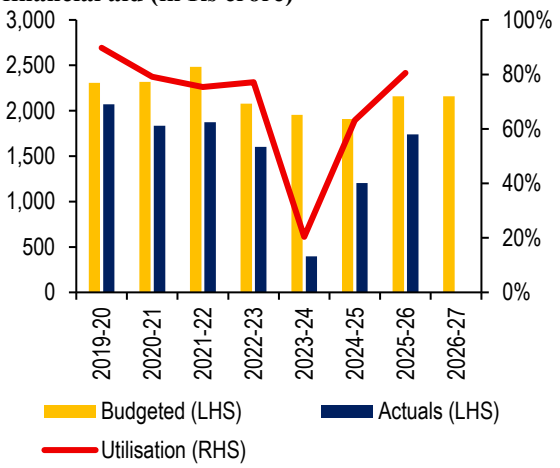
The Economic Survey (2017-18) stated that in India, universities are largely restricted to teaching rather than promoting quality research.[59] NITI Aayog (2025) noted that the country's contribution to global research publications has increased between 2017 and 2024.[43] However, the share of higher education in total research publication of India is 10%.[43] The Institutions of National Importance and private deemed universities contribute more to the research publications.[43] The contribution of state universities in the total publication is 15%.[43] The faculty in state universities are recruited for teaching roles rather than research responsibilities.[43] This results in deficiency in research capacity within the university.[43] Some of the recommendations to improve research in education includes: (i) introduction of national research policy, (ii) establishment of research hubs, (iii) research training for faculty, and (iv) tax exemptions for research equipment.[43]

Lower allocation towards scholarships

To promote higher education, the Ministry provides financial aid to students. This includes: (i) interest subsidy, (ii) scholarships, and (iii) doctoral research fellowships.[60] Scholarships include an aid of: (i) Rs 30,000 to three lakh rupees for students of Jammu and Kashmir, and (ii) Rs 12,000 to 20,000 for students from other parts of India.[60] However, the Standing Committee on Education (2022) noted that existing scholarships are not sufficient in covering the complete cost of higher education.[61]

In 2026-27, Rs 2,160 crore has been allocated for financial aid.[6] This is 24% higher than the revised estimates of 2025-26. There has been under-utilisation of funds for financial aid since 2019-20 till 2023-24 (see Figure 20). However, it is increasing since then.

Figure 20: Decline in utilisation of funds for financial aid (in Rs crore)

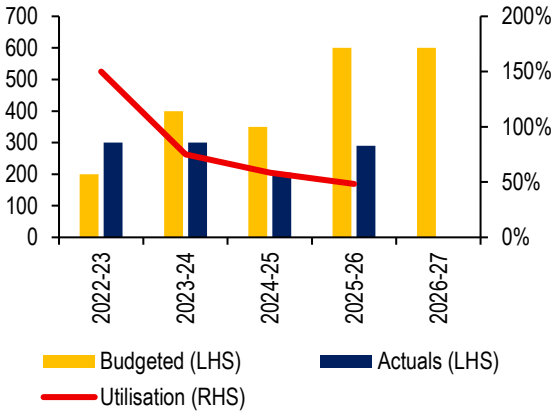


Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

Interest subsidies constitute the largest portion of financial aid. Since 2023-24, spending on scholarships and interest subsidies has been merged into the Pradhan Mantri Ucchatar Shiksha Protsahan Yojana (PM-USP). An outlay of Rs 1,560 crore has been allocated to PM-USP for 2026-27.[6] An outlay of Rs 600 crore has been allocated to doctoral fellowships.[6] Utilisation of funds for doctoral fellowships has also decreased since 2022-23 (see Figure 21).

PM Vidyalaxmi: In November 2024, the Union Cabinet approved the Pradhan Mantri Vidyalaxmi scheme.[62] The scheme aims at providing financial support to students pursuing higher education in top HEIs.[62] It will guarantee 75% of the outstanding amount on loans up to Rs 7.5 lakh.[62] The scheme will also extend interest subsidy on

Figure 21: Decrease in utilisation of funds under doctoral fellowship (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union budget documents of 2019-20 to 2025-26; PRS.

loans up to Rs 10 lakh to one lakh students annually.[62] An outlay of Rs 3,600 crore has been allocated to the scheme for period of 2024-25 to 2030-31.[62] Nearly seven lakh students are expected to benefit from the scheme.[62] As of Februrary 2026, around 2.5 lakh students have benefitted from the scheme.[63] Loan amount of around Rs 7,000 crore were disbursed as of Februrary, 2026.[63]

The Standing Committee on Education (2025) noted that number of beneficiaries under the scheme is low.[64] It also noted that around 902 quality HEIs were eligible for the scheme.[64] It recommended that the scheme should also be extended to cover remaining HEIs.[64] There were several first time borrowers who did not possess a credit score at the time of applying for the loan.[64] This led to several banks not sanctioning the loans.[64] The Committee recommended that guidelines must be issued to exempt families having ration cards from providing credit score.[64]

Vocational education and training

Vocational education refers to training in manual or semiskilled roles. As of 2023-24, 26% of the population aged 15 to 29 years have received vocational training.[65] This is lower than that in developed economies such as Japan (80%), USA (52%), UK (68%).[66]

The National Education Policy, 2020 aims at exposing at least 50% of all students to vocational education at the school level by 2035.[3] Vocational courses aligned with the National Skills Quality Framework are offered to students from grade 9 to 12.[67] As of December 2025, the skill training is provided in around 25 thousand schools enrolling nearly 35 lakh students.[67] The Economic Survey (2025-26) also recommended that vocational education be integrated from grade 6 to 12.[18]

To enhance employability, the National Education Policy, 2020 recommends all HEIs to provide their students internship opportunities.[3] In July 2024, the central government announced PM-Internship scheme to provide internship opportunities for one crore youth in top 500 companies.[68,69] In 2024-25,

the scheme targeted 1.25 lakh internships.[69] As of August 2025, around 72,000 internship opportunities have been notified by partner companies.[70] Around 32% of these offers were accepted.[70]

[1] List III, Concurrent List, Article 246, The Constitution of India, https://www.indiacode.nic.in/bitstream/123456789/19150/1/constitution_of_india.pdf.

[2] Entry 66, List I, Union List, Article 246, The Constitution of India, https://www.indiacode.nic.in/bitstream/123456789/19150/1/constitution_of_india.pdf.

[3] National Education Policy, 2020, https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf.

[4] Expenditure Budget 2026-27, Ministry of Finance, February 2026, https://www.indiabudget.gov.in/doc/eb/allsbe.pdf.

[5] Demand No. 25, Department of School Literacy and Education, 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe25.pdf.

[6] Demand No. 26, Department of Higher Education, 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe26.pdf.

[7] 363rd report on Demands For Grants 2025-26 of DoSEL, Standing Committee on Education, Women, Children, Youth and Sports, Rajya Sabha, March 26, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/Press_ReleaseFile/16/198/776P_2025_3_16.pdf?source=rajyasabha.

[8] Right of Children to Free and Compulsory Education Act, 2009, https://www.indiacode.nic.in/bitstream/123456789/19014/1/the_right_of_children_to_free_and_compulsory_education_act_2009.pdf.

[9] Report on Unified District Information System for Education Plus (UDISE+), NEP, 2020 structure, 2024-25, https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/UDISE%2BReport%202024-25%20-%20NEP%20Structure.pdf.

[10] Dashboard on Higher Education Institutions, All India Survey on Higher Education, as accessed on December 26, 2025, https://dashboard.aishe.gov.in/hedirectory/#/hedirectory.

[11] All India Survey on Higher Education, 2021-22, https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/AISHE%20Book_2021--22_4.pdf.

[12] Analysis of budget expenditure on education 2020-21 to 2022-23, Ministry of Education, 2025, https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/bud_exp.pdf .

[13] "Enhancement of Material Cost under PM-POSHAN scheme", Press Release, Ministry of Education, Press Information Bureau, April 10, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2120666&reg=3&lang=2.

[14] Website of PM SHRI, https://pmshri.education.gov.in/#main-content.

[15] PM Shri schools, Department of School Education and Literacy, https://dsel.education.gov.in/en/pm-shri-schools.

[16] Unstarred Question No. 1154, Ministry of Education, Rajya Sabha, July 30, 2025, https://sansad.in/getFile/annex/268/AU1154_Smi7Lx.pdf?source=pqars.

[17] Report on Unified District Information System for Education Plus (UDISE+), Existing Structure, 2024-25, https://dashboard.udiseplus.gov.in/report2025/static/media/UDISE+2024_25_Booklet_existing.118ba29d4773e6372f72.pdf.

[18] Chapter 11, Education and Health, The Economic Survey, 2025-26, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap11.pdf.

[19] Systematic Transformation of School Education: The SATH-E Experience, NITI Aayog, February 20, 2023, https://www.niti.gov.in/sites/default/files/2023-02/BCG_SATHE_DIGITAL_13112021_0.pdf.

[20] Learnings for Large-scale transformation in , School Education, Niti Aayog, 2023, https://www.niti.gov.in/sites/default/files/2023-11/Project-SATH-Learings-for-Large-Scale-Tranformation-in-School-Education_compressed.pdf?utm_source=chatgpt.com.

[21] 368th report on Review of functioning of NCTE and initiatives taken to support training of teachrs in light of NEP 2020's thrust on capacity building of teachers", Standing Committee on Education, Women, Children, Youth and Sports, Rajya Sabha, August 8, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/Press_ReleaseFile/16/198/800P_2025_8_17.pdf?source=rajyasabha.

[22] 363rd report on Demands For Grants 2025-26 of DoSEL, Standing Committee on Education, Women, Children, Youth and Sports, Rajya Sabha, March 26, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/Press_ReleaseFile/16/198/776P_2025_3_16.pdf?source=rajyasabha.

[23] NCTE (Determination of minimum qualifications for recruitment of teachers in schools) Regulations, 2001, https://ncte.gov.in/Website/NCTEACT12.aspx#:~:text=Four%20years'%20integrated%20B.Sc,Ed.%20or%20an%20equivalent%20course.&text=Master's%20Degree%20in%20the%20relevant,Ed.)%20or%20its%20equivalent.

[24] Dashboard on NISHTHA as accessed on January 15, 2026, https://itpd.ncert.gov.in/mss/nishthadashboard/dashboard.php.

[25] PARAKH Rashtriya Sarvekshan 2024, https://parakh.ncert.gov.in/sites/default/files/2025-07/REPORT_India_IND.pdf.

[26] Dashboard on National Achievement Survey as accessed on January 6, 2026, https://parakh.ncert.gov.in/dashboard/NAS2021#/.

[27] "NIPUN Bharat and the New Education Policy", Ministry of Women and Child Development, Press Information, Bureau, March 15, 2023, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1907189.

[28] Unstarred Question No. 2175, Ministry of Education, Lok Sabha, December 9, 2024, https://sansad.in/getFile/loksabhaquestions/annex/183/AU2175_3YwKH1.pdf?source=pqals.

[29] Foundational Learning Study 2022, National Council of Education Research and Training, September 2022, https://nipunbharat.education.gov.in/fls/file/Benchmarking_for_ORF_and_Numeracy.pdf/

[30] Poshan Tracker, https://www.digitalindia.gov.in/initiative/poshan-tracker/.

[31] Guidelines for co-location of Anganwadi centres with schools, https://dsel.education.gov.in/sites/default/files/guidelines/Guidelines_co-location_Anganwadi_Centers_en.pdf.

[32] Vidya Pravesh, National Council of Educational Research and Training, https://ncert.nic.in/pdf/vidyapravesh.pdf.

[33] Unstarred Question No. 171, Ministry of Education, Lok Sabha, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU171_NrZoWh.pdf?source=pqals.

[34] Unstarred Question No. 1947, Ministry of Education, Rajya Sabha, December 17, 2025, https://sansad.in/getFile/annex/269/AU1947_4WYqIQ.pdf?source=pqars.

[35] "Classrooms of Change: NEP, 2020 and the new era of schooling", Press Release, Ministry of Social Welfare, Press Information Bureau, July 28, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154948&ModuleId=3&reg=3&lang=2

[36] "Year end review 2024: Department of School Education and Literacy", Press Release, Ministry of Education, January 9, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2091737&reg=3&lang=2

[37] Unstarred Question No. 1258, Lok Sabha, Ministry of Education, July 28, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU1258_ELB7y0.pdf?source=pqals.

[38] Comprehensive Modular Survey: Education, 2025, NSSO 80th round, April-June, 2025, https://educationforallinindia.com/wp-content/uploads/2025/08/comprehensive-modular-survey-education-2025-MoSPI.pdf.

[39] "Household Social Consumption on Education in India", NSS 75th Round (2017-18)", Ministry of Statistics and Programme implementation, https://mospi.gov.in/sites/default/files/publication_reports/Report_585_75th_round_Education_final_1507_0.pdf.

[40] Microdata on Comprehensive Modular Annual Survey on Education, 2025, NSS 80th round, https://microdata.gov.in/NADA/index.php/catalog/255/get-microdata.

[41] "About PM-USHA", Department of Higher Education, as accessed on February 17, 2025, https://pmusha.education.gov.in/pmusha/#/about.

[42] 348th report on Demands for Grants 2023-24 of the Department of Higher Education, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/16/167/348_2024_6_10.pdf?source=rajyasabha.

[43] Expanding Quality Higher Education through States and State Public Universities, Policy Report, NITI Aayog, February, 2025, https://www.niti.gov.in/sites/default/files/2025-02/Expanding-Quality-Higher-Education-through-SPUs.pdf.

[44] The Viksit Bharat Shiksha Adhishthan Bill, 2025, https://prsindia.org/files/bills_acts/bills_parliament/2025/Viksit_Bharat_Shiksha_Adhishthan_Bill,_2025.pdf.

[45] 356th report on Implementation of NEP 2020 in higher education, Standing Committee on Education, Women, Children, Youth and Sports, Raya Sabha, September 21, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/16/189/356_2024_6_17.pdf?source=rajyasabha.

[46] 364th report on demands for grants of higher education 2024-25, Standing Committee on Education, Women, Children, Youth and Sports, Raya Sabha, March 26, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/16/198/364_2025_3_15.pdf?source=rajyasabha.

[47] Unstarred Question No. 365, Ministry of Education, Rajya Sabha, July 23, 2025, https://sansad.in/getFile/annex/268/AU365_ZoIxgJ.pdf?source=pqars.

[48] Total number of accreditations, NAAC, August 14, 2025, http://naac.gov.in/images/docs/STATISTICS/Total_Number_of_Accreditations_Status_as_on_14082025.pdf.

[49] "Report to the Nation 2006-2009", National Knowledge Commission, March 2009, https://static1.squarespace.com/static/5356af05e4b095ff0fea9e11/t/539504b4e4b0d85a0d78c51e/1402274996341/NKCreport09+copy.pdf.

[50] Autonomous Colleges, UGC, https://www.ugc.gov.in/colleges/Autonomous_Colleges_list.

[51] UGC Guidelines for Autonomous Colleges, https://www.ugc.gov.in/pdfnews/2166758_Revised-Guidelines-for-autonomous-college-15.05.2017.pdf?ref=alterainstitute.com#:~:text=Promote%20research%20in%20relevant%20fields;&text=Evolve%20methods%20of%20assessment%20of,examinations%20and%20notification%20of%20results;&text=Use%20modern%20tools%20of%20educational,large%2C%20neighbourhood%20programmes%2C%20etc.&text=There%20will%20be%20a%20symbiotic,into%20a%20College%20of%20Eminence.&text=Expert%20Committee%20at%20the%20time,visit%20to%20evaluate%20the%20College..

[52] All India Survey on Higher Education, 2014-15, https://cdnbbsr.s3waas.gov.in/s392049debbe566ca5782a3045cf300a3c/uploads/2025/06/202506041473712372.pdf.

[53] "Strengthening India's Educational Landscape", Press Information Bureau, Ministry of Social Welfare, June 21, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154714&ModuleId=3&reg=3&lang=2#:~:text=Higher%20Education%20Institutions:%20According%20to,23%20as%20of%20June%202025.

[54] Report No. 21 of Comptroller and Auditor General of India on Performance Audit of Setting up of new IITs, https://cag.gov.in/uploads/download_audit_report/2021/Report%20No.%2020%20of%202021_IITs_English_PDF%20A-061c2ed6ce12811.66323547.pdf.

[55] Research and Development Statistic at a glance 2022-23, Ministry of Science and Technology, https://dst.gov.in/sites/default/files/R%26D%20Statistics%20at%20a%20Glance%2C%202022-23.pdf.

[56] "Cabinet approves Budgetary Support for MERITE Scheme with an outlay of Rs 4,200 crore", Press Information Bureau, Union Cabinet, August 8, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2154119&reg=3&lang=2.

[57] Unstarred Question No. 2331, Ministry of Education, Rajya Sabha. December 15, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2331_EoHbn3.pdf?source=pqals.

[58] Starred Question No. 34, Ministry of Education, Rajya Sabha, December 12, 2025, https://sansad.in/getFile/annex/269/AS34_ap1F8f.pdf?source=pqars.

[59] Chapter 8: Transforming Science and Technology in India, Economic Survey of India 2017-18, Ministry of Finance, https://www.indiabudget.gov.in/budget2018-2019/economicsurvey2017-2018/pdf/119-130_Chapter_08_ENGLISH_Vol_01_2017-18.pdf.

[60] "Scholarships and Education Loan", Department of Higher Education, Ministry of Education, https://www.education.gov.in/scholarships_education_loan.

[61] Report no. 337, Standing Committee on Education, Women, Children and Youth and Sports, Ministry of Education, Rajya Sabha, March 16, 2022, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/16/162/337_2022_3_15.pdf?source=rajyasabha.

[62] "Cabinet approves PM-Vidyalaxmi scheme to provide financial support to meritorious students so that financial constraints do not prevent any youth of India from pursuing quality higher education", Ministry of Education, Press Information Bureau, November 6, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2071134.

[63] Website of PM-Vidyalaxmi as accessed on February 16, 2026, https://pmvidyalaxmi.co.in/.

[64] 372nd report on review of schemes for education loan and financial accessibility in higher education, Standing Committee on Education, Women, Children and Youth and Sports, Ministry of Education, Rajya Sabha, December 9, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/16/214/372_2025_12_12.pdf?source=rajyasabha.

[65] Annual Report of Periodic Labour Force Survey, 2023-24, https://dge.gov.in/dge/sites/default/files/2024-10/Annual_Report_Periodic_Labour_Force_Survey_23_24.pdf.

[66] National Skill Development Mission: A Framework for Implementation, Ministry of Skill Development and Entrepreneurship, https://www.msde.gov.in/sites/default/files/2019-09/National%20Skill%20Development%20Mission.pdf.

[67] Starred Question No. 116, Ministry of Skill Development and Entrepreneurship, Lok Sabha, December 8, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AS116_8uUyrZ.pdf?source=pqals.

[68] "Speech of Nirmala Sitharaman, Minister of Finance", Budget 2024-25, https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

[69] "Guidelines for "Prime Minister's Internship Scheme - Pilot Project (Financial Year 2024-25)", Ministry of Corporate Affairs, https://pminternship.mca.gov.in/guidelines/.

[70] Unstarred Question No. 1014, Ministry of Corporate Affairs, Rajya Sabha, July 19, 2025,

https://sansad.in/getFile/annex/268/AU1014_9B2g20.pdf?source=pqars.

Annexure

Table 13: Gross Enrolment Ratio (in %) in schools (as of 2024-25)

States/UTs	Primary (1 to 5)			Upper Primary (6 to 8)			Elementary (1 to 8)			Secondary (9-10)			Higher Secondary (11-12)		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Andhra Pradesh	91	93	92	100	102	101	95	96	95	89	90	89	64	71	68
Arunachal Pradesh	112	114	113	83	91	87	100	104	102	66	73	69	42	46	44
Assam	106	111	108	85	98	91	97	106	102	70	90	80	40	47	44
Bihar	76	79	77	66	72	69	72	76	74	48	55	51	36	40	38
Chhattisgarh	89	90	89	90	93	91	89	91	90	74	82	78	47	61	54
Delhi	97	107	102	113	122	117	103	113	108	98	105	101	79	87	83
Goa	119	117	118	113	120	116	116	118	117	105	110	108	86	103	94
Gujarat	78	82	80	91	95	93	83	87	85	76	73	75	45	50	47
Haryana	90	94	92	101	105	103	94	98	96	90	90	90	69	75	72
Himachal Pradesh	99	100	100	101	105	103	100	102	101	101	105	103	81	89	85
Jammu and Kashmir	113	115	114	75	80	77	96	99	97	65	68	66	43	47	45
Jharkhand	92	93	93	81	85	83	88	90	89	70	76	73	46	51	49
Karnataka	103	106	105	102	104	103	103	105	104	101	102	101	54	69	61
Kerala	93	93	93	98	100	99	95	96	95	98	99	99	87	92	90
Madhya Pradesh	76	76	76	81	83	82	78	79	78	68	68	68	43	47	45
Maharashtra	101	108	105	95	99	97	99	105	101	94	93	94	70	72	71
Manipur	139	142	141	90	96	93	118	123	120	77	81	79	58	59	59
Meghalaya	179	182	181	105	127	116	149	160	154	73	100	86	33	47	40
Mizoram	137	139	138	102	107	104	123	126	124	89	102	96	49	59	54
Nagaland	94	97	95	67	75	71	83	88	85	57	67	62	37	43	40
Odisha	93	93	93	95	96	96	94	95	94	83	85	84	58	64	61
Punjab	105	106	106	100	103	102	103	105	104	90	95	93	77	83	80
Rajasthan	87	90	88	91	94	92	89	91	90	83	81	82	67	65	66
Sikkim	99	96	97	74	78	76	88	88	88	71	74	72	44	55	50
Tamil Nadu	90	93	92	96	99	98	93	95	94	94	97	96	78	89	83
Telangana	113	116	114	110	114	112	112	115	113	98	102	100	63	72	68
Tripura	116	120	118	96	104	100	108	113	110	76	85	80	52	61	56
Uttar Pradesh	82	84	83	82	86	84	82	85	83	64	64	64	58	57	57
Uttarakhand	107	113	110	101	107	104	105	111	108	91	96	93	77	85	81
West Bengal	106	108	107	99	104	101	103	106	105	94	105	99	46	57	52
All-India	90	92	91	88	93	90	89	92	91	77	80	79	56	61	58

Note: *GER at foundational level is excluding enrolments in anganwadis and standalone pre-primary schools.
Sources: Unified District Information System for Education Plus, 2024-25 Existing Structure; PRS.

Table 14: Dropout rate (in %) in schools (as of 2024-25)

India/State /UT	Primary (1 to 5)			Upper Primary (6-8)			Secondary (9-10)		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Andhra Pradesh	1.8	1.0	1.4	4.7	2.6	3.7	18.4	12.5	15.5
Arunachal Pradesh	5.2	4.5	4.8	4.9	5.3	5.1	19.0	17.7	18.3
Assam	4.7	2.9	3.8	7.0	3.2	5.0	18.5	16.7	17.5
Bihar	4.5	1.2	2.9	11.9	6.6	9.3	7.0	6.8	6.9
Chhattisgarh	1.1	0.4	0.7	4.2	2.5	3.4	19.2	11.6	15.3
Delhi	0.0	0.0	0.0	1.3	0.2	0.8	9.1	5.8	7.5
Goa	0.3	0.2	0.3	0.8	0.8	0.8	12.2	6.3	9.3
Gujarat	0.4	0.0	0.2	5.4	6.3	5.8	18.8	14.6	16.9
Haryana	0.0	0.0	0.0	2.4	0.9	1.7	8.7	4.1	6.6
Himachal Pradesh	0.0	0.0	0.0	0.8	0.3	0.5	7.4	4.8	6.2
Jammu and Kashmir	1.9	1.1	1.5	3.1	3.2	3.2	13.6	12.2	12.9
Jharkhand	0.0	0.0	0.0	3.3	0.0	1.7	4.6	2.4	3.5
Karnataka	0.3	0.0	0.0	2.6	1.6	2.1	21.9	14.6	18.3
Kerala	0.9	0.7	0.8	0.6	0.3	0.4	5.8	3.7	4.8
Madhya Pradesh	0.6	0.0	0.0	6.7	5.9	6.3	18.9	14.6	16.8
Maharashtra	0.0	0.0	0.0	0.5	0.6	0.6	12.6	10.3	11.5
Manipur	3.2	2.6	2.9	1.0	0.3	0.6	9.6	8.6	9.1
Meghalaya	5.1	3.2	4.2	9.9	6.0	7.8	18.4	16.6	17.4
Mizoram	10.8	10.7	10.8	12.8	10.3	11.6	18.9	16.0	17.4
Nagaland	3.1	2.5	2.8	5.6	3.8	4.7	13.0	11.2	12.1
Odisha	1.0	0.3	0.7	3.7	2.6	3.2	17.3	12.6	15.0
Punjab	2.7	2.3	2.5	3.0	2.4	2.7	7.0	5.2	6.2
Rajasthan	3.9	3.3	3.6	3.5	3.6	3.6	8.1	7.1	7.7
Sikkim	2.4	0.6	1.5	3.7	1.6	2.7	14.4	8.4	11.4
Tamil Nadu	2.9	2.5	2.7	3.2	2.4	2.8	11.6	5.3	8.5
Telangana	0.0	0.0	0.0	0.3	0.0	0.0	15.6	10.7	13.2
Tripura	0.0	0.0	0.0	4.1	2.3	3.2	12.3	10.2	11.3
Uttar Pradesh	0.0	0.0	0.0	2.9	3.1	3.0	8.7	5.1	7.0
Uttarakhand	1.2	0.5	0.9	2.0	0.8	1.4	6.0	3.0	4.6
West Bengal	1.8	1.0	1.4	4.4	1.5	3.0	23.4	16.7	20.0
All-India	0.8	0.0	0.3	4.1	2.9	3.5	13.3	9.6	11.5

Sources: Unified District Information System for Education Plus, 2024-25 Existing Structure; PRS.

Table 15: Pupil Teacher Ratio in school education across states (as of 2024-25)

States/UTs	Pupil Teacher Ratio (PTR)			
	Foundational (pre-school to grade 2)	Preparatory (grade 3 to 8)	Middle (grade 6 to 8)	Secondary (grade 9 to 12)
Andhra Pradesh	12	13	15	15
Arunachal Pradesh	6	5	7	12
Assam	10	11	13	15
Bihar	9	18	19	34
Chhattisgarh	10	11	15	19
Delhi	14	18	28	19
Goa	13	14	14	10
Gujarat	12	17	24	30
Haryana	11	13	17	15
Himachal Pradesh	10	9	8	8
Jammu and Kashmir	10	7	9	15
Jharkhand	12	17	24	40
Karnataka	9	13	17	21
Kerala	12	13	18	16
Madhya Pradesh	9	10	14	19
Maharashtra	10	15	24	26
Manipur	9	7	9	12
Meghalaya	14	10	12	12
Mizoram	9	6	6	9
Nagaland	8	5	7	11
Odisha	7	10	15	21
Punjab	15	12	15	13
Rajasthan	9	11	12	16
Sikkim	5	3	6	7
Tamil Nadu	12	12	18	16
Telangana	10	11	12	13
Tripura	9	10	15	14
Uttar Pradesh	8	13	22	33
Uttarakhand	9	9	13	14
West Bengal	11	13	27	25
All-India	**10**	**13**	**17**	**21**

Sources: Unified District Information System for Education Plus, 2024-25 NEP Structure; PRS.

Table 16: Gross Enrolment Ratio (in %) in higher education (as of 2021-22)

States/UTs	All categories	SCs	STs	States/UTs	All categories	SCs	STs
Andhra Pradesh	37	35	34	Meghalaya	25	110	23
Arunachal Pradesh	37	-	40	Mizoram	32	241	33
Assam	17	19	26	Nagaland	19	-	19
Bihar	17	16	35	Odisha	22	23	16
Delhi	49	36	-	Puducherry	62	43	-
Goa	36	40	28	Punjab	27	19	-
Gujarat	24	32	20	Rajasthan	29	27	28
Haryana	33	27	-	Sikkim	39	43	36
Himachal Pradesh	43	34	45	Tamil Nadu	47	39	44
Jammu and Kashmir	25	20	19	Telangana	40	39	38
Jharkhand	19	15	14	Tripura	21	20	16
Karnataka	36	28	26	Uttar Pradesh	24	22	39
Kerala	41	28	29	Uttarakhand	42	32	42
Madhya Pradesh	29	27	18	West Bengal	26	23	15
Maharashtra	35	36	17	**All-India**	**28**	**26**	**21**
Manipur	35	61	23				

Sources: All India Survey of Higher Education, 2021-22; PRS.

Table 17: Pupil Teacher Ratio in higher education (as of 2021-22)

State	Regular and Distance Mode	Regular Mode	State	Regular and Distance Mode	Regular Mode
Andhra Pradesh	18	16	Manipur	20	19
Arunachal Pradesh	28	23	Meghalaya	24	22
Assam	28	25	Mizoram	21	17
Bihar	69	64	Nagaland	20	18
Chhattisgarh	27	26	Odisha	25	23
Delhi	49	21	Punjab	17	15
Goa	17	15	Rajasthan	29	26
Gujarat	28	27	Sikkim	22	17
Haryana	26	22	Tamil Nadu	16	14
Himachal Pradesh	29	24	Telangana	16	14
Jammu and Kashmir	35	24	Tripura	40	36
Jharkhand	58	54	Uttar Pradesh	36	35
Karnataka	16	15	Uttarakhand	27	22
Kerala	19	15	West Bengal	37	29
Madhya Pradesh	31	30	**All-India**	**26**	**23**
Maharashtra	27	23			

Sources: All India Survey of Higher Education, 2021-22; PRS

Table 18: Vacancies of teachers in schools (as of 2022-23)

States/UTs	Sanctioned	In-position	Vacant	% vacancy
Andhra Pradesh	1,56,895	1,17,887	39,008	25%
Arunachal Pradesh	14,062	13,570	492	3%
Assam	1,80,309	1,67,092	13,217	7%
Bihar	5,92,541	4,05,332	1,87,209	32%
Chhattisgarh	2,21,067	1,82,375	38,692	18%
Delhi	46,671	40,788	5,883	13%
Goa	1,806	1,802	4	0%
Gujarat	2,03,136	1,83,173	19,963	10%
Haryana	65,608	62,511	3,097	5%
Himachal Pradesh	43,609	41,821	1,788	4%
Jammu & Kashmir	97,649	92,635	5,014	5%
Jharkhand	1,86,865	1,12,508	74,357	40%
Karnataka	1,77,845	1,53,964	23,881	13%
Kerala	31,506	29,488	2,018	6%
Madhya Pradesh	3,63,099	2,93,432	69,667	19%
Maharashtra	2,95,026	2,76,822	18,204	6%
Manipur	14,913	14,567	346	2%
Meghalaya	19,437	19,437	0	0%
Mizoram	8,560	5,987	2,573	30%
Nagaland	16,066	16,066	0	0%
Odisha	2,29,006	2,29,006	**0**	0%
Punjab	92,084	91,955	129	0%
Rajasthan	2,99,387	2,73,991	25,396	8%
Sikkim	2,968	2,968	0	0%
Tamil Nadu	1,44,968	1,43,215	1,753	1%
Telangana	97,710	86,362	11,348	12%
Tripura	29,494	21,761	7,733	26%
Uttar Pradesh	5,79,622	4,53,594	1,26,028	22%
Uttarakhand	46,053	35,120	10,933	24%
West Bengal	5,32,568	4,77,668	54,900	10%
All-India	**48,10,226**	**40,62,661**	**7,47,565**	**16%**

Sources: Unstarred Question No. [146]0, Ministry of Education, Rajya Sabha, August 2, 2023; PRS.

Table 19: Professionally unqualified teachers (in %) in all schools (as of 2024-25)

States/UTs	Pre-Primary	Primary (grade 1 to 5)	Upper Primary (grade 6 to 8)	Secondary (grade 9 to 10)	Higher Secondary (grade 11 to 12)
Andhra Pradesh	75.6	4.5	7.3	8.0	27.4
Arunachal Pradesh	71.3	17.9	13.6	12.9	8.0
Assam	66.8	18.9	28.9	48.3	45.1
Bihar	71.4	13.6	16.0	6.7	8.8
Chhattisgarh	73.9	15.8	11.5	16.8	14.6
Delhi	40.0	3.8	3.7	1.3	0.6
Goa	39.2	2.8	3.1	2.8	4.6
Gujarat	49.6	6.2	6.5	3.8	3.5
Haryana	63.5	11.2	10.5	6.6	5.6
Himachal Pradesh	53.2	4.8	6.5	5.3	4.9
Jammu and Kashmir	87.0	30.9	27.4	12.5	12.4
Jharkhand	65.4	15.1	13.6	6.5	8.0
Karnataka	36.3	5.2	5.0	10.9	17.6
Kerala	15.1	2.5	3.9	2.8	2.8
Madhya Pradesh	78.1	13.6	13.0	23.1	14.2
Maharashtra	46.3	5.3	6.4	3.7	4.1
Manipur	56.7	21.2	23.5	28.7	23.5
Meghalaya	76.2	35.4	25.3	40.4	43.1
Mizoram	69.1	20.3	15.4	19.2	16.7
Nagaland	52.3	31.8	31.1	35.2	23.9
Odisha	71.5	6.6	5.5	5.0	27.0
Punjab	68.9	11.6	11.9	5.0	5.4
Rajasthan	73.1	11.2	7.9	5.4	4.0
Sikkim	67.9	23.7	19.1	17.5	11.6
Tamil Nadu	69.9	5.2	7.7	2.0	1.9
Telangana	65.4	12.4	10.8	4.0	33.4
Tripura	76.0	32.1	11.4	18.5	10.6
Uttar Pradesh	70.1	17.6	16.8	15.2	15.9
Uttarakhand	69.7	14.2	10.4	4.6	4.1
West Bengal	38.3	14.2	6.8	3.9	3.2
All-India	**51.8**	**12.3**	**11.5**	**9.6**	**10.6**

Sources: Unified District Information System for Education Plus, 2024-25 Existing Structure; PRS.

Demand for Grants 2026-27 Analysis
Health and Family Welfare

Highlights
- Public spending on health is 1.8% of GDP, lower than the recommended level of 2.5%. Out of pocket expenditure by individuals is 39% of total health expenditure.
- Shortages seen across both primary infrastructure and human resources.
- Schemes like the National Health Mission, PM-ABHIM, NHM (for primary health infrastructure), and PMSSY (setting up new AIIMS) saw under-utilisation in 2025-26.

Public health is an entry in the state list of the Constitution. This means that the primary responsibility to provide health care lies with the state government. The Union Ministry of Health and Family Welfare (MoHFW) formulates policies and schemes related to healthcare, and assists states in healthcare delivery. The Ministry seeks to improve primary healthcare infrastructure through schemes like National Health Mission (NHM) and Pradhan Mantri Ayushman Bharat Infrastructure Mission (PM-ABHIM). It supports medical education by funding institutions like All India Institute of Medical Science, Jawaharlal Institute of Postgraduate Medical Education and Research, etc. It also seeks to reduce the financial burden of healthcare on individuals through insurance schemes like Pradhan Mantri Jan Arogya Yojna (PM-JAY). The National Health Policy, 2017 which seeks to achieve universal health coverage, provides the policy framework for these schemes.

This note examines the allocation to the Ministry in year 2026-27. The note also highlights some of the key challenges in the sector.

Overview of finances

In 2026-27, the Ministry has been allocated Rs 1,06,530 crore.[1] This is 10% higher than the revised estimates of 2025-26. The Ministry has two departments: (i) Department of Health and Family Welfare, and (ii) Department of Health Research. The Department of Health and Family Welfare receives 95% of the total budget allocation to the Ministry (see Table 1).

Table 1: Expenditure of the Ministry (in Rs crore)

Department	2024-25 Actuals	2025-26 RE	2026-27 BE	Change RE to BE
Health and Family Welfare	87,300	92,926	1,01,709	9%
Health Research	3,384	3,928	4,821	23%
Total	**90,684**	**96,854**	**1,06,530**	**10%**

Note: BE is Budgeted Estimates. RE is Revised Estimates.
Sources: Demand No. [46] and 47, Expenditure Budget 2026-27; PRS.

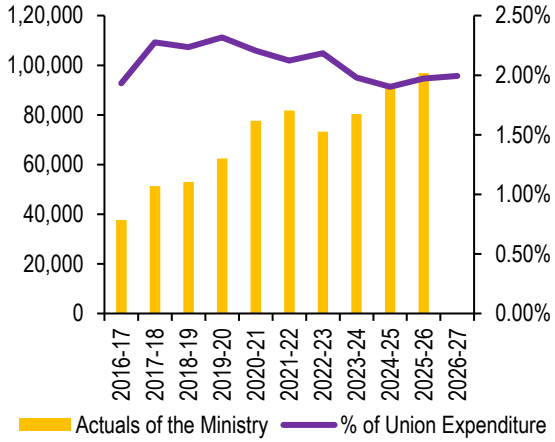
Announcement in the budget speech 2026-27
- New Allied Health Professional institutions will be established in both public and private sectors.
- To promote medical tourism, five regional medical hubs will be established.
- National Institute of Mental Health and Neuro Sciences will be established in northern India.

Of the total spending by the Ministry, 3% (Rs 2,928 crore) will be towards capital expenditure.[1] This will include spending on establishment and upgradation hospitals and medical colleges.

Trends in expenditure

Between 2016-17 and 2024-25, the compound annual growth rate (CAGR) of the Ministry's expenditure is 12%. CAGR is the annual growth rate over a certain period. However, allocation in the union budget to the Ministry has decreased since 2019-20 (see Figure 1). The Union government spent around 2% of its total expenditure towards health.

Figure 1: Share of Ministry's allocation in the union budget (in Rs crore)



Note: Ministry's expenditure includes expenditure by the Department of Health and Family Welfare and Health Research. It does not include expenditure by Departments of AYUSH and AIDS Control. Expenditure on vaccination for COVID-19 was incurred by the Finance Ministry. Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budgets 2016-17 to 2026-27; PRS.

In 2026-27, the Ministry will spend 37% of its total budget on NHM. The mission aims at strengthening public health services in rural and urban areas. The next highest allocation at 21% is towards autonomous bodies which includes funding of AIIMS, New Delhi and some other medical colleges. New AIIMS are being set up under the Pradhan Mantri Swasthya Suraksha Yojana. The Pradhan Mantri Jan Aarogya Yojana,which provides for health insurance coverage, will receive 9% of Ministry's budget (see Table 2).

Table 2: Main heads of the Ministry's expenditure (in Rs crore)

Heads	2024-25	2025-26 (RE)	2026-27 (BE)	% Change from RE to BE	Share in Ministry's Budget
National Health Mission	38,889	37,100	39,390	6.2%	37%
Autonomous Bodies	19,154	21,902	22,344	2%	21%
Pradhan Mantri Jan Aarogya Yojana	7,179	9,000	9,500	5.6%	9%
PM Ayushman Bharat Health Infrastructure Mission (PM-ABHIM)	2,086	2,443	4,200	71.9%	4%
Indian Council of Medical Research	2,870	3,150	4,000	27%	4%
AIDS and STD Control	2,528	2,662	3,477	30.6%	3%
Central Government Health Scheme	2,104	2,207	2,358	6.8%	2%
Pradhan Mantri Swasthya Suraksha Yojana	1,681	1,500	2,005	33.7%	2%
Human Resources for Health and Medical Education	549	1,630	1,725	5.8%	2%
Others	13,644	15,260	17,531	14.9%	16%
Total	90,684	96,854	1,06,530	10%	100%

Note: Expenditure on Autonomous Bodies includes transfers to institutions such as AIIMS, Delhi and NIMHANS, Bangalore and expenditure on establishing new AIIMS. Others include transfers to centrally run hospitals and family welfare schemes.
Sources: Demand No. 46 and 47, Expenditure Budget 2026-27; PRS

Key issues and analysis

Health care services are provided at three levels: primary, secondary, and tertiary.[2] Primary care broadly includes maternal and child health, immunisation, provision of essential drugs, and treatment of common diseases and injuries. It is provided by a three-tiered public system of sub-centres (SCs), primary health centres (PHCs), and community health centres (CHCs). Secondary and tertiary health care services are provided through district hospitals, and specialised hospitals.

The National Health Policy, 2017 guides the strategy for healthcare in the country. It aims to achieve universal health coverage (UHC) through preventive and promotive health care.[3] According to the World Health Organisation (WHO), UHC means that all people have access to required quality health services, whenever and wherever required.[4] The National Health Policy, 2017 also seeks to: (i) strengthen trust in the public healthcare system by making it patient centric, effective and affordable, (ii) align the growth of the private health sector with public health goals, and (iii) close infrastructure and human resource gaps.[3]

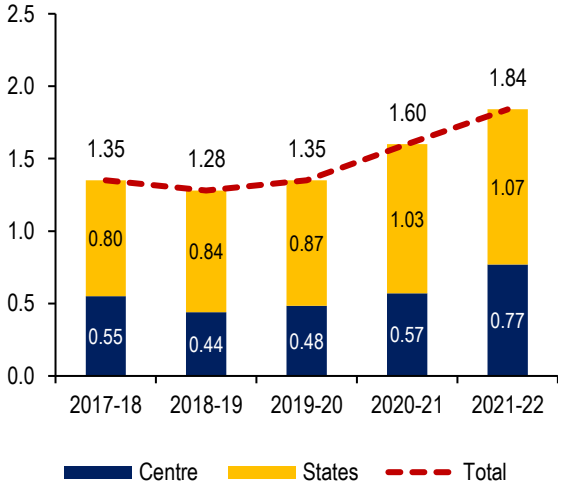
The National Health Policy, 2017 seeks to improve primary health outcomes on mortality rate, life expectancy, and disease prevalence.[3] Over the years, there has been improvement in infant mortality rate (IMR) and maternal mortality ratio (MMR). Between 2010 and 2020, IMR decreased from 47% to 28% per thousand live births. MMR decreased from 178 to 97 per lakh live births.[5] Life expectancy at birth has also improved from 62 years in 1997-2001 to 70 years in 2016-20.[5]

The country's disease profile has changed over the years. The share of communicable diseases (HIV/AIDS, tuberculosis, diarrhoea) in the overall disease burden has reduced from 61% in 1990 to 33% in 2016.[6] However, as of 2016, these still remain an issue causing nearly 28% of deaths.[6] As of 2016, non-communicable diseases (NCDs) accounted for 62% of all deaths.[6] These include diseases like cardiovascular diseases, chronic respiratory diseases, and cancer.[6]

Low public spending on health care

In absolute terms, the spending of the centre and state government on health care has increased between 2018-19 and 2021-22 (see Figure 2).[3] In 2021-22, the combined spending on overall health care constituted 1.8% of Gross Domestic Product (GDP).[7] However, it is lower than spending recommended by the National Health Policy, 2017 at 2.5% of GDP by 2025.[3]

Figure 2: Increase in government health expenditure as % of GDP



Sources: National Health Accounts, 2021-22, MoHFW; PRS.

According to the National Health Accounts (2021-22), the total health expenditure (THE) for India was estimated at nine lakh crore rupees (3.8% of GDP).[7] This includes spending by government,

private sector and donors/external resources.[7] Health expenditure is utilised to meet preventive and curative care, medicines, laboratory services, and health financing.[7] Government's share of THE was 48% (with the Centre spending around 48% of this expenditure, and the remaining by states).[7] Capital expenditure was 13% of THE (Rs 1.1 lakh crore), and the remaining was current health expenditure (CHE).[7]

CHE refers to recurrent spending on health care services (excluding capital expenditure).[7] In 2021-22, households (including insurance contributions) contributed the most towards CHE, at about four lakh crore rupees (51% of CHE).[7] The central government's share in CHE is 15% (Rs 1.25 lakh crore), and the state government's share is 22% (Rs 1.72 lakh crore).

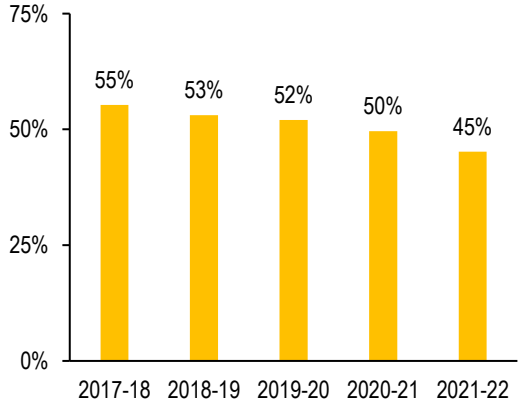
As of 2025-26, states on average spent 6.2% of their budget towards health care. The National Health Policy, 2017 recommended that by 2020, states allocate at least 8% of their budget towards health care.[3] As of 2025-26, only three states have allocated 8% or more of their budget towards health care. These are Delhi, Odisha, and Rajasthan (see Figure 12 in the annexure).

The high-level expert group (HLEG) (2011) on UHC also recommended that government spending on health care be 3% of GDP.[8] It also recommended that at least 70% of this budget be allocated towards primary health care.[8] According to the National Health Accounts, 2021-22, government spending as share of CHE on primary health care was 50%.[7]

High out-of-pocket expenditure

Out-of-pocket expenditure (OOPE) refers to the health expenditure made by the households at the point of receiving health care. OOPE as a proportion of CHE has declined from 55% in 2017-18 to 45% in 2021-22 (see Figure 3).[7]

Figure 3: OOPE (as % of CHE) has declined



Sources: National Health Accounts, 2021-22, MoHFW; PRS.

As per the Ministry reasons for the decrease in OOPE include: (i) increased government health expenditure, (ii) expansion of government health insurance schemes, and (iii) improved health infrastructure and human resources.[9]

Although India's OOPE is decreasing, it is higher than that of several other countries. According to the World Bank, as of 2022, India's OOPE as share of CHE remains higher than in countries like China and South Africa (see Table 3).

Table 3: Public spending and OOPE of India and selected countries (as of 2022)

Countries	Public spending as % of GDP	OOPE as % of CHE
India	1.3	46
China	3	34
South Africa	5.4	7
Australia	7.4	15
United States	9.1	11

Sources: World Bank; PRS.

High OOPE increases financial burden and pushes families into poverty.[9] It may also discourage people from seeking timely health care.[9] This could lead to worsened health conditions and higher treatment costs in the later period of time.[9]

Expenditure on medicines

As per the National Sampling Survey (NSS) 2017-18, medicines constituted 70% of the medical expenditure in non-hospitalisation cases.[10] According to World Health Organisation (WHO), medicines are one of the causes of catastrophic OOPE.[11] A household is said to be catastrophically affected if its health expenses as a share of overall expenses exceeds a predefined limit. As of 2017, 17.5% of population spent more than 10% of their household expenditure on health.[10]

Through a public-private partnership approach, the Ministry launched AMRIT pharmacy scheme in 2015 to make branded medicines available at discounted prices.[12] As of November 2025, nearly 250 such pharmacies are operational.[12] To make generic medicines affordable and accessible, the Department of Pharmaceuticals (under the Ministry of Chemicals and Fertilizers) is implementing Pradhan Mantri Janaushadhi scheme since 2008.[13] As of November 2025, 17,610 Janaushadhi Kendras have been opened.[14] The Standing Committee on Chemical and Fertilizers (2021) noted that the sales of Janaushadhi medicines account for a fraction of total medicine sales.[15] According to the Ministry, in 2025-26, sales of medicines worth Rs 1,409 crore were registered (as of November, 2025).[16] This led to savings of Rs 5,637 crore, to the citizens[16]

Insurance coverage remains low

According to NITI Aayog (2021), nearly 30% of the population does not have any health insurance.[17] This population is referred to as the 'missing middle'.[17] This includes people self-employed in agriculture in rural areas, those employed in informal and unorganised sectors in

urban areas.[17] They are not eligible for government health insurance schemes, social health insurance, or state extension schemes.[17] They are also not covered by private voluntary health insurance, despite their ability to pay nominal premiums.[17]

There has also been an increase in the private voluntary health insurance market marked by high premium costs.[17] As per NITI Aayog (2021), this market has nearly doubled between 2013-14 and 2018-19.[17] Measures recommended by NITI Aayog to provide insurance coverage to this missing middle include: (i) building awareness about health insurance, (ii) making insurance premiums affordable, and (iii) lowering delays in covering treatments.[17] It also recommended reducing the premium coverage of standard health insurance policies by 50% to 66%.[17]

Insurance schemes do not cover OPD services

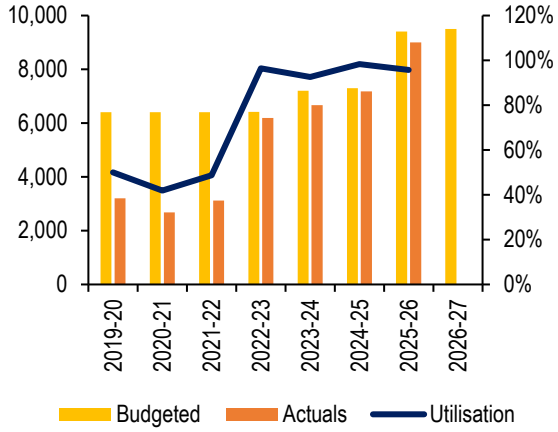
Outpatient care is one of the reasons for catastrophic OOPE.[11] According to NSS 2017-18, around 66% of the OOPE is towards out-patient care.[10] According to NITI Aayog (2021), about 80-85% of households are catastrophically impacted by outpatient expenses.[17] More than 70% of people seek OPD services in private hospitals/clinics, where expenses are higher.[10] However, most insurance schemes do not cover OPD services.[18] Certain countries implement health insurance programmes which cover a wider range of services. For instance, Thailand's universal coverage scheme covers inpatient and outpatient care, and the cost of essential medicines.

Ayushman Bharat PM-JAY scheme

The PMJAY scheme, launched in 2018, provides insurance coverage of up to five lakh rupees per family annually for secondary and tertiary care.[19] The scheme targets to provide insurance to the bottom 40% of the population according to Socio Economic Caste Census, 2011.[19]

An outlay of Rs 9,500 crore has been allocated to the scheme for 2026-27.[1] This is 6% higher than the revised estimates of 2025-26. The utilisation of funds remains same between 2022-23 and 2024-25 (see Figure 4). It however increased in 2022-23. This may be due to increase in hospitals empanelment. Around six crore hospitals were empanelled as of August, 2023.[20] The allocation increases between 2024-25 and 2025-26. In September 2024, the scheme was been expanded to six crore senior citizens.[48] It was also announced to be extended for gig workers. As of November 2025, nearly 15 crore unorganised workers were registered for the PMJAY scheme.[21]

Figure 4: Utilisation of funds under PMJAY scheme (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

As of December, 2025, nearly 42 crore people have enrolled under the scheme.[22] Some of the most availed PMJAY services include treatments related to eyes, female reproductive health, cancer, general surgery, and medicines.[22] In the same period, 33,121 hospitals have empanelled under PMJAY.[22] Nearly 47% of these hospitals empanelled are private.[22] There were instances of hospitals de-empanelment under PMJAY. As of November 2025, nearly 1,184 hospitals were de-empanelled from the scheme due to fraudulent activities.[23] There were also instances of private hospitals de-empanelling themselves from the schemes in some states. Nearly 650 private hospitals in Haryana de-empanelled themselves from the scheme due to delay in payments.[24] As of March 2025, more than 600 hospitals voluntarily de-empanelled from the scheme between 2019-20 and 2024-25.[25]

The Standing Committee on Health (2023) noted limited coverage of the scheme and disparities across states.[26] The Committee also observed that the scheme does not cover OPD services. The Committee recommended: (i) inclusion of population above the poverty line in the scheme, (ii) timely payment to the hospitals empanelled, (iii) providing medicines free of cost, especially for cancer treatments, and (iv) creation of funds to cover high-cost surgeries.[26] The Committee also recommended revising health benefit package rates under the scheme as per the present market rates.[26]

Preference for private health services

The average cost of hospitalisation in private hospitals is seven times greater than that in public hospitals (see Table 4).[10] Despite high hospitalisation cost in private hospitals, as of 2017-18, more than 50% of hospitalisation cases are registered in private hospitals.[10] This proportion is higher in urban areas than rural areas.[10] Increase in private hospitalisation may increase OOPE. As per NSS 2017-18, nearly 80% of hospitalisation cases were financed from household income.[10]

Table 4: Average cost per hospitalisation and share of population accessing (as of 2017-18)

Type of hospital	Rural		Urban	
	Average cost	% population	Average cost	% population
Government	4,290	45.7	4,837	35.3
Private	27,347	51.9	38,822	61.4

Sources: India- Social Consumption: Health, NSS (75th Round); PRS.

The preference for availing government facilities is lower in urban areas than in rural areas. According to NFHS-5, 50% of household do not prefer using government health facilities.[27] This figure was higher in states like Bihar (80%), Punjab (68%), and Maharashtra (64%).[27] Many households reported that lack of quality care is one of the reasons for them not availing health care in government services (see Table 5).[27]

Table 5: Reasons for not using government health facilities

Reasons	% of household
Poor quality care	47.6
Long waiting time	45.7
No nearby facility	40.2
Inconvenient timings	25.3
No health personnel	15.0

Sources: NFHS-5, MoHFW; PRS.

Lack of health infrastructure in rural areas

The Indian Public Health Standards (IPHS) establishes norms for setting up SCs, PHCs, and CHCs.[28,29,30] It sets the number of people a health facility should cover (see Table 6).

Table 6: Average rural population covered vs IPHS Standards (as of 2022-23)

Health facility	Norm for population to be covered	Average population covered
SCs	5,000	5,450
PHCs	30,000	35,602
CHCs	1,20,000	1,64,388

Sources: Health Dynamics of India 2022-23, MoHFW; PRS.

The population covered by a primary health facility is more than the prescribed norm. This may lead to over-crowding and lack of quality care. As of 2022-23, there is a shortfall of facilities in rural areas (see Table 7).[2]

Table 7: Shortfall in health facilities

Health facility	Total number as of March, 2023	Shortfall (in %)
SCs	1,69,615	22
PHCs	31,882	30
CHCs	6,359	36

Sources: Health Dynamics of India 2022-23, MoHFW; PRS.

States like Bihar (59%), West Bengal (58%), and Uttar Pradesh (49%) have the highest shortfall in PHCs.[2] Existing SCs, and PHCs were upgraded to Ayushman Aarogya Mandirs (health and wellness centres).[31] As of November 2025, nearly 1.8 lakh such centres were operational.[31]

Availability of beds

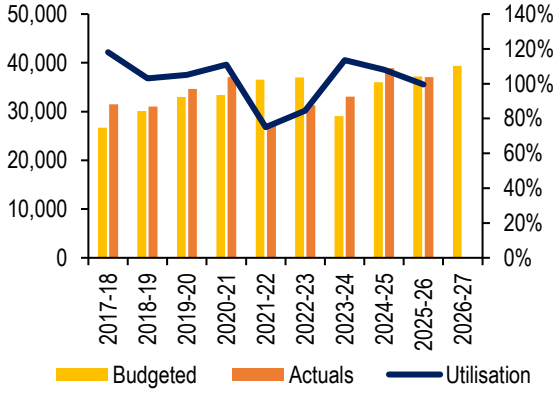
In 2020, India is estimated to have 1.4 hospital beds per 1,000 people.[32] When only government hospitals are considered, this ratio drops to 0.6 beds per 1,000 people.[5] This is half the global average of 2.9 beds per 1,000 people.[32] The National Health Policy, 2017 recommends bed availability of two beds per 1,000 people.[3] WHO has recommended 3.5 beds per 1,000 population. There is also lack of availability of beds in public hospitals. According to the 15th Finance Commission, around 60% of beds are in the private sector.[32] According to the IPHS standards, each PHC is required to have four to six beds.[29] As of 2022-23, 73% of PHCs in rural areas had at least four beds.[2] Certain states fell significantly short on this average. These include: (i) Odisha (9%), (ii) West Bengal (30%), and (iii) Assam (37%).[2]

The central government has been implementing the PM-ABHIM scheme since 2021 to bridge gaps in health infrastructure.[33]

National Health Mission

NHM comprises of two sub-schemes: (i) National Urban Health Mission, and (ii) National Rural Health Mission. Under NHM, states are provided with financial assistance to: (i) strengthen primary and secondary health infrastructure, (ii) improve maternal, and child health, and (iii) reduce communicable and noncommunicable diseases (NCDs). The allocation to NHM decreased in 2023-24. However, since 2023-24, the expenditure under NHM has been more than the allocation. For 2026-27, an outlay of Rs 39,390 crore has been allocated to the scheme.[1] This is 6% higher than the revised estimates of 2025-26. The utilisation has lowered since 2023-24 (see Figure 5).

Figure 5: Utilisation of funds under NHM (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

PM ABHIM

The scheme aims at bridging infrastructural gaps in rural and urban areas. Under the scheme, health and wellness centres, block public health units, integrated public health labs, and critical care hospital blocks are established (see Table 8).

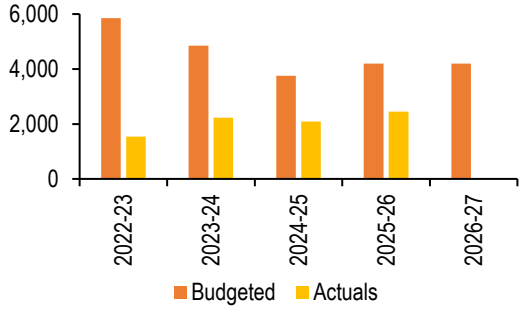
Table 8: Progress under PM-ABHIM (as of January, 2026)

Vertical	Target by March 2026	Number of construction
Ayushman Arogya Mandir	17,788	9,519
Arogya Mandirs in Urban areas	11,024	5,456
Block Public Health Units	3,382	2,151
District level Integrated Public Health Laboratory	730	744
Critical Care Hospital Blocks	602	621

Sources: "Initiatives and Achievements", Press Release, MoHFW, Jan 1, 2026; PRS.

An outlay of Rs 4,200 crore has been allocated to the scheme for 2026-27.[1] This is 72% higher than the revised estimates of 2025-26. Allocation towards the scheme has been decreasing over the years. On average, 32% of the allocation are utilised (see Figure 6).

Figure 6: Low utilisation of funds under PM-ABHIM (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

The Standing Committee on Health (2025) had noted that public-private partnerships must also be leveraged to improve health care delivery.[34] The HLEG (2011) had also emphasised an engagement model with a focus on service delivery partnership between government as a purchaser and the private sector as a provider.[8]

Some health outcomes have improved

Maternal mortality and child mortality

As per WHO, MMR in India is estimated at 80 per one lakh live births in 2023.[35] According to Sample Registration System, this figure is 88 as of 2023.[36] MMR in India has been higher than countries such as Russia (9), China (16), and the USA (17). IMR in India was 25 per 1,000 live births in 2023, also significantly higher than Russia (4), USA (6), and China(5).[37] IMR refers to the number of deaths of infants under one year of age in a year. MMR is highest in states like Odisha (153), Chhattisgarh (146), Madhya Pradesh (142), and Uttar Pradesh (141).[36] IMR is highest in states like Chhattisgarh (37), Madhya Pradesh (37), Meghalaya (34), and Odisha (30).[38]

Under the National Health Mission, the central government is implementing Reproductive, Maternal, New-born, Child, Adolescent Health and Nutrition (RMNCAH+N) strategy to improve maternal and child health.[39] It aims at reducing preventable deaths and provide integrated care across different life stages. See table 9 for progress made under the strategy.

Table 9: Key health indicators (as of 2020)

Indicator	NHP target	Status
MMR	Less than 100 by 2020	97
IMR	28 by 2019	28
Neonatal Mortality Rate	16 by 2025	20
Under-5 mortality rate	23 by 2025	32

Sources: "Update on Maternal and Child Health Indicators under NHM", Press Information Bureau, March 18, 2025; PRS.

Malnutrition

Malnutrition is a significant public health concern in India.[40] It refers to deficiency or excesses in nutrient intake.[40] Undernutrition (deficiency in intake) in children makes them more vulnerable to disease and death.[40] Women, infants, children, and adolescents are at a higher risk of malnutrition.[40]

Table 10: Malnutrition in children under five (as of 2019-21)

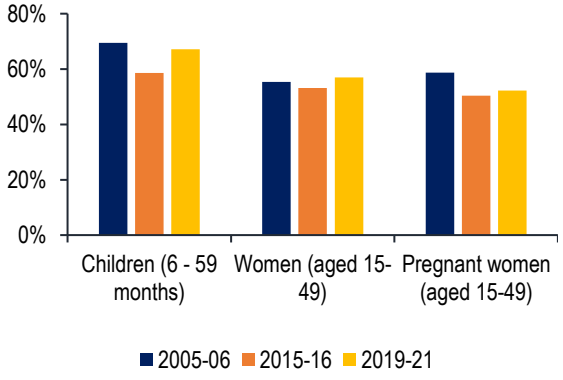
Type of malnutrition	% of children
Stunted	36%
Wasted	19%
Underweight	32%
Overweight	3%

Sources: NFHS-5, MoHFW; PRS.

Anaemia

According to NFHS-5, 57% women aged 15-49 years suffer from anaemia.[27] The prevalence of anaemia among women and children has increased between 2015-16 and 2019-21 (see Figure 7).

Figure 7: Anaemia has increased between 2015-16 and 2019-21



Sources: National Family Health Surveys 3, 4 and 5; PRS.

The Ministry of Women and Child Development is responsible for providing nutrition to women and children.

Rise in Non-Communicable Diseases (NCDs)

NITI Aayog (2020) noted that India faces the dual burden of non-communicable and communicable diseases.[41] There has been an increase in NCD burden by 25% between 1990 and 2018.[6] Key NCDs are cardiovascular diseases, diabetes, respiratory diseases, and cancer.[6] Key communicable disease includes tuberculosis and vector-borne disease. As of 2021-23, 57% of mortalities are caused due to NCDs.[42] 31% of deaths are due to cardiovascular diseases.[42] Population aged 30 to 69 years are most affected by deaths due to cardiovascular disease.[42] WHO (2018) noted that NCDs largely affect middle-aged and older populations, and this burden is likely to rise with a rise in aging population.[43]

The government launched national programme for prevention and control of cancer, diabetes, cardiovascular diseases and stroke (NPCDCS) to prevent and control major NCDs.[44] The program aims at strengthening infrastructure and human resources, promote health, screening and early diagnosis of NCDs for population aged 30 years and above.[44] As of August 2025, nearly 4.7 crore population aged 30 years and above are being treated for hypertension under NPCDCS.[45]

Need for senior care

NITI Aayog (2024) noted that the elderly population in India comprises around 10% of the total population.[47] This is expected to reach 20% by 2050.[46] It observed that a increase in elderly population will strain the healthcare system.[46] There is also lack of geriatric specialists and comprehensive programme for elderly care.[46] It also noted that 75% of all elders face at least one chronic disease.[47] It recommended the following to strengthen senior care in the country: (i) adult immunization, (ii) immunity-boosting interventions, (iii) providing mobility aids like walkers, and hearing and visual aids, (iv) expanding tele-communication services, and (v) improving rehabilitative care.[47]

In 2024, the government extended the PMJAY scheme to provide health insurance coverage to all senior citizens aged 70 years and above. As of December, 2025, nearly 93 lakh senior citizens have enrolled under the scheme.[48]

Shortfall in human resources

The Economic Survey (2024-25) noted that as of 2024, India had one doctor trained in modern medicine per 1,263 people.[49] This is lower than the WHO standard of one doctor per 1,000 people.[49] The Survey observed that the WHO norm could be attained by 2030 with an estimated 50,000 doctors being licenced every year.[49] The 15th Finance Commission noted that there is also regional and state-wide disparity in the availability of doctors.[32] In December 2023, the Ministry noted that there is one nurse per 476 people in India, again lower than the WHO standard of one nurse per 300 people.[50]

There are also vacancies in certain specialist positions in rural areas (see Table 11). For instance, 68% of positions for specialists (surgeons, physicians, paediatricians, and gynaecologists) in CHCs were vacant as of 2023.[2]

Table 11: Shortage of specialists and radiographers in CHCs (as of 2023)

Human resource in rural areas	Shortage (in %)
Surgeons	73
Gynaecologists and obstetricians	59
Paediatricians	66
Physicians	68
Radiographers	41

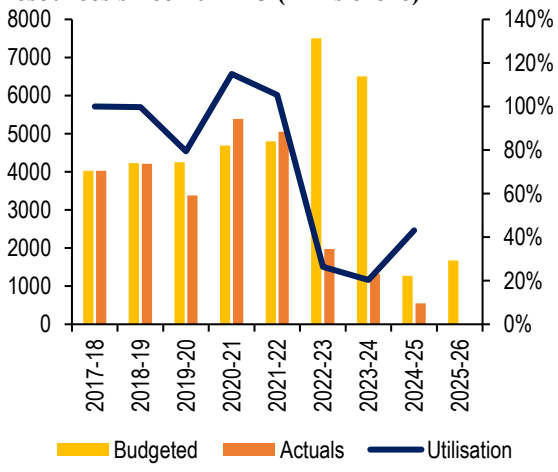
Sources: Health Dynamics of India (Infrastructure and Human Resources 2022-23; PRS.

As discussed earlier, there is a rise in NCDs particularly cardiovascular and pulmonary diseases, require specialist care. The Parliamentary Estimates Committee (2017) had noted nation-wide shortage of specialists in fields such as cardiology, diabetes, and chest medicine.

Health Personnel

In 2026-27, Rs 1,725 crore has been allocated for: (i) establishment of new medical colleges with district hospitals, and (ii) increasing seats in state medical colleges.[1] Allocation in 2026-27 is 6% higher than the revised estimates of 2025-26. However, there has been decrease in utilisation of funds under this head since 2022-23 (see Figure 8).

Figure 8: Under-utilisation of funds for human resources since 2022-23 (in Rs crore)



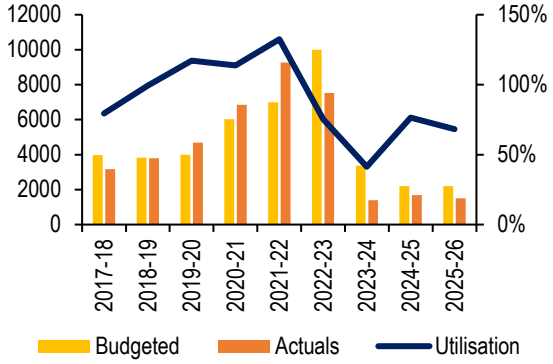
Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

Around 157 medical colleges were approved in 2014. As of March 2025, 131 medical colleges are functional.[51] Certain existing medical colleges receive funds directly from the centre. New AIIMS are established under Pradhan Mantri Swasthya Suraksha Yojana (PMSSY).

Establishment of AIIMS

The PMSSY is a central sector scheme, launched in 2003. It aims at: (i) setting up new AIIMS, and (ii) upgrading government medical colleges to build tertiary care facilities. Between 2003 and 2018, 22 AIIMS were approved under PMSSY. As of January 2026, 6 AIIMS are fully functional and 12 AIIMS have operational MBBS program.[52] In 2026-27, Rs 2,005 crore has been allocated towards establishment of new AIIMS.[1] This is 34% higher than revised estimates of 2025-26. The utilisation of funds under PMSSY has decreased in 2022-23 (see Figure 9). There is also decrease in the allocation since then.

Figure 9: 68% of funds were utilised under PMSSY for 2025-26



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

As of August 2025, 39% faculty positions and 37% non-faculty positions are vacant across 19 functional AIIMS.[53] The vacancies of faculty are the highest in AIIMS in following cities: (i) Rajkot (58%), (ii) Mangalagiri (51%), (iii) Jodhpur (46%), and (iv) Gorakhpur (46%).[53]

Imbalance in availability of seats across states

As of March 2023, there were 1.5 lakh seats for medical courses in the country.[5] This included one lakh MBBS seats, 42,100 MD/MS seats, and 4,166 Doctorate of Medicine and Masters of Surgery seats. The Standing Committee on Health (2024) noted that there is a regional imbalance in availability of seats.[54] For instance, Bihar (3,578) and Maharashtra (5,816), and Tamil Nadu (5,861) and Rajasthan (7,910) have very different availability of medical seats, despite having similar population.[54]

In September 2025, the government approved the addition of more than 10,023 medical seats in government colleges.[55]

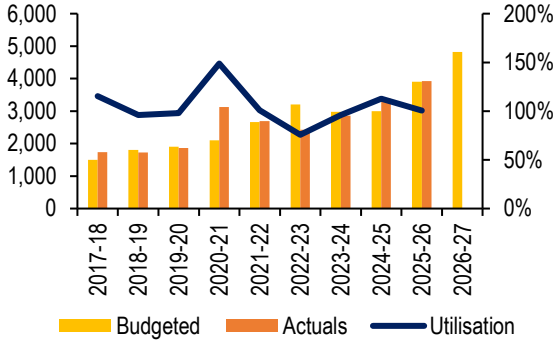
Increase in cost of medical education

The Standing Committee on Health (2024) observed that the cost of medical education in India had doubled between 2008 and 2018.[54] It can range between Rs 60 lakh to one crore rupees.[54] It recommended that the government come up with need-based scholarships, and offer incentives such as tax benefits for providing education to deserving candidates.[54] To reduce functioning costs, the Committee recommended collaborations between private medical colleges and district hospitals.[54] It also recommended subsidising laboratory equipment or machines in private colleges.[54]

Health Research

The Department of Health Research has been allocated Rs 4,821 crore for 2026-27.[1] This is 23% higher than the revised estimates of 2025-26. The utilisation of the funds has increased between 2022-23 and 2024-25. The expenditure of the department is more than the allocation in 2025-26 (see Figure 10). As of March 2025, 165 viral diagnostic laboratories, 113 multidisciplinary research units, and 35 model rural health research units were established in medical colleges and research institutes.[56]

Figure 10: Utilisation of funds by department of health research (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

Lack of investment in health research

According to the Standing Committee on Health (2023), India spent 0.02% of its GDP on health research in 2021-22.[57] This is lower than other countries spending on health research as share of their GDP. These countries include Denmark (0.93%) as of 2019, Singapore (0.43%) as of 2020, and Greece (0.34%) as of 2022.[58] The Standing Committee on Health (2023) noted that the existing expenditure was insufficient, and recommended enhancing spending to 0.1% of GDP.[57] In 2022, it also recommended allocating 5% of the Ministry's budget to the Department of Health Research.[57] In 2026-27, around 4.5% of the Ministry's budget is allocated to the Department of health research.

Performance of ICMR

The Indian Council of -Medical Research (ICMR) , is responsible for conducting and supporting medical research in India.[59] In 2026-27, the Department has allocated 83% of its budget to ICMR (Rs 4,000 crore).[1] This is 27% higher than the revised estimates of 2025-26.

The Standing Committee on Health (2017) had observed that: (i) ICMR's research outputs were low, and (ii) strength of ICMR was too small to produce effective research.[60] As of 2023, ICMR has sanctioned 876 posts of scientists.[61] However,

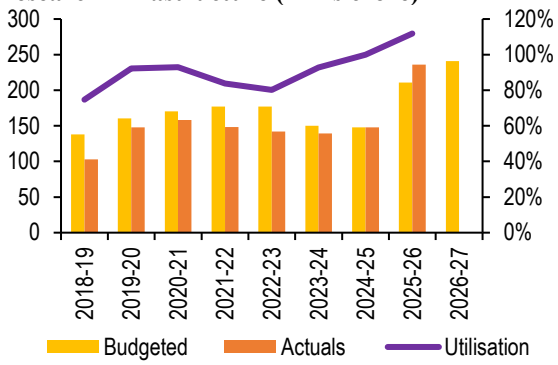
16% of these posts were lying vacant.[61] The Standing Committee on Health (2023) recommended that an annual grant should be given to top faculties of medical colleges to produce more research output.[62] More funds should be allocated to promote cancer research.[62]

Health research infrastructure

The Department spends on following areas of research infrastructure: (i) laboratories to manage epidemics and calamities, (ii) tools to prevent outbreaks of epidemics, and (iii) infrastructure to promote health research.

Allocation on research infrastructure increased between 2018-19 to 2022-23 (see Figure 11). It decreased in 2023-24 and 2024-25. The expenditure increased in between 2023-24 and 2024-25. In 2026-27, Rs 241 crore has been allocated towards health research infrastructure.[1] This is 2% higher than the revised estimates of 2025-26. Between 2018-19 and 2024-25, the CAGR of the Department's expenditure is 6%.

Figure 11: Utilisation of funds for health research infrastructure (in Rs crore)



Note: Revised estimates of 2025-26 are taken as actuals.
Sources: Union Budget documents of various years; PRS.

[1] Demand No. 46 and 47, Expenditure Budget 2026-27, Union Budget, https://www.indiabudget.gov.in/doc/eb/allsbe.pdf.

[2] Health Dynamics of India, 2022-23, Ministry of Health and Family Welfare, https://mohfw.gov.in/sites/default/files/Health%20Dynamics%20of%20India%20%28Infrastructure%20%26%20Human%20Resources%29%202022-23_RE%20%281%29.pdf.

[3] National Health Policy, 2017, https://www.mohfw.gov.in/sites/default/files/9147562941489753121.pdf.

[4] Universal Health Coverage (UHC), WHO, as accessed on December 13, 2025, https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc).

[5] National Health Profile, 2023, https://cbhidghs.mohfw.gov.in/sites/default/files/NHP/NHP-2023-Last-Final.pdf.

[6] India: Health of the Nation's States: The India State-level Disease Burden Initiative, Indian Council of Medical Research, November 14, 2017, https://main.icmr.nic.in/sites/default/files/reports/2017_India_State_Level_Disease_Burden_Initiative_Full_Report.pdf.

[7] National Health Accounts, 2021-22, https://nhsrcindia.org/sites/default/files/2024-09/NHA%202021-22.pdf.

[8] High-Level Expert Group Report on Universal Health Coverage, Planning Commission of India, November 2011, https://nhsrcindia.org/sites/default/files/2021-06/21.HLEG%20Report%20on%20Universal%20Health%20Coverage%20for%20India.pdf.

[9] "The Decline of OOPE in health in India", Press Information Bureau, MoHFW, November 10, 2024, https://www.pib.gov.in/PressNoteDetails.aspx?ModuleId=3&NoteId=153407&reg=3&lang=2

[10] NSS 75th Round, Key Indicators of Social Consumption in India: Health, Ministry of Statistics and Programme Implementation, https://www.mospi.gov.in/sites/default/files/publication_reports/KI_Health_75th_Final.pdf.

[11] Background paper on "The drivers of catastrophic expenditure: outpatient services, hospitalisation, or medicine?", World Health Report (2010), WHO, https://cdn.who.int/media/docs/default-source/health-financing/technical-briefs-background-papers/21whr-bp.pdf?sfvrsn=3b2f039_3andamp;download=true.

[12] "Union Health Minister Shri J P Nadda inaugurates Amrit Pharmacy's 10th anniversary, announces nationwide expansion", Press Information Bureau, MoHFW, November 15, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2190300&reg=3&lang=2.

[13] Pradhan Mantri Bharatiya Janaushadhi Pariyojna, https://janaushadhi.gov.in/pmbjb-scheme.

[14] "Jan Aushadhi Kendras", Press Information Bureau, Ministry of Chemicals and Fertilizers, December 12, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2203000&reg=3&lang=1.

[15] Report No. 17: Review of Pradhan Mantri Bhartiya Janaushadi Pariyojana (PMBJP), Standing Committee on Chemicals and Fertilizers, March 2021, https://eparlib.nic.in/bitstream/123456789/800849/1/17_Chemicals_And_Fertilizers_17.pdf.

[16] "India Medtech Expo 2025 showcased end-to-end medtech ecosystem reinforcing India's position as a global medtech innovation hub", Press Information Bureau, Ministry of Chemical and Fertilizers, January 6, 2026, https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2211784&reg=3&lang=2#:~:text=1.,(As%20on%2030.11.2025).

[17] Health Insurance for India's Missing Middle, NITI Aayog, https://www.niti.gov.in/sites/default/files/2023-02/Health-Insurance-for-India%E2%80%99s-Missing-Middle_08-12-2021.pdf.

[18] Health Insurance for India's Missing Middle, NITI Aayog, October 2021, HealthInsurance-forIndiasMissingMiddle_28-10-2021.pdf (niti.gov.in).

[19] About PMJAY scheme, https://nha.gov.in/PM-JAY.

[20] Annual Report 2022-23, National Health Authority, https://abdm.gov.in/strapicms/uploads/NHA_Annual_Report_2022_2023_4f3bc6e2a5.pdf.

[21] Unstarred Question No. 58, Ministry of Labour and Employment, Rajya Sabha, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU58_H3eve3.pdf?source=pqals.

[22] Dashboard of AB-PMJAY, as accessed on December 23rd, 2025, https://dashboard.nha.gov.in/public/.

[23] Unstarred Question No. 1078, MoHFW, Rajya Sabha, December 09, 2025, https://sansad.in/getFile/annex/269/AU1078_R5s4O1.pdf?source=pqars.

[24] News article on "Haryana Rs 500 crore dues; 650 private hospitals halt Ayushman scheme", The Indian Express, August 8, 2025, https://indianexpress.com/article/cities/chandigarh/haryana-rs-500-crore-dues-650-pvt-hospitals-halt-ayushman-scheme-10176763/.

[25] Unstarred Question No. 2041, Ministry of Health and Family Welfare, Rajya Sabha, March 18, 2025, https://sansad.in/getFile/annex/267/AU2041_BvTiMx.pdf?source=pqars.

[26] 151st report on implementation of Ayushman Bharat, December 19, 2025,

https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/187/151_2023_12_19.pdf?source=rajyasabha.

[27] National Family Health Survey-3, Ministry of Health and Family Welfare, https://dhsprogram.com/pubs/pdf/FRIND3/FRIND3-Vol1AndVol2.pdf.

[28] Section 5, Volume IV, Health and Wellness Centre – Sub Health Centre, Indian Public Health Standards 2022, https://nhm.gov.in/images/pdf/guidelines/iphs/iphs-revised-guidlines-2022/04-SHC_HWC_UHWC_IPHS_Guidelines-2022.pdf.

[29] Section 5, Volume III, Health and Wellness Centre – Primary Health Centre, Indian Public Health Standards 2022, https://nhm.gov.in/images/pdf/guidelines/iphs/iphs-revised-guidlines-2022/03_PHC_IPHS_Guidelines-2022.pdf.

[30] Section 5, Volume II, Community Centre, Indian Public Health Standards 2022, https://nhm.gov.in/images/pdf/guidelines/iphs/iphs-revised-guidlines-2022/02-CHC_IPHS_Guidelines-2022.pdf.

[31] "Initiatives and Achievements-2025", Press Information Bureau, Ministry of Health and Family Welfare, January 1, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2210432&reg=3&lang=2.

[32] "Finance Commission in COVID times: Report for 2021-2026", 15th Finance Commission, October, 2020, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC%20VOL%20I%20Main%20Report.pdf.

[33] "PM-ABHIM", Press Information Bureau, October 24, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2182105&reg=3&lang=2.

[34] 163 Report of the Standing Committee on Health and Family Welfare, Rajya Sabha, March 12, 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/196/163_2025_3_13.pdf?source=rajyasabha.

[35] Maternal mortality ratio (per 100 000 live births), WHO, as accessed on December 10, 2025, https://data.who.int/indicators/i/C071DCB/AC597B1?m49=356.

[36] Special Bulletin on MMR, 2021-23, September 2025, https://censusindia.gov.in/nada/index.php/catalog/46177/download/50425/SRS_MMR_Bulletin_2021_2023.pdf.

[37] Neonatal mortality rate (per 1000 live births), WHO, as accessed on December 10, 2025, https://data.who.int/indicators/i/E3CAF2B/A4C49D3?m49=356.

[38] Volume 58 No. 1, SRS Bulletin, September 2025, https://censusindia.gov.in/nada/index.php/catalog/46178/download/50426/SRS_Bulletin_2023_Vol_58_No_1.pdf.

[39] Website of Reproductive, Maternal, Newborn, Child, Adolescent Health and Nutrition, https://nhm.gov.in/index1.php?lang=1&level=1&sublinkid=794&lid=168.

[40] Malnutrition: Factsheet, World Health Organization, as accessed on August 28, 2024, https://www.who.int/news-room/fact-sheets/detail/malnutrition.

[41] Vision 2035: Public Health Surveillance in India, NITI Aayog, 2020, https://www.niti.gov.in/sites/default/files/2023-03/Vision-2035-Public-Health-Surveillance-in-India.pdf.

[42] Statistics on Causes of Death, 2021-23, Ministry of Home Affairs, https://censusindia.gov.in/nada/index.php/catalog/46176/download/50424/SRS_COD-STATISTICS_2021-2023.pdf.

[43] Noncommunicable Diseases Country Profile 2018-India, WHO, https://uniatf.who.int/docs/librariesprovider22/default-document-library/ncds-policy-brief-india.pdf?sfvrsn=c29f9b34_1.

[44] About National Programme for Prevention and Control of Cancer, Daibetes, Cardiovascular Diseases and Stroke, https://nhm.gov.in/index1.php?lang=1&level=2&sublinkid=1048&lid=604.

[45] Unstarred Question No. 1851, Rajya Sabha, Ministry of Health and Family Welfare, August 5, 2025, https://sansad.in/getFile/annex/268/AU1851_L4l50V.pdf?source=pqars.

[46] Senior Care Reforms in India, NITI Aayog, https://www.niti.gov.in/sites/default/files/2024-02/Senior%20Care%20Reforms%20in%20India%20FINAL%20FOR%20WEBSITE_compressed.pdf.

[47] "Senior Care Reforms in India: A position paper", NITI Aayog, January 2024, https://www.niti.gov.in/sites/default/files/2024-02/Senior%20Care%20Reforms%20in%20India%20FINAL%20FOR%20WEBSITE_compressed.pdf.

[48] "Update on Ayushman Vay Vandana Yojana" Press Information Bureau, MoHFW, December 12, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2203007&reg=3&lang=2.

[49] Economic Survey, 2024-25, Ministry of Finance, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.

[50] Ratio of Patients and Doctors, Nurses, Unstarred Question No 1089, Ministry of Health and Family Welfare, Rajya Sabha, December 12, 2023, https://sansad.in/getFile/annex/262/AU1089.pdf?source=pqars.

[51] Unstarred Question No. 4770, Ministry of Health and Family Welfare, Lok Sabha, March 28, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU4770_G4AfGu.pdf?source=pqals.

[52] Website of Pradhan Mantri Swasthya Suraksha Yojna as accessed on January 22, 2026, https://pmssy.mohfw.gov.in/.

[53] Unstarred Question No. 1876, Ministry of Health and Family Welfare, Rajya Sabha, August 5, 2025, https://sansad.in/getFile/annex/268/AU1876_rsdkaL.pdf?source=pqars.

[54] 157th Report of the Standing Committee on Health and Family Welfare, February 9, 2024, Rajya Sabha, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/187/157_2024_2_19.pdf?source=rajyasabha.

[55] "Cabinet approves major expansion of postgraduate and undergraduate medical education capacity in the country", Press Information Bureau, September 24, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2170588&reg=3&lang=2.

[56] Unstarred Question No. 4796, Ministry of Health and Family Welfare, Lok Sabha, March 28, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU4796_8Xtqjy.pdf?source=pqals.

[57] Report No. 144, Standing Committee on Health and Family Welfare, March 15, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/168/144_2023_12_17.pdf?source=rajyasabha.

[58] Gross domestic R&D expenditure on health as a % of GDP, WHO, https://www.who.int/observatories/global-observatory-on-health-research-and-development/indicators/gross-domestic-r-d-expenditure-on-health-as-a-percent-of-gross-domestic-product.

[59] Indian Council of Medical Research, https://www.icmr.gov.in/.

[60] 100th report on demands for grants (2017-18) of Department of Health Research, March 20, 2017, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/70/100_2019_7_16.pdf?source=rajyasabha.

[61] Unstarred Question No. 3713, Ministry of Health and Family Welfare, Lok Sabha, August 11, 2023, https://sansad.in/getFile/loksabhaquestions/annex/1712/AU3713.pdf?source=pqals.

[62] 144th report on demands for grants (2023-24) of Department of Health Research, March 15, 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/14/168/144_2023_3_15.pdf?source=rajyasabha.

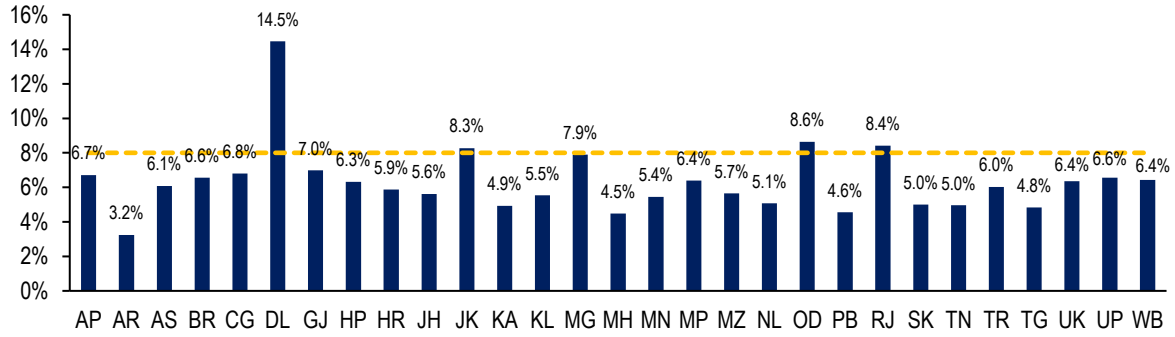
Annexure

Table 12: Government Health Expenditure as a share of overall health expenditure in certain states (in %)

States	Government Health Expenditure (as % of Total Health Expenditure)							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21*	2021-22*
Assam	29	38	39	57	55	58	58	64
Andhra Pradesh	15	22	25	30	32	33	35	42
Bihar	17	19	21	40	45	44	47	55
Chhattisgarh	28	32	34	50	47	52	55	60
Gujarat	34	37	39	43	44	45	43	50
Haryana	24	28	30	33	36	41	41	46
Himachal Pradesh	44	47	51	49	52	52	52	58
Jammu and Kashmir	35	40	39	54	51	50	65	71
Jharkhand	24	30	31	29	34	33	34	49
Karnataka	22	26	27	33	34	31	36	43
Kerala	18	23	27	25	25	24	26	33
Madhya Pradesh	26	28	29	41	41	44	42	52
Maharashtra	17	24	23	26	27	27	31	34
Odisha	22	20	27	39	41	42	44	53
Punjab	17	20	20	26	29	30	31	36
Rajasthan	31	33	33	40	44	42	42	50
Tamil Nadu	25	28	27	41	47	44	50	52
Telangana	22	38	-	40	41	44	46	46
Uttar Pradesh	19	21	22	24	25	26	25	32
Uttarakhand	36	37	36	55	61	62	61	68
West Bengal	-	-	21	24	26	26	29	36
All-India	**29**	**31**	**32**	**41**	**41**	**41**	**43**	**48**

Note: Data for West Bengal is not available for 2014-15 and 2015-15. Data for Telangana is not available for 2016-17. Government Health Expenditure includes expenditure by the Union and state governments. *These years had the covid-19 pandemic.
Sources: National Health Accounts 2014-15 to 2021-22; PRS.

Figure 12: Three states estimated to meet the National Health Policy target of 8% of budget on health



Source: State Budget Documents; PRS.

Table 13: Share of hospitalisation cases (excluding childbirth) in 2017-18 (in %)

States/UTs	Government	Private	States/UTs	Government	Private
Andhra Pradesh	28%	69%	Kerala	38%	58%
Arunachal Pradesh	92%	7%	Madhya Pradesh	48%	49%
Assam	71%	27%	Maharashtra	22%	74%
Bihar	38%	60%	Manipur	80%	20%
Chandigarh	67%	33%	Meghalaya	85%	15%
Chhattisgarh	54%	42%	Mizoram	80%	16%
Delhi	62%	37%	Nagaland	73%	27%
Goa	66%	34%	Odisha	72%	27%
Gujarat	31%	62%	Puducherry	69%	31%
Haryana	31%	67%	Punjab	29%	66%
Himachal Pradesh	77%	21%	Rajasthan	51%	48%
Jammu and Kashmir	91%	8%	Sikkim	80%	20%
Jharkhand	41%	54%	Tamil Nadu	50%	48%
Karnataka	27%	71%	**All-India**	**42%**	**55%**

Sources: Key Indicators of Social Consumption in India: Health - July 2017 to June 2018, NSS; PRS.

Table 14: Shortfall of health workers at PHCs and CHCs in rural areas (as of 2022-23)

States/UTs	Specialists at CHCs	Nursing staff at PHCs and CHCs	Pharmacists in PHCs and CHCs	States/UTs	Specialists at CHCs	Nursing staff at PHCs and CHCs	Pharmacists in PHCs and CHCs
Andhra Pradesh	9%	-	-	Manipur	69%	-	-
Arunachal Pradesh	96%	-	52%	Meghalaya	96%	-	-
Assam	81%	-	-	Mizoram	100%	-	47%
Bihar	81%	-	51%	Nagaland	94%	-	37%
Chhattisgarh	88%	-	12%	Odisha	81%	41%	-
Delhi	-	-	40%	Puducherry	92%	-	-
Goa	50%	-	-	Punjab	84%	-	-
Gujarat	88%	-	9%	Rajasthan	80%	-	54%
Haryana	94%	-	33%	Sikkim	100%	-	15%
Himachal Pradesh	97%	70%	11%	Tamil Nadu	85%	-	19%
Jammu & Kashmir	42%	33%	9%	Telangana	68%	-	16%
Jharkhand	72%	7%	54%	Tripura	94%	-	-
Karnataka	63%	-	35%	Uttarakhand	77%	42%	9%
Kerala	93%	-	-	Uttar Pradesh	74%	27%	-
Madhya Pradesh	95%	-	-	West Bengal	95%	-	-
Maharashtra	68%	9%	6%	**All-India**	**80%**	**10%**	**16%**

Note: - refers to adequate or surplus of staff. Specialists include doctors such as surgeons, paediatricians, and OB & GY specialists.
Source: Health Dynamics of India, 2022-23, MoHFW; PRS.

Table 15: State-wise shortfall in health facilities in rural areas (as of 2022-23)

States/UTs	SCs			PHCs			CHCs		
	Required	Available	Shortfall (in %)	Required	Available	Shortfall (in %)	Required	Available	Shortfall (in %)
Andhra Pradesh	7,036	11,070	*	1,160	1,145	1	290	138	52
Arunachal Pradesh	347	390	*	53	127	*	13	56	*
Assam	6,598	4,692	29	1,076	920	14	269	176	35
Bihar	22,543	9,654	57	3,748	1,519	59	937	274	71
Chhattisgarh	5,493	5,138	6	870	773	11	217	166	24
Delhi	17	8	53	2	5	*	0	0	0
Goa	83	202	*	13	21	*	3	1	67
Gujarat	8,469	9,149	*	1,364	1,483	*	341	350	*
Haryana	3,500	2,521	28	583	384	34	145	100	31
Himachal Pradesh	1,395	2,102	*	230	549	*	57	98	*
Jammu & Kashmir	2,064	2,434	*	336	890	*	84	52	38
Jharkhand	7,071	3,863	45	1,127	308	73	281	188	33
Karnataka	7,978	8,762	*	1,310	2,132	*	327	182	44
Kerala	1,746	4,930	*	289	780	*	72	211	*
Madhya Pradesh	14,572	10,258	30	2,335	1,440	38	583	332	43
Maharashtra	14,290	10,740	25	2,328	1,906	18	582	261	55
Manipur	549	392	29	86	74	14	21	8	62
Meghalaya	852	463	46	128	122	5	32	28	13
Mizoram	183	308	*	27	57	*	6	9	*
Nagaland	388	443	*	58	128	*	14	8	43
Odisha	8,812	6,598	25	1,415	1,277	10	353	330	7
Punjab	3,575	2,857	20	595	397	33	148	84	43
Rajasthan	13,269	14,042	*	2,155	2,179	*	538	650	*
Sikkim	86	148	*	13	24	*	3	2	33
Tamil Nadu	7,188	8,713	*	1,194	1,419	*	298	385	*
Telangana	4,339	4,228	3	708	594	16	177	29	84
Tripura	639	956	*	100	110	*	25	18	28
Uttarakhand	1,530	1,779	*	253	532	*	63	49	22
Uttar Pradesh	36,069	25,723	29	6,004	3,055	49	1,501	939	37
West Bengal	13,170	12,506	5	2,167	910	58	541	347	36
All-India	**1,94,133**	**1,65,639**	**22**	**31,770**	**25,354**	**30**	**7,930**	**5,491**	**36**

Note: * refers to surplus of health facilities.
Sources: Health Dynamics of India 2022-23, Ministry of Health and Family Welfare; PRS.

Table 16: Maternal Mortality Ratio (deaths per lakh live births) in selected states (as of 2021-23)

States	MMR	States	MMR	States	MMR
Andhra Pradesh	30	Karnataka	68	Tamil Nadu	35
Assam	110	Kerala	30	Telangana	59
Bihar	104	Madhya Pradesh	142	Uttar Pradesh	141
Chhattisgarh	146	Maharashtra	36	Uttarakhand	91
Gujarat	51	Odisha	153	West Bengal	104
Haryana	89	Punjab	90	**All-India**	**88**
Jharkhand	54	Rajasthan	86		

Sources: Special Bulletin on MMR, 2021-23, Sample Registration System, September 2025; PRS.

Table 17: Estimated Infant Mortality Rate (deaths per thousand live births) (as of 2023)

States/UTs	IMR	States/UTs	IMR	States/UTs	IMR
Andhra Pradesh	19	Jammu and Kashmir	14	Punjab	17
Arunachal Pradesh	20	Jharkhand	29	Rajasthan	29
Assam	30	Karnataka	14	Sikkim	6
Bihar	23	Kerala	5	Tamil Nadu	12
Chhattisgarh	37	Madhya Pradesh	37	Telangana	18
Delhi	14	Maharashtra	14	Tripura	15
Goa	6	Meghalaya	34	Uttar Pradesh	37
Gujarat	20	Mizoram	13	Uttarakhand	20
Haryana	26	Nagaland	10	West Bengal	17
Himachal Pradesh	14	Odisha	30	**All-India**	**25**

Sources: Volume 58 No. [1], Sample Registration Survey Bulletin, September 2025; PRS.

Table 18: Cases of communicable and non-communicable diseases in selected states and UTs

States/UTs	Communicable disease	Non-communicable disease (as of 2022)			
	Tuberculosis (Nov, 2024)	Diabetes	Hypertension	Cardiovascular disease	Common cancers
Andhra Pradesh	69,371	4,24,884	3,73,322	11,397	703
Arunachal Pradesh	2,430	11,718	17,895	295	894
Assam	42,202	32,833	49,936	913	131
Bihar	1,67,193	7,81,534	6,12,054	11,125	69,387
Chandigarh	5,885	7,447	8,176	45	1
Chhattisgarh	32,526	3,95,822	3,68,505	9,972	1,28,238
Delhi	88,868	34,541	37,518	872	106
Goa	1,710	9,205	9,348	2,077	92
Gujarat	1,13,431	1,03,631	1,28,740	7,081	3,617
Haryana	73,703	97,628	1,09,876	2,990	1,649
Himachal Pradesh	13,429	21,913	37,050	426	3,800
Jammu & Kashmir	10,442	45,512	69,699	2,900	329
Jharkhand	53,213	1,12,357	1,04,492	2,492	1,733
Karnataka	65,186	85,089	1,06,566	7,656	7,009
Kerala	17,267	85,227	1,65,443	8,123	10,773
Madhya Pradesh	1,49,093	1,60,618	1,83,955	17,469	8,903
Maharashtra	1,86,706	1,86,802	2,47,755	13,591	8,972
Manipur	2,067	5,048	4,838	120	20
Meghalaya	3,890	4,412	12,045	72	1,379
Mizoram	1,985	4,390	7,207	7	239
Nagaland	3,419	3,584	8,257	688	578
Orissa	48,917	4,28,610	4,61,632	8,938	6,509
Punjab	49,739	1,96,389	2,34,219	8,859	7,034
Rajasthan	1,45,405	7,28,737	12,35,777	30,191	1,402
Sikkim	1,122	1,071	3,796	54	15
Tamil Nadu	77,820	3,94,522	6,37,770	11,152	3,748
Telangana	62,722	1,97,408	5,81,644	169	1,200
Tripura	2,760	15,762	39,068	657	146
Uttar Pradesh	5,63,573	6,32,712	4,91,114	21,825	4,481
Uttarakhand	24,984	24,653	30,475	729	95
West Bengal	83,962	8,20,606	10,95,502	33,491	9,639
All-India	**21,65,020**	**60,60,133**	**74,79,846**	**2,25,361**	**2,83,656**

Sources: *Unstarred Question No. [173]6, MoHFW, Rajya Sabha, December 10, 2024;
National Health Profile, 2023; PRS

Demand for Grants 2026-27 Analysis
Jal Shakti

Highlights

- Jal Jeevan Mission allocated Rs 67,670 crore in 2026-27, almost four times the revised estimate for 2025-26. So far, no funds have been released to states under the scheme in 2025-26.
- Underutilisation of funds seen in schemes like Swachh Bharat Mission - Gramin, Namami Gange, and PM Krishi Sinchai Yojana.
- About 75% of districts are water stressed/water scarce. Surface and groundwater pollution persists, despite improvements in recent years.

The Ministry of Jal Shakti is responsible for the development and maintenance of water resources in India.[1] It is also responsible for ensuring drinking water supply and sanitation in rural India.[1]

The Ministry has two Departments – the Department of Drinking Water and Sanitation (DDWS) and the Department of Water Resources, River Development, and Ganga Rejuvenation (DoWR).[1] DDWS is responsible for providing drinking water and sanitation facilities to rural India.[2] DoWR is responsible for setting policies for the conservation and management of water resources. It is also responsible for monitoring water resources, tackling water pollution, and addressing inter-state and transboundary water issues.[3]

This note analyses the expenditure by the Ministry of Jal Shakti and the implementation of key schemes. It also discusses some important issues related to water resources and their governance in India.

Overview of Finances

In 2026-27, the Ministry of Jal Shakti has been allocated Rs 94,808 crore, 5% lower than the budget allocation in 2025-26 (Rs 99,503 crore). Since 2017-18, the majority of the Ministry's budget has been allocated towards the DDWS, which implements the Jal Jeevan Mission (JJM) and the Swachh Bharat Mission - Grameen (SBM-G). However, in 2025-26, the revised estimate for spending on JJM is 75% less than the budget estimate. Spending on other key schemes has also been less at the revised stage in 2025-26, such as SBM-G (50% less than budget estimate), Pradhan Mantri Krishi Sinchai Yojana (20% less), and the river interlinking programme (25% less). This has caused the revised estimate for the Ministry's expenditure to be 58% less than the budget estimate.

Table 1: Budget allocation to the Ministry of Jal Shakti (in Rs crore)

Department	2024-25 Actual	2025-26 RE	2026-27 BE	% change from 25-26 RE to 26-27 BE
Drinking Water and Sanitation	25,853	23,031	74,895	225%
Of which,				
JJM	22,615	17,000	67,670	298%
SBM-G	3,613	6,000	7,192	20%
Water Resources	20,867	18,406	19,913	8%
Of which,				
PMKSY	6,501	6,922	7,137	3%
Namami Gange	2,976	2,,687	3,100	15%
River Interlinking	1,955	1,808	1,906	5%
ABY	594	613	0.13	-100%
Total	**46,720**	**41,437**	**94,808**	**129%**

Note: BE is budget estimate and RE is revised estimate.
Source: Demands for Grants 2026-27, Ministry of Jal Shakti; PRS.

Despite lower revised estimates of expenditure, the 2026-27 budget allocation for most schemes implemented by the Ministry is similar to the 2025-26 budget estimates.

Key Schemes

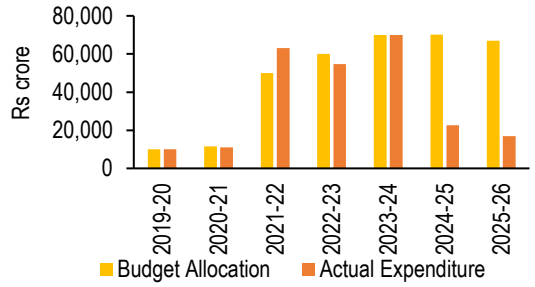
As of 2022, in India, 90% of water was used for irrigation, 7% for domestic purposes, and the rest for industrial use.[4] Domestic use include water for drinking, cooking, washing, and sanitation. The Ministry of Jal Shakti implements several schemes to provide sufficient water to meet these requirements.

Jal Jeevan Mission

The Jal Jeevan Mission (JJM), launched in 2019, aims to provide every rural household a functional tap connection (FHTC).[5] Initially implemented for the period from 2019-24, the scheme has been extended till December 2028.[6] Since 2021-22, allocation towards JJM has accounted for around 70% of the Ministry's total budget every year.

JJM has been allocated Rs 67,670 crore in 2026-27, 1% more than the budget estimate for 2025-26. In 2026-27, it is the second largest centrally sponsored scheme after the rural employment guarantee scheme. In 2025-26, the revised estimate for spending on the scheme (Rs 17,000 crore) is 75% less than the budget allocation (Rs 67,000 crore). This is the lowest expenditure on the scheme in any year since 2020-21. As per the Union Budget 2026-27, this can be explained by a lower requirement for grants-in-aid to state governments.[7] Actual expenditure was 68% less than budgeted in 2024-25.

Figure 1: Revised estimates of spending on JJM 75% lower than budgeted in 2025-26

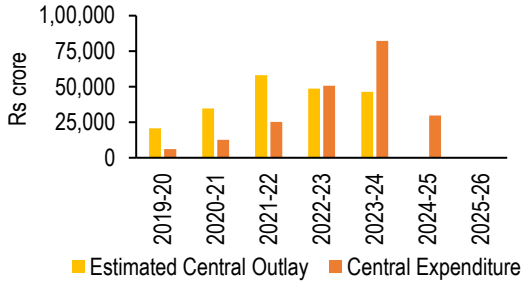


Note: Revised estimate taken as actuals for 2025-26.
Source: Demands for grants of various years, Ministry of Jal Shakti; PRS.

Cost overruns under the scheme

JJM is being implemented as a centrally sponsored scheme, where funding for projects is shared between the centre and the states/Union Territories (UTs).[8] It was launched with a total (centre and states) outlay of Rs 3.06 lakh crore.[8] It was estimated that the central government would spend Rs 2.09 lakh crore on the scheme, with all rural households provided an FHTC by March 2024.[8] This expenditure was estimated to increase from 2019-2022 and decrease thereafter. However, as of January 2025, the central government has allocated Rs 4.3 lakh crore for the scheme, and spent Rs 2.06 lakh crore.[9] During this time, 81% of rural households have FHTCs, against the target of 100%.[10]

Figure 2: Central outlay towards JJM was expected to taper down after 2024



Source: JJM Operational Guidelines, JJM Dashboard; PRS.

In 2020, the average cost per household under JJM was estimated to be at most Rs 47,000 (excluding a sub-scheme to provide solar-based water supply in isolated/tribal hamlets).[8] However, since 2023-24, the average cost of providing an FHTC to a household has crossed Rs 50,000.[9,10]

States have cited several reasons for delays in project implementation.[11] These include: (i) lack of dependable drinking water sources, (ii) geogenic contaminants in ground water, (iii) uneven geographical terrain, and (iv) poor technical capacity. States also observed increased raw material costs due to the COVID-19 pandemic and the Russia-Ukraine crisis.[12] They requested additional central support to meet these costs. In June 2022, the operational guidelines were amended for this purpose.[12] The amendment removed tender premium from the list of inadmissible expenses.[13] It also provided for additional approvals if the cost discovered through a tender process exceeded the estimated project cost.[13]

No central release under the scheme in 2025-26

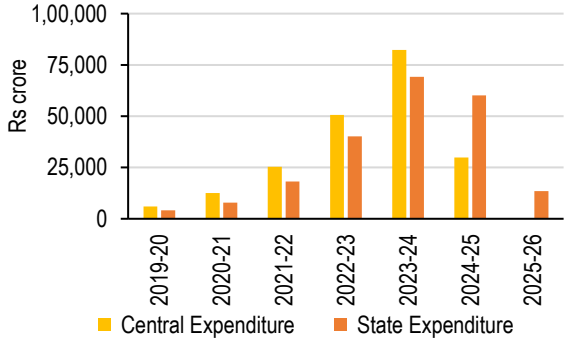
The JJM scheme was extended till 2028 under the Union Budget 2025-26.[6] However, no guidelines have been published for the extension of the scheme. As of February 3, 2026, the JJM information management system shows that no funds were allocated towards, or released to states in 2025-26 (see Table 2).[9] On February 2, 2026, the Ministry clarified in Rajya Sabha that no funds were allocated to states/UTs in 2025-26.[14] Rs 232 crore of central funds was spent during this time, drawn from unutilised funds released in previous years.[9]

Table 2: No central allocation or release to states under JJM in 2025-26

Year	Central Allocation	Central Release
2019-20	11,139	9,952
2020-21	23,033	10,918
2021-22	92,309	40,010
2022-23	1,00,790	54,742
2023-24	1,32,937	69,885
2024-25	69,927	22,540
2025-26	0	0

Source: JJM Dashboard; PRS.

Figure 3: State expenditure higher than central expenditure in 2024-25 and 2025-26



Source: JJM Dashboard; PRS.

The Ministry has stated that central grants to eligible states will be released only after the Union Cabinet's approval of the scheme extension and publication of guidelines.[6] As per the JJM mandate, central financial support to states would be provided until March 2024.[6] States would have to bear the financial liability for schemes approved beyond March 2024.[6] In line with this, state expenditure on the scheme has exceeded central expenditure since 2024-25.

Irregularities in scheme implementation

The Ministry of Jal Shakti noted that more than 17,000 complaints have been received by states/UTs regarding financial irregularities and poor quality of work under JJM.[15] As of July 2025, 140 districts were visited by officers, to conduct ground inspection of JJM projects.[12] Action has been taken

against departmental officials found guilty of wrongdoing, including inquiries, disciplinary action, lodging of FIRs, and suspension.[15]

Penalties have also been imposed and recovered.[16] As of December 2025, six states reported imposing penalties worth Rs 129 crore.[16] Out of this, 9% has been recovered (Rs 12 crore). This includes Rs 7 crore from Gujarat, Rs 4 crore from Rajasthan, and one crore rupees from Tripura. In addition, Rs 340 crore was recovered from contractors as liquidated damages (pre-determined compensation in case of breach of contract) in Uttar Pradesh.[16]

Functionality of FHTCs

In a 2024 assessment of JJM villages, it was found that tap water connections were working in 87% of households.[17] However, tap connections were fully functional in 76% of households.[17] This means that the: (i) household received at least 55 litres of water per person per day, (ii) water was supplied as per a pre-defined schedule, and (iii) water was free from contamination and met quality standards. Pump failures, damaged pipelines, and electricity issues were the most common reasons for tap connections not functioning.[17] The survey also noted that while user satisfaction was high (more than 80%), microbiological contamination of water was found in some areas.[17] See Table 9 for state-wise figures.

Swachh Bharat Mission (Grameen)

The Swachh Bharat Mission – Grameen (SBM-G) was launched in 2014, with the aim of ending open defecation (ODF).[18,24] In this phase (Phase-I), the focus was to provide all rural households access to toilets. Phase-II of the scheme was launched in 2020, to be implemented till 2024-25.[19] It aims to make all villages ODF Plus Model villages.[24] This involves three progressive stages (see Table 3).[20] In this phase, toilets will be built to cover newly emerging households, and those left uncovered in the previous phase.[24]

SBM-G has been allocated Rs 7,192 crore in 2026-27. The budget allocation for this scheme has remained the same in every year since 2022-23. Actual expenditure on the scheme has been less than the budget allocation in every year since 2018-19. In 2024-25, actual expenditure was Rs 3,613 crore, 50% less than the budget estimate. As per revised estimates, Rs 6,000 crore (17% less than budgeted) is expected to be spent on SBM-G in 2025-26.

Table 3: Stages of ODF Plus status

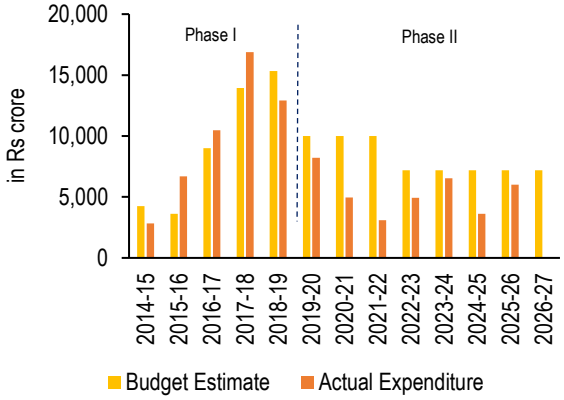
Type	Requirements for the village
ODF Plus Aspiring	Sustains ODF status and arranges for solid or liquid waste management
ODF Plus Rising	Sustains ODF status and arranges for solid and liquid waste management
ODF Plus Model	Sustains ODF status, arranges for solid and liquid waste management, observes visual cleanliness, and displays ODF Plus messages

Source: PIB; PRS.

Target achievement under SBM-G

By 2019, all villages in the country had declared themselves ODF-free.[18] However, the National Family Health Survey-5 recorded that 26% of rural households practised open defection (between 2019 and 2021).[21] As of January 2026, more than 12 crore household toilets have been built under SBM-G.[22]

Figure 4: Funds underutilised in SBM-G Phase II



Note: Revised estimate taken as actual for 2025-26.
Source: Union Budget documents; PRS.

5.86 lakh villages are covered under SBM-G.[22] Arrangements for solid waste management have been made in 90% of villages, and for liquid waste management in 93% of villages.[22] These include compost pits, community soak pits, sewers, closed drains, faecal sludge management systems, etc.[23] Along with individual household latrines, creation of community assets is also prioritised under SBM-G.[23]

Table 4: Community assets created under SBM-G

Asset	Number created (as of January 2026)
Sanitary Complexes	2,68,375
Compost Pits	12,24,872
Soak/leach/magic pits	23,12,141
Drainage facilities	14,43,325
Biogas plants (functional)	1,116
Faecal Sludge Management Plant	2,303
Plastic Waste Management Unit	2,297

Source: SBM-G Dashboard, accessed on January 8, 2026; PRS.

Once physical criteria are met, a village can declare itself ODF Plus at a Gram Sabha meeting.[23] Following this declaration, the district administration must complete its third-party verification within 90 days.[23] Subsequently, ODF Plus verification must be completed for the village annually.[23] As of January 2026, 97% of these villages were ODF Plus, and 84% were ODF Plus Model villages.[22] The first verification of Model status has been completed in 72% of villages, and the second verification in 29%.[22]

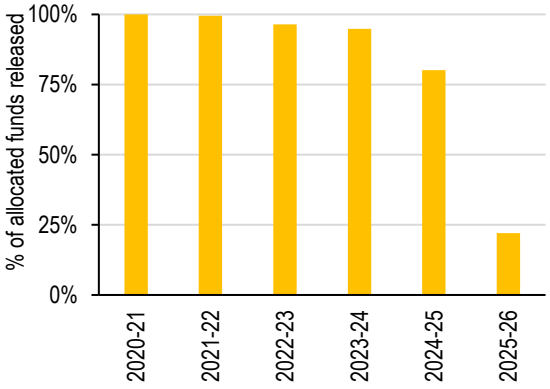
Slow release of funds

SBM-G is a centrally sponsored scheme, with the central and state governments contributing funds.[24] Additionally, funds are also expected to be obtained from Finance Commission grants, and revenue

generation models (especially for waste management).[24] Between 2014-15 and 2024-25, Rs 86,534 crore has been released by the centre to states.[25] The scheme was extended to 2025-26, to be financed by balance savings under the given outlay.[26] In 2023-24, seven states/UTs including Andhra Pradesh, Haryana, and Kerala did not receive any funds.[25] In 2024-25, this list included Chhattisgarh, Jharkhand, and Meghalaya.[25]

In May 2024, SNA-SPARSH, a new system for just-in-time release of funds to states was launched.[27] States were required to create infrastructure and train scheme implementing agencies to use this system. During this time, fund release under the previous route (through Single Nodal Accounts of states) was also stopped.[27] All states/UTs were required to move to the SPARSH platform before April 1, 2025.[28] Only thirteen states had shifted to SPARSH as of February 2025.[27] The Ministry cited delays in states adopting the new platform as a reason for delays in fund release to eligible states.[27] Lack of familiarity with the new system also led to low expenditure in those states which had shifted to SPARSH.[27]

Figure 5: RLB grants released to states decreased in 2024-25 and 2025-26



Note: Data for 2025-26 is as of December 2, 2025.
Source: Unstarred Question No. [144]0, Lok Sabha, December 9, 2025; PRS.

Under SBM-G, states are expected to utilise Finance Commission grants for rural local bodies (RLBs) as an additional source of funds.[23] Out of the cost for village-level solid and liquid waste management activities, and Community Sanitary Complexes, 30% is expected to be funded through this route.[23] However, states have faced difficulties in accessing RLB grants. This could be due to an inability to meet conditions attached to some grants, such as making audited accounts of local bodies available online.

The SBM-G guidelines also require the state government to provide an undertaking that funds earmarked for sanitation activities are being devolved to RLBs.[23] Fund release from the centre is contingent on this undertaking.[23]

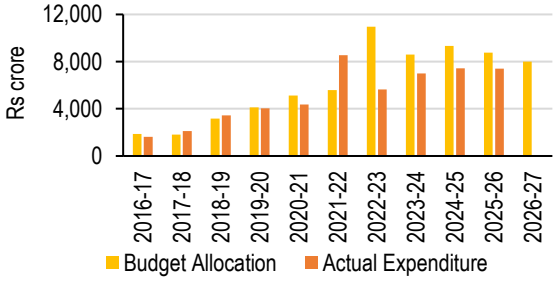
Financial assistance to build toilets needs revision

Under SBM-G, financial assistance of Rs 12,000 is given to households to build toilets.[23] The Standing Committee on Water Resources has, on multiple occasions, noted that this amount is insufficient. This cost was fixed based on a 2014 assessment, completed prior to the initial implementation of SBM-G.[26] The Committee (2025) has noted that the cost of construction materials and other inputs have increased substantially since 2014.[26] It recommended increasing the quantum of this incentive.[26]

Pradhan Mantri Krishi Sinchai Yojana

As of 2022-23, it is estimated that 56% of the net sown area in India is under irrigation.[29] The remaining agricultural land depends on rainfall for water. However, changes have been observed in rainfall patterns across the country.[30] About two-thirds of agricultural land is also drought-prone.[31] These factors enhance the need for irrigation, to ensure that sufficient water is available for farming. PMKSY was launched to increase the proportion of cultivable land under irrigation and improve water-use efficiency on farms.[32] Its second phase is being implemented from 2021-22 to 2025-26. Out of the four major components of the scheme, two are being implemented by the Ministry of Jal Shakti. These are the Accelerated Irrigation Benefit Programme (AIBP), and Har Khet Ko Pani (HKKP). AIBP (launched in 1996-97 and brought under PMKSY in 2016) focuses on the completion of major and medium irrigation projects.[33] HKKP focuses on minor irrigation and water body restoration.[33]

Figure 6: Budget allocation towards PMKSY has increased since 2016-17, but utilisation has fallen short (in Rs crore)



Note: Revised estimate taken as actuals for 2025-26. The flood management programme, irrigation census, and special package for Maharashtra have been separated from PMKSY in the budget documents from 2025-26. To maintain consistency with older data, actual expenditure for 2023-24, and all figures from 2024-25 have been adjusted to include these programmes. Excluding them, PMKSY has been allocated Rs. [7],137 crore for 2026-27.
Source: Budget documents of various years; PRS.

A total of Rs 59,344 crore has been allocated towards PMKSY between 2016-17 and 2025-26. Actual expenditure has been estimated to be 87% of this amount. Since 2023-24, expenditure on the scheme has been above 80% of the budget estimate.

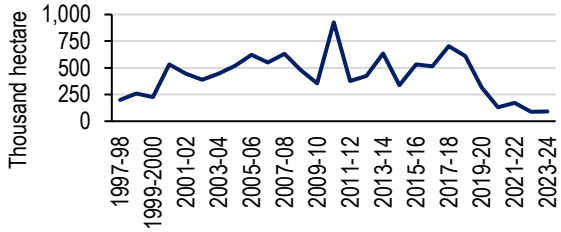
PMKSY is a Centrally Sponsored Scheme. Central assistance of Rs 28,743 crore has been released to states as of August 2025 (from 2016-17).[34]

Unmet targets under AIBP and HKKP

Between 2016-17 and 2023-24, 1.2 crore hectare of irrigation potential has been created under AIBP.[29] Irrigation potential refers to land that can be irrigated using available water resources. This is 78% of the AIBP's target for irrigation potential (1.5 crore hectare).[29] As of March 2025, 61% of projects under AIBP have been completed (66 out of 108).[34]

There are two major sub-components under HKKP – Surface Minor Irrigation (SMI) and Repair, Renovation, and Restoration of Water Bodies (RRR).[35] Under SMI, 3,160 out of 7,304 projects (43%) have been completed as of November 2024.[33] 1,661 out of 3,075 projects (54%) have been completed under RRR.[33] These projects have created 5.6 lakh hectare of irrigation potential, against a target of 14 lakh hectare.

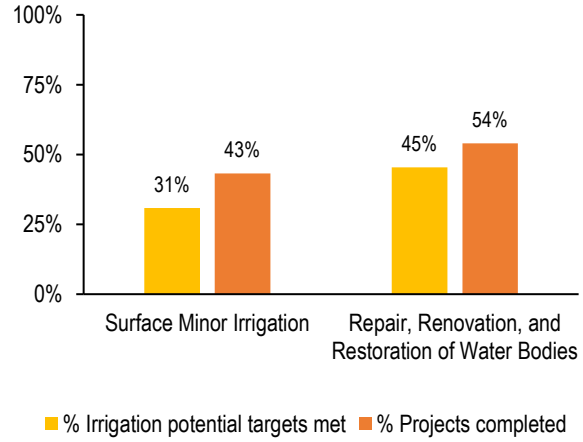
Figure 7: Irrigation potential created under AIBP decreased after 2017-18



Source: Agricultural Statistics at a Glance-2024; PRS.

Land acquisition has been highlighted as a major obstacle to the implementation of irrigation projects.[36] A CAG audit of AIBP found delays between one and 18 years.[37] Delays in obtaining statutory clearance and changes in the scope of work are other issues that have been identified.[37] These delays lead to cost overruns and leave targets unrealised.

Figure 8: Less than 50% target achievement under HKKP sub-components between 2015 and 2024



Source: Annual Report 2024-25, Department of Water Resources; PRS.

In April 2025, the Union Cabinet approved the Modernisation of the Command Area Development and Water Management (M-CADWM) programme for one year, 2025-26.[38] It aims to modernise the irrigation network, and improve micro-irrigation infrastructure.[39] It also aims to increase water use efficiency at the farm level. About 70,000 hectare is expected to be covered under the scheme. As of December 1, 2025, Rs 44 crore has been released to states under the scheme, against an allocation of Rs 883 crore (5%).[40]

Rehabilitation of dams

As of 2023, India had more than 6,000 large dams. The operation, maintenance and safety of dams is the responsibility of dam owners and states. Under the Dam Safety Act, 2021, all states are required to set up Dam Safety Committees and Dam Safety Organisations (DSO). As of December 2025, all states have set up these mechanisms. However, the CWC has noted a lack of uniformity in the functions or administration of DSOs. In most cases, they play an advisory role with few opportunities for proactive intervention in dam rehabilitation.

Since 2012, the Dam Rehabilitation and Improvement Project has been implemented to improve the safety and operational performance of selected dams. As of November 2025, Rs 1,931 crore has been spent on Phase II of the scheme (2021-2026), against a sanctioned outlay of Rs 5,107 crore. Major rehabilitation work has been completed at 31 dams.

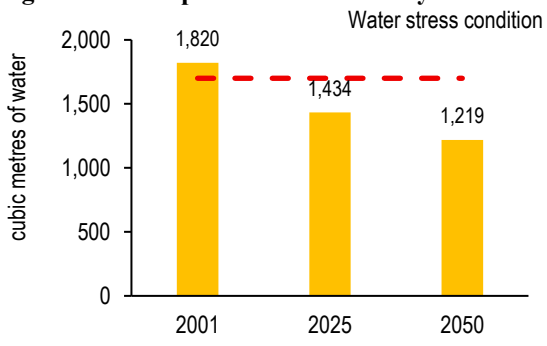
Source: National Dam Safety Authority; CWC; Unstarred Question No. 3084, Lok Sabha, December 18, 2025; PRS.

Availability and Quality of Water

India receives water from rivers, groundwater, and precipitation (rainfall and snowfall).[41] 61% of utilisable water is from surface water sources, and 39% from groundwater. The CWC has observed that while India is not a water-deficit country, severe neglect and lack of water resource monitoring have led some regions to experience persistent water stress.[42] In 2011, the per capita availability of water in India fell below 1,700 cubic metres, indicating a water-stress condition.

However, the level of water stress is not uniform across India. As per CWC estimates, 59% of districts (out of 727) are facing water scarcity in 2025, and 3% are facing absolute scarcity.[43] In 2050, 57% of districts are expected to face water scarcity, and 7% to face absolute scarcity.

Figure 9: Per capita water availability



Source: Central Water Commission; PRS

Table 5: Projected per capita water availability (number of districts)

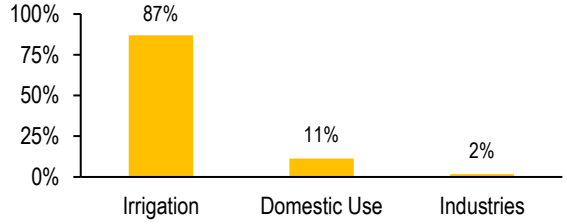
Condition	2025	2050
No Stress (>1700 m^3)	181	181
Stress (1000–1700 m^3)	95	86
Scarcity (500–1000 m^3)	430	411
Absolute scarcity (<500 m^3)	21	49

Source: India Climate and Energy Dashboard, NITI Aayog, accessed on January 4, 2026; PRS.

Groundwater stress

It has been estimated that 406 billion cubic metres of groundwater can be extracted annually in India.[44] As of 2025, the average groundwater extraction was 61%.[44] This figure was 32% in 1995.[44]

Figure 10: Almost 90% of extracted groundwater is used for irrigation



Source: Central Ground Water Board, data for 2024-25; PRS.

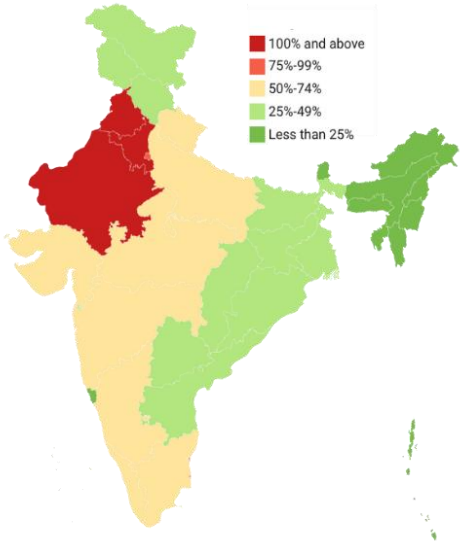
The Standing Committee on Water Resources (2023) noted that increased water demand, changes in rainfall patterns, and decentralised availability has led to a growing dependence on groundwater.[45] Consequently, there has been a severe depletion of groundwater reserves. In 2025, 11% of units were assessed to be over-exploited.[44] In three states, Delhi, Haryana, and Punjab, the stage of groundwater extraction crossed 100% (see Figure 11). This indicates that groundwater extraction in these blocks/taluks/mandals/states was higher than the annual recharge.

Water Use Efficiency

As about 90% of water is used for irrigation in India, an examination of water use in agriculture becomes important. Agricultural practices in India are water inefficient.[45] The water requirement to cultivate rice in India is 1,000-1,200 mm, as opposed to 550-650 mm in other Asian countries, like China and Vietnam.[45] Similarly, sugarcane requires 1,800-2,400 mm in India, and 1,059-1,640 mm in Brazil.[45]

The Standing Committee on Water Resources (2023) noted several policies that caused over-extraction and wastage of water.[45] These include free electricity supply for agricultural use, assured government procurement of crops, and fertiliser subsidies.[45] These policies incentivised the cultivation of water-intensive crops, such as rice and sugarcane, even in water-stressed parts of the country.[45]

Figure 11: Stage of groundwater extraction in states (as of 2025)



Note: Map created using Datawrapper.
Source: Dynamic Ground Water Resources of India, Central Ground Water Board; PRS.

Water Pollution

River pollution: The Central Pollution Control Board monitors and assesses the quality of river stretches across the country.[46] River stretches are classified into different priorities (I to V) based on the biological oxygen demand (BOD). The required standard for BOD is more than 3 mg/litre. In 2022-23, 804 out of 2,116 (38%) assessed river stretches (locations in a continuous sequence) were found to be polluted based on this criterion.[46] In 2019-21, 817 out of 1,920 monitored river locations did not meet this criterion.[47]

Table 6: Pollutants in river locations (2023)

Criterion (based on Primary Water Quality Criteria)	% of locations that did not meet the criteria
Dissolved Oxygen (> 5 mg)	26%
pH (between 6.5 and 8.5)	17%
BOD (< 3 mg/litre)	39%
Faecal Coliform (< 2,500)	23%

Source: Water Quality of Rivers 2023, National Water Quality Monitoring Programme, Central Pollution Control Board; PRS.

Groundwater contamination: Arsenic, fluoride, nitrates, uranium, manganese, and other heavy metals have been found in groundwater in India.[48] The Central Ground Water Board reported that in 2025, nitrate pollution was most widespread, followed by fluoride and high salinity.[49] While the report noted a decrease in the number of districts affected by pollutants like iron, arsenic, and uranium, no reasons for this decline were provided.[49] Groundwater contamination largely results from natural geological processes, and does not significantly change over the years.[50] However, pollution caused by nitrates, phosphates, and other pollutants are due to human activity. These can be caused by excessive use of fertilisers, and domestic wastewater discharge.[51] Industries, sewage disposal, and landfills also pollute

groundwater.[52] Over-extraction also causes increased salinity and electrical conductivity in aquifers, and may increase the presence of contaminants like fluoride and uranium.[53]

Table 7: Districts and states affected by the presence of contaminants in groundwater

Contaminant	2024		2025	
	Districts	States	Districts	States
Nitrate	443	23	506	26
Fluoride	263	20	261	24
Iron	356	25	173	20
Arsenic	118	20	47	10
Uranium	132	13	27	5

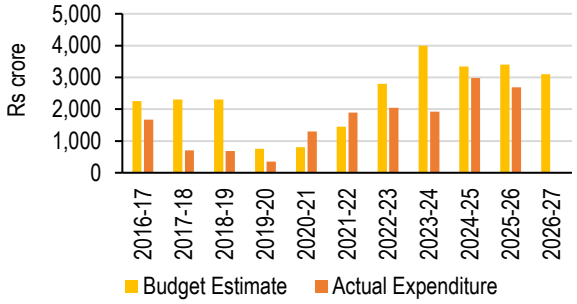
Source: Annual Ground Water Quality Report, 2024 and 2025, Central Ground Water Board; PRS.

Sewage Treatment: As of 2021, 72,368 MLD of sewage is generated by urban Indian households.[54] Existing sewage treatment capacitycan treat 44% of generated sewage. Further, about 15% of the treatment capacity is not operational.[54] Untreated sewage is released into water bodies, causing contamination. Several states have set targets for the safe reuse of treated water. Gujarat has set a target of 100% reuse by 2030.[54] In Karnataka, Gujarat, Haryana, and Tamil Nadu, industrial zones within a certain range of a sewage treatment plant must use treated water.[54]

Namami Gange

The Namami Gange programme aims to conserve and rejuvenate the Ganga and its tributaries.[55] Projects under the programme include river surface cleaning, creating sewerage treatment infrastructure, river-front development, industrial effluent monitoring, and public awareness.[55] It is implemented by the National Mission for Clean Ganga (NMCG).

Figure 12: Budget allocation for Namami Gange persistently underutilised

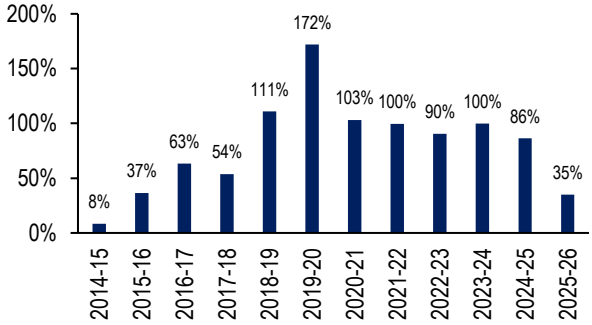


Note: Revised estimate taken as actual for 2025-26 and 2014-15.
Source: Budget documents of various years; PRS.

Funds remain underutilised

The Namami Gange scheme was initially approved with a budget outlay of Rs 20,000 crore between 2014 and 2021.[55] It was later extended for the period from 2021 to 2026, with a budgetary outlay of Rs 22,500 crore.[33] Between 2014-15 and 2025-26, Rs 30,096 crore has been allocated towards this scheme. Actual expenditure on the scheme during this time was about Rs 18,842 crore (as of March 2025).

Figure 13: Funds disbursed by the NMCG (2014-26) as % of revised estimate



Note: Until 2022-23, unspent amounts from previous years were carried forward and disbursed in later years.
Source: Unstarred Question No. 1688, Rajya Sabha, December 15, 2025; PRS.

Projects under the Namami Gange programme are implemented by various central and state departments, such as the Department of Drinking Water and Sanitation, State Missions for Clean Ganga, and state forestry departments.[33,56] Funds for these projects are disbursed by the NMCG. From 2014-15 to 2025-26, Rs 20,430 crore has been disbursed by the NMCG, against an estimate of Rs 26,825 crore (76%).[56]

Water pollution in the Ganga

As per the Central Pollution Control Board, all assessed locations along the river Ganga meet the notified bathing criteria with respect to pH and dissolved oxygen.[56] Norms for biochemical oxygen demand have not been met in stretches in Uttar Pradesh, and for faecal coliform in Bihar, Uttar Pradesh, and West Bengal.[56] Between 2018 and 2025, the condition of polluted river stretches has improved in Uttarakhand, Uttar Pradesh, and West Bengal. Marginal pollution remains in Bihar.[56] The Public Accounts Committee (PAC) (2024) identified industrial effluents and sewage waste to be the main sources of pollution in the Ganga.[57] More than 2,700 industries situated on the Ganga are grossly pollution industries.[57] The PAC (2024) found that more than 450 of these industries did not comply with norms related to the discharge of effluents into the river.[57]

Sewage Treatment Capacity targets not achieved

The National Mission for Clean Ganga targets a sewage treatment capacity of 7,000 million litre per day (MLD) around the Ganga by December 2026.[58] As of December 2025, 138 sewage infrastructure projects have been completed, with a total capacity of 3,806 MLD.[56] This accounts for 58% of the targeted capacity. Identification of suitable land, obtaining statutory clearances, and abnormal floods have been cited as reasons for delays in project completion.[59,60]

Issues in project management

The Public Accounts Committee has noted several issues related to the management of projects implemented under Namami Gange.[57] These include: (i) low utilisation of funds, (ii) delays in submission

of utilisation certificates by states, (iii) delays in approving project reports, and (iv) poor record maintenance.[57] The Committee also noted that while significant funds had been spent on advertising, public engagement was not achieved as desired. The Committee observed that the work done under the programme was not proportionate to funds released by the NMCG.[57]

Atal Bhujal Yojana

Atal Bhujal Yojana (ABY) aims to improve groundwater management in seven water stressed states through community-led interventions.[61] It is being implemented for a six-year period (2020-26) with a total outlay of Rs 6,000 crore.[62] These funds have been allocated towards institutional strengthening, capacity building, and state incentives. This includes incentives for transparent planning and use of ground water.[62]

Between 2020 and 2025, 67% of the total outlay (Rs 4,044 crore out of Rs 6,000 crore) has been released to states under ABY.[62] Of the total outlay (Rs 3,572 crore), 60% has been utilised by states.[62] Across states, expenditure has remained above 70% of released funds.[62] As of January 2026, targets have been met in most components, except training and improving the rate of groundwater decline.[62] See Table 12 in the Annexure for details on the achievement of targets under ABY.

In 2023, the Standing Committee had recommended that the scheme be expanded to all water stressed areas of the country.[63] In 2025, the Department of Water Resources indicated that 'in-principle' approval was accorded for the expansion of the scheme.[59] This would cover five additional states, with an outlay of Rs 8,200 crore.[59] The scheme may also be restructured into a Centrally Sponsored Scheme.[59] The scheme has been allocated Rs 13 lakh in 2026-27.

Jal Shakti Abhiyan

The Jal Shakti Abhiyan (JSA) was launched in 2019, aiming to improve water availability in water-stressed districts.[33] It is implemented during the pre-monsoon and monsoon season (July-November). It involves the creation of rain water structures, enumeration and geo-tagging of water bodies, preparing scientific plans for water conservation, and afforestation.[33] State governments are also required to set up 'Jal Shakti Kendras' in every district headquarter. No separate funding has been provided for this scheme. It relies on converging funding from other schemes like MGNREGS, PMKSY, and the Atal Mission for Rejuvenation and Urban Transformation. As of July 2025, 1.8 crore water-related works have been taken up.[64]

River Inter-linking

The National Perspective Plan (1980) identified 30 inter-basin water transfer projects.[65] These projects aim to link water-deficit river basins with water-surplus basins. Five of these have been designated as priority projects.[66] As of December 2025, only one of these projects is under implementation – the Ken-Betwa Link Project (KBL).[66] As of July 2025, Rs 11,380 crore has been spent on the project, of which Rs 8,612 crore was spent by the central government.[67] The tender for the Daudhan Dam under KBL was awarded in November 2024. The river interlinking project has been allocated Rs 1,906 crore in 2026-27, 5% higher than the revised estimate for 2025-26. In 2025-26, 75% of the budget allocation (Rs 2,400 crore) is estimated to have been utilised. This figure was 57% in 2024-25, and 40% in 2023-24.

River inter-linking projects are expected to increase India's irrigation potential by 35 million hectare, and generate an additional 34,000 MW of hydropower.[68] Other incidental benefits include flood control, navigation, improved water supply, fisheries, etc.[68] However, environmental impact assessments of these projects have raised certain concerns.[69] For instance, the assessment of the Ken-Betwa link noted adverse impacts on local biodiversity, forest cover, land submergence, and changes in river characteristics.[69] Mitigation measures such as afforestation, erosion control, pollution control, and habitat improvement have been recommended.[69]

Another key challenge in inter-linking projects is building state consensus.[66] States have raised concerns about the allocation of water following inter-state projects.[66] This could affect their capacity for irrigation and power generation.[66]

Water governance in India

In India, the responsibility of managing water resources is shared across three levels of government.[70] Local governments are responsible for providing water for domestic and commercial uses, and maintaining community assets.[70] States are responsible for creating water storage structures, irrigation facilities, and managing water supply.[70] The central government is responsible for the development of water as a national resource. It formulates policies for water management.[3] Currently, the National Water Policy, 2012 is in effect.[3] Given growing challenges such as river pollution, groundwater depletion, and water scarcity, a Committee was constituted to revise the policy in 2019.[71] However, no new water policy has been adopted yet.

The 2012 policy identified several issues related to water governance.[72] These include: (i) fragmented implementation of water resource projects, (ii) treatment of groundwater as individual property, and (iii) lack of trained personnel for scientific planning of water management. It also observed that an inter-disciplinary approach to solving water-related problems was missing.[72] The policy established some basic principles for water governance in the country. It recommended that water be managed as a common pool community resource.[72] All elements of the water cycle, including surface water, groundwater, and precipitation are interdependent.[72] Water

management must be approached with an integrated perspective, with a river basin as the basic unit.[72]

National Water Mission: The National Water Mission (NWM) was established under the National Action Plan on Climate Change in 2008.[33] It aims to promote integrated water resource management across states.[33] The NWM provides grants to states to formulate State Specific Action Plans (SSAP) for the water sector.[61] Rs 50 lakh is being provided to major states, and Rs 30 lakh to minor states.[61] As of December 2025, three states have finalised their plans.[61] Sixteen states have submitted interim reports, and all other states have submitted draft reports.[61] One of the expected outcomes of the SSAP is to formulate annual state water budgets.[73] This involves calculating all water inputs and offsetting them against water outputs.[74] This is a critical component of water resource planning, and flood/drought mitigation. In 2026-27, Rs 243 crore has been allocated towards research and development and implementation of the National Water Mission.

Transboundary River Agreements

India and her neighbours have signed several treaties and agreements for mutually beneficial use of water resources. These treaties also provide for data sharing, establishing hydroelectric projects and advance warning of floods. Some of these are listed in the table below.

Table 8: Water treaties/agreements signed by India

Country	Treaty/Agreement
Pakistan	Indus Waters Treaty, 1960
Nepal	Kosi Agreement, 1954, Gandak Agreement, 1959, Mahakali Treaty, 1996
Bangladesh	Ganga Water Treaty, 1996

Source: PIB; PRS.

However, several issues with these agreements have been observed. The Standing Committee on External Affairs (2025) noted that while India and Bangladesh share 54 transboundary rivers, agreements have been signed for only three.[75] Further, discussions on the Ganga Water Treaty, set to expire in 2026, have not yet commenced.[75] Memoranda of Understanding signed with China on the Brahmaputra and the Sutlej have expired, and are being renegotiated.[33]

Due to geo-political tensions between India and Pakistan, India suspended the Indus Water Treaty in May 2025.[76] The treaty has been held in abeyance since.

Disaster Management

Floods

Floods may be caused by natural factors, such as geography, heavy rainfall, snowmelt, and coastal storms.[77] Changes in the frequency and intensity of rainfall due to climate change can also cause floods.[77] Human activities like deforestation, rapid urbanisation, and poor agricultural practises also worsens the severity of floods.[77] It is estimated that about 15% of India's land area is flood-prone.[78,77] Bihar, Uttar Pradesh, and Assam are affected by floods in the Ganga-Brahmaputra basin.[77] Coastal states like Odisha, West Bengal, and Andhra Pradesh are also affected.[77] Uttarakhand and Himachal Pradesh, and north-eastern states are prone to cloud burst and subsequent floods.[79]

Currently, there is a two-tier system for flood management in India.[80] As per the Constitution, flood and erosion management are responsibilities of states.[80] State water resource departments, technical advisory committees, and flood control boards are part of the state-level mechanism.[80] The centre provides technical assistance and financial support for flood management.[33] The CWC provides flood forecasting services.[33] As of 2025, CWC operates 340 forecasting stations with 1,121 automatic data collection stations.[33] The National Disaster Management Authority also formulates policies and guidelines for flood response and mitigation.[81]

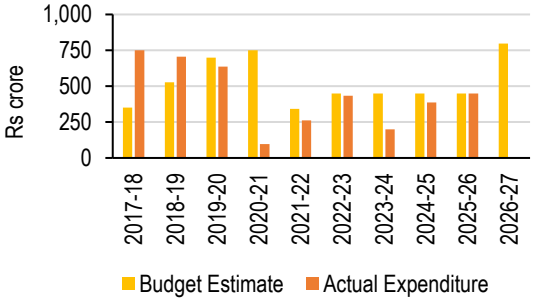
In 2022, the Standing Committee on Water Resources noted that the responsibility for flood management was compartmentalised.[82] It recommended that a National Integrated Flood Management Group be set up. This body, comprising Union and state ministers, would coordinate between all agencies responsible for flood management.[82]

The Flood Management and Border Areas Programme (FMBAP) was launched in 2017-18, and extended up to 2025-26.[33] FMBAP provides central assistance to states to take up works related to flood control, anti-erosion, drainage development, flood proofing, river management, etc.[33] In 2026-27, Rs 797 crore has been allocated towards the scheme, 77% higher than the budget estimate for the previous four years (Rs 450 crore in each year).

Funds underutilised

The Standing Committee on Water Resources (2025) noted that the budget for FMBAP has been under-utilised in 2023-24 and 2024-25.[83] It observed that given the impending challenges that floods pose to the country, underutilisation of the budget would undermine FMBAP's objectives.[83]

Figure 14: Allocation towards FMBAP increased by 77% in 2026-27

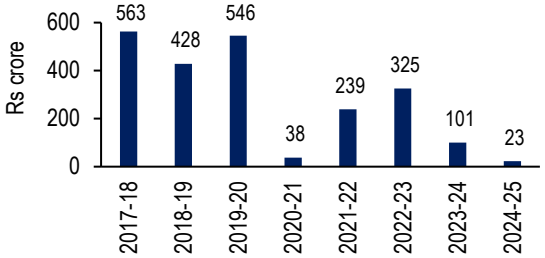


Note: Revised estimate taken as actual for 2025-26.
Source: Union Budget documents; PRS.

The Ministry (2025) noted that flood management works are generally taken up after the monsoon period. As a result, requests for central assistance from states were received later in the financial year.[83] Release of funds is also dependent on receiving technically and financially viable proposals from

states. The National Water Policy 2012 recommended that flood preparedness should be emphasised, while taking necessary measures to avert water disasters.[72] In 2024-25, only Arunachal Pradesh received funds under FMBAP.[33] In 2023-24, five states received funds, including Manipur (Rs 62 crore), Himachal Pradesh (Rs 30 crore), and Assam (seven crore rupees).[33] Nagaland and Jammu and Kashmir also received Rs 50-80 lakh.

Figure 15: Funds released to states under FMBAP



Source: Annual Report 2024-25, DoWR; PRS.

The Standing Committee (2025) and the Public Accounts Committee (2024) have observed delays in implementing projects under the scheme.[59,84] The Standing Committee noted that 30 projects from 2007-2017 were still ongoing.[59] The PAC noted delays between 10 months and 13 years due to delays in the approval of project reports.[84] The PAC also noted that due to these delays, technical designs become obsolete by the time funding is released.

Glacial Outburst

As glaciers melt, water collects behind moraine dams (accumulations of ice, sand, pebbles, etc.), forming glacial lakes.[85] When these dams break, water is released downstream, causing floods. Climate change has led to glacial retreat, and the formation of new glacial lakes.[85] In 2024-25, 47 dams were found likely to be affected by glacial outburst floods.[33] Between 2009 and 2020, the Central Water Commission found 21 glacial lakes with significant increase in water spread.[86]

The National Glacial Lake Outburst Flood Risk Mitigation Programme was approved in August 2024, with a total outlay of Rs 150 crore.[87] It aims to support four states to take up glacial lake outburst flood mitigation efforts.[88] This includes creating scientific inventories of glacial lakes and installing early warning systems.[88] Rs 135 crore will be provided through the National Disaster Mitigation Fund, the remaining will be contributed by states. As of July 2025, Rs 28 crore has been released from the central share.[88]

Glacial Lake Outburst Floods in Sikkim

In 2023, South Lhonak Lake, a glacial lake situated in Sikkim ruptured and caused flash floods.[89] Continuous rainfall, and an avalanche in the ice-capped feature surrounding the lake caused the floods. The Teesta river flooded, affecting four districts of Sikkim.[89] It also caused the Chungthang Hydro-dam on the river to breach. The South Lhonak lake has been expanding over the years, due to increased ice-melt.[89] This, along with seismic activity in the area, has made the lake susceptible to ruptures.

[1] Introduction, Department of Water Resources, River Development, and Ganga Rejuvenation, Ministry of Jal Shakti, accessed on January 20, 2025, https://jalshakti-dowr.gov.in/about-department/introduction/.

[2] About DDWS, Department of Drinking Water and Sanitation, Ministry of Jal Shakti, accessed on January 20, 2025, https://jalshakti-ddws.gov.in/en.

[3] About the Department, Department of Water Resources, River Development, and Ganga Rejuvenation, Ministry of Jal Shakti, accessed on January 20, 2025, https://jalshakti-dowr.gov.in/.

[4] AQUASTAT, Food and Agriculture Organisation, accessed on January 22, 2025, https://data.apps.fao.org/aquastat/?lang=en.

[5] Guidelines for Implementation of Nal Jal Mitra Programme, Jal Jeevan Mission, Ministry of Jal Shakti, October 16, 2024, https://jaljeevanmission.gov.in/sites/default/files/guideline/Nal-Jal-Mitra-Guidelines.pdf.

[6] Unstarred Question No. 88, Ministry of Jal Shakti, Rajya Sabha, December 1, 2025, https://sansad.in/getFile/annex/269/AU88_oEILd7.pdf?source=pqars.

[7] Statement of Major Variations of Expenditure between BE 2025-26 and RE 2025-26, Union Budget Expenditure Profile 2026-27, February 1, 2026, https://www.indiabudget.gov.in/doc/eb/stat2a.pdf.

[8] Operational Guidelines for the Implementation of Jal Jeevan Mission Har Ghar Jal, Ministry of Jal Shakti, January 1, 2020, https://jaljeevanmission.gov.in/sites/default/files/guideline/JJM_Operational_Guidelines.pdf.

[9] State wise Allocation, Release, Expenditure, Financial Progress under JJM, Jal Jeevan Mission Dashboard, accessed on January 4, 2026, https://ejalshakti.gov.in/JJM/JJMReports/Financial/JJMRep_StatewiseAllocationReleaseExpenditure.aspx.

[10] Jal Jeevan Mission Dashboard, Ministry of Jal Shakti, accessed on January 4, 2026, https://ejalshakti.gov.in/jjmreport/JJMIndia.aspx.

[11] Starred Question No. 269, Lok Sabha, Ministry of Jal Shakti, August 7, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AS269_vJ56Sl.pdf?source=pqals.

[12] Unstarred Question No. 900, Lok Sabha, Ministry of Jal Shakti, July 24, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU900_p6zGnD.pdf?source=pqals.

[13] Amendments in Operational Guidelines for the implementation of Jal Jeevan Mission – 2019, F. No. W-11016/10/2022-JJM-IV-DDWS, Department of Drinking Water and Sanitation Ministry of Jal Shakti, June 21, 2022, https://jaljeevanmission.gov.in/sites/default/files/guideline/amendments-clarifications-in-operational-guidelines-jjm.pdf.

[14] Unstarred Question No. 257, Rajya Sabha, Ministry of Jal Shakti, February 2, 2026, https://sansad.in/getFile/annex/270/AU257_acQRhu.pdf?source=pqars.

[15] Unstarred Question No. 1946, Lok Sabha, Ministry of Jal Shakti, December 11, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU1946_VQ3PeE.pdf?source=pqals.

[16] Unstarred Question No. 273, Lok Sabha, Ministry of Jal Shakti, December 18, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AS273_AwFW66.pdf?source=pqals.

[17] Functionality Assessment of Household Tap Connection, 2024, Department of Drinking Water and Sanitation, Ministry of Jal Shakti, https://jaljeevanmission.gov.in/sites/default/files/2025-12/FHTC_National%20Report%202024.pdf.

[18] 'Year End Review – Department of Drinking Water and Sanitation', Press Information Bureau, Ministry of Jal Shakti, January 1, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2210554&reg=3&lang=2.

[19] 'Cabinet Approves Swachh Bharat Mission (Grameen) Phase-II', Press Information Bureau, Cabinet, February 19, 2020, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1603628&reg=3&lang=2.

[20] 'Criteria to Declare ODF Plus Villages', Press Information Bureau, Ministry of Jal Shakti, July 25, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2036953.

[21] Table 2.2, National Family Health Survey-5, https://dhsprogram.com/pubs/pdf/FR375/FR375.pdf.

[22] Swachh Bharat Mission (Grameen) 2.0 Dashboard, accessed on January 8, 2026, https://sbm.gov.in/sbmgdashboard/statesdashboard.aspx.

[23] Swachh Bharat Mission (Grameen) Phase II Operational Guidelines, Ministry of Jal Shakti, 2020, http://lsba.bih.nic.in/LSBAPayment/sbmj/Notice/SBM-%20Phase-2%20Guidelines.pdf.

[24] Annual Report 2024-25, Department of Drinking Water and Sanitation, Ministry of Jal Shakti, https://master-jalshakti-ddws.digifootprint.gov.in/static/uploads/2024/02/614b0cff81f03b80d09eaadc5303cbf1.pdf.

[25] Unstarred Question No. 844, Lok Sabha, Ministry of Jal Shakti, December 4, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU884_9wdqer.pdf?source=pqals.

[26] Report No. 6, Standing Committee on Water Resources: 'Action Taken by the Government on the Observations/Recommendations contained in the First Report (18th Lok Sabha) on Demands for Grants (2024-25) of the Ministry of Jal Shakti, August 11, 2025, https://sansad.in/c6dd3f0f-124f-44d2-9983-acc51c6188d7.

[27] Report No. 8, Standing Committee on Water Resources: 'Action Taken by the Government on the Observations/Recommendations contained in the Third Report (18th Lok Sabha) on Demands for Grants (2025-26) of the Ministry of Jal Shakti, August 11, 2025, https://sansad.in/getFile/lsscommittee/Water%20Resources/18_Water_Resources_8.pdf?source=loksabhadocs.

[28] F. No. 1(27)/PFMS/2020, PFMS Division, Department of Expenditure, Ministry of Finance, Government of India, December 17, 2024, https://doe.gov.in/files/circulars_document/OM_5.pdf.

[29] Agriculture Statistics at a Glance 2024, Ministry of Agriculture and Farmers Welfare, https://desagri.gov.in/wp-content/uploads/2025/11/Agricultural-Statistics-at-a-Glance-2024_%E0%A4%95%E0%A5%83%E0%A4%B7%E0%A4%BF-%E0%A4%B8%E0%A4%BE%E0%A4%82%E0%A4%96%E0%A5%8D%E0%A4%AF%E0%A4%BF%E0%A4%95%E0%A5%80-%E0%A4%8F%E0%A4%95-%E0%A4%9D%E0%A4%B2%E0%A4%95-2024.pdf.

[30] 'Rainfall Pattern', Press Information Bureau, Ministry of Earth Sciences, July 26, 2023, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1942905&reg=3&lang=2.

[31] Chapter 9, Agriculture and Food Management: Sector of the Future, Economic Survey 2024-25, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap09.pdf.

[32] About PMKSY, Pradhan Mantri Krishi Sinchayee Yojana, accessed on January 9, 2026, https://www.pmksy.gov.in/AboutPMKSY.aspx.

[33] Annual Report 2024-25, Department of Water Resources, Ministry of Jal Shakti, https://www.jalshakti-dowr.gov.in/static/uploads/2024/05/fc00cd887135cf39b2005ccf1539e0e5.pdf.

[34] Unstarred Question No. 2808, Rajya Sabha, Ministry of Jal Shakti, August 18, 2025, https://sansad.in/getFile/annex/268/AU2808_Uj2WID.pdf?source=pqars.

[35] 'Cabinet approves inclusion of Kosi Mechi Intra-State Link Project of Bihar under PMKSY-AIBP', Press Information Bureau, Cabinet Committee on Economic Affairs, March 28, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2116177&reg=3&lang=2.

[36] Pradhan Mantri Krishi Sinchayee Yojana, Press Information Bureau, Ministry of Jal Shakti, July 24, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2147696&reg=3&lang=2.

[37] Report No. 22, Report of the Comptroller and Auditor General of India on Accelerated Irrigation Benefits Programme, 2018, https://cag.gov.in/uploads/download_audit_report/2018/Report_No_22_of_2018_Accelerated_Irrigation_Benefits_Programme_Ministry_of_Water_Resources_River_Development.pdf.

[38] Starred Question No. 1, Rajya Sabha, Ministry of Jal Shakti, December 1, 2025, http://sansad.in/getFile/annex/269/AS1_QQ4T3t.pdf?source=pqars.

[39] 'Cabinet approves Modernisation of Command Area Development and Water Management as a sub-scheme of Pradhan Mantri Krishi Sinchayee Yojana for the period 2025-26', Press Information Bureau, Ministry of Jal Shakti, April 9, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2120362&reg=3&lang=2.

[40] "Modernisation of Command Area Development and Water Management", Press Information Bureau, Ministry of Jal Shakti, December 1, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2197174&reg=3&lang=1.

[41] Water and Related Statistics-2021, Central Water Commission, October 2021, https://cwc.gov.in/sites/default/files/water-and-related-statistics-2021compressed-2.pdf.

[42] Reassessment of Water Availability in India using Space Inputs, Central Water Commission, 2019, https://cwc.gov.in/sites/default/files/main-report.pdf.

[43] India Climate and Energy Dashboard, NITI Aayog, accessed on January 4, 2026, https://iced.niti.gov.in/climate-and-environment/water/per-capita-water-availability.

[44] National Compilation on Dynamic Ground Water Resources of India 2025, Central Ground Water Board, December 2025, https://cgwb.gov.in/cgwbpnm/download/1741.

[45] Groundwater: A Valuable but Diminishing Resource, Report 22, Standing Committee on Water Resources, March 2023, https://sansad.in/getFile/lsscommittee/Water%20Resources/17_Water_Resources_22.pdf?source=loksabhadocs.

[46] Polluted River Stretches for Restoration of Water Quality, Central Pollution Control Board, October 2025, https://cpcb.nic.in/openpdffile.php?id=UmVwb3J0RmlsZXMvMTc3N18xNzYwNjgxNDA4X21lZGlhcGhvdG80MzkyLnBkZg==.

[47] Polluted River Stretches for Restoration of Water Quality - 2022, Central Pollution Control Board, November 2022, https://cpcb.nic.in/openpdffile.php?id=UmVwb3J0RmlsZXMvMTQ5NF8xNjcxNzc3ODg2X21lZGlhcGhvdG8xODc0Ni5wZGY=.

[48] Extracts from the Annual Ground Water Quality Report, Central Ground Water Board, https://cgwb.gov.in/cgwbpnm/public/uploads/documents/17648336335318474 33file.pdf.

[49] Annual Ground Water Quality Report, Central Ground Water Bureau, 2025, https://cgwb.gov.in/cgwbpnm/public/uploads/documents/1762854375262680475file.pdf.

[50] 'Ground Water Pollution', Press Information Bureau, Ministry of Jal Shakti, December 2, 2021, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1777262&reg=3&lang=2.

[51] Unstarred Question No. 1125, Ministry of Environment, Forest and Climate Change, February 8, 2019, https://eparlib.nic.in/bitstream/123456789/807070/1/AU1125.pdf.

[52] Concept Note on Geogenic Contamination of Ground Water in India, Central Ground Water Board, February 2024, https://cgwb.gov.in/cgwbpnm/public/uploads/documents/16860557107485313 99file.pdf.

[53] Annual Ground Water Quality Report, Central Ground Water Bureau, 2024, https://cgwb.gov.in/cgwbpnm/public/uploads/documents/17363272771910393216file.pdf.

[54] National Frameworks on Safe Reuse of Treated Water, Namami Gange, November 2022, 32_SRTW Framework_Final_23_11_2021 (1).pdf.

[55] Namami Gange Programme, Ministry of Jal Shakti, accessed on January 6, 2025, https://nmcg.nic.in/NamamiGanga.aspx.

[56] Unstarred Question No. 1688, Rajya Sabha, Ministry of Jal Shakti, December 15, 2025, https://sansad.in/getFile/annex/269/AU1688_AoDiMq.pdf?source=pqars.

[57] Report No. 125, Public Accounts Committee: "Rejuvenation of River Ganga (Namami Gange)", Lok Sabha, February 23, 2024, https://sansad.in/getFile/lsscommittee/Public%20Accounts/17_Public_Accounts_125.pdf?source=loksabhadocs.

[58] 'National Mission for Clean Ganga Targets Cumulative Sewerage Treatment Capacity of 7,000 MLD by December, 2026', Press Information Bureau, Ministry of Jal Shakti, December 14, 2023, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1986271.

[59] Report No. 7: 'Action Taken by the Government on the Observations/Recommendations contained in the Second Report (18th Lok Sabha)', Standing Committee on Water Resources, August 11, 2025, https://sansad.in/getFile/lsscommittee/Water%20Resources/18_Water_Resources_7.pdf?source=loksabhadocs.

[60] 'Targets achieved under Namami Gange Mission', Press Information Bureau, July 31, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2150716&reg=3&lang=2.

[61] 'Year End Review 2024: Department of Water Resources, River Development, and Ganga Rejuvenation', Press Information Bureau, Ministry of Jal Shakti, January 25, 2025, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2096022.

[62] Atal Bhujal Yojana Dashboard, accessed on January 6, 2025, https://ataljal-mis.mowr.gov.in/Dashboard/Dashboard?clear=1724931558704.

[63] Report No. 20, Committee on Water Resources: "Action Taken by the Government on the Observations / Recommendations contained in the Twentieth Report (Seventeenth Lok Sabha) of the Standing Committee on Water Resources", August 9, 2023, https://sansad.in/getFile/lsscommittee/Water%20Resources/17_Water_Resources_24.pdf?source=loksabhadocs.

[64] Unstarred Question No. 737, Lok Sabha, Ministry of Jal Shakti, July 24, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU737_cQhfL5.pdf?source=pqals.

[65] Unstarred Question No. 1098, Lok Sabha, Ministry of Jal Shakti, February 8, 2024, https://sansad.in/getFile/loksabhaquestions/annex/1715/AU1098.pdf?source=pqals.

[66] 'Interlinking of rivers progress, clearances, and funding', Press Information Bureau, Ministry of Jal Shakti, December 15, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2204097&reg=3&lang=1.

[67] Ken-Betwa Link Project, National Water Development Authority, accessed on January 15, 2026, https://nwda.gov.in/upload/Ken-Betwa%20Link%20Project%20.pdf.

[68] Note on interlinking of rivers projects in the Country Details and status, National Water Development Agency, accessed on January 28, 2025, https://nwda.gov.in/upload/uploadfiles/files/Note-on-interlinking-of-rivers-projects-in-the-Country.pdf.

[69] Starred Question No. 1, Lok Sabha, Ministry of Environment, Forest, and Climate Change, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AS1_I0oQFQ.pdf?source=pqals.

[70] Seventh Schedule and Articles 262, 243G and 243W, Constitution of India.

[71] Annual Report 2019-20, Department of Water Resources, Ministry of Jal Shakti, https://www.jalshakti-dowr.gov.in/static/uploads/2024/05/2023022089.pdf.

[72] National Water Policy 2012, Ministry of Jal Shakti, https://nwm.gov.in/sites/default/files/national%20water%20policy%202012_0.pdf.

[73] State Specific Action Plan: Introduction, National Water Mission, October 2017, https://nwm.gov.in/sites/default/files/SSAP%2029.10.2017%20with%20headnote-6-6.pdf.

[74] Water Budgeting in Aspirational Blocks, NITI Aayog, November 2025, https://niti.gov.in/sites/default/files/2025-11/Water_Budgeting.pdf.

[75] Report No. 9: 'Future of India-Bangladesh Relationship', Standing Committee on External Affairs, December 18, 2025, https://sansad.in/getFile/lsscommittee/External%20Affairs/18_External_Affairs_9.pdf?source=loksabhadocs.

[76] 'Operation Sindoor: India's Strategic Clarity and Calculated Force', Press Information Bureau, May 12, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154448&ModuleId=3&reg=3&lang=2.

[77] Flood Affected Area Atlas of India, Indian Space Research Organisation and National Disaster Management Authority, March 2023, https://ndma.gov.in/sites/default/files/PDF/FHA/Flood_Affected_Area_Atlas_of_India.pdf.

[78] Floods, National Disaster Management Authority, accessed on January 27, 2025, https://ndma.gov.in/Natural-Hazards/Floods.

[79] Unstarred Question No. 358, Rajya Sabha, Ministry of Earth Sciences, July 25, 2024, https://sansad.in/getFile/annex/265/AU358_bfnZRF.pdf?source=pqars.

[80] Flood Management, accessed on January 9, 2025, https://indiawris.gov.in/wiki/doku.php?id=flood_management.

[81] National Disaster Management Authority, accessed on February 6, 2025, https://ndma.gov.in/.

[82] Report No. 17, Standing Committee on Water Resources: 'Action Taken by the Government on the Observations / Recommendations contained in the Twelfth Report (Seventeenth Lok Sabha) of the Standing Committee on Water Resources', July 22, 2022, https://sansad.in/getFile/lsscommittee/Water%20Resources/17_Water_Resources_17.pdf?source=loksabhadocs

[83] Report No. 9: 'Action Taken by the Government on the Observations/Recommendations contained in the Fourth Report (18th Lok Sabha)', Standing Committee on Water Resources, August 11, 2025, https://sansad.in/getFile/lsscommittee/Water%20Resources/18_Water_Resources_9.pdf?source=loksabhadocs.

[84] Performance Audit on Schemes for Flood Control and Flood Forecasting, Public Accounts Committee, July 24, 2024, https://sansad.in/getFile/lsscommittee/Public%20Accounts/17_Public_Accounts_143.pdf?source=loksabhadocs.

[85] National Disaster Management Authority Guidelines, Management of Glacial Lake Outburst Floods (GLOFs), National Disaster Management Authority, October 2020, https://ndma.gov.in/sites/default/files/PDF/Guidelines/Guidelines-on-Management-of-GLOFs.pdf.

[86] Water Sector at a Glance – 2021, Central Water Commission, October 2022, https://cwc.gov.in/sites/default/files/water-sector-glance-2021.pdf.

[87] "Impact of Glacial Lake Outburst Floods", Press Information Bureau, Ministry of Jal Shakti, August 8, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2042990.

[88] 'Disaster Response in GLOF Events', Press Information Bureau, July 30, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2150261&reg=3&lang=2.

[89] Flash Flood in Sikkim, District Pakyong, Government of Sikkim, November 1, 2023, https://pakyongdistrict.nic.in/glacial-lake-outburst-flood-glof-in-sikkim/.

Annexure

Table 9: Functionality of tap water connections in rural households (2025)

State/UT	% households with FHTCs	% of surveyed households receiving adequate quantity of water	% of surveyed households with regular supply	% of surveyed households with potable water
A & N Islands	100%	71%	90%	88%
Andhra Pradesh	75%	87%	98%	91%
Arunachal Pradesh	100%	97%	84%	69%
Assam	82%	89%	69%	70%
Bihar	96%	95%	59%	85%
Chhattisgarh	82%	85%	87%	88%
D&NH and D&D	100%	77%	98%	14%
Goa	100%	99%	99%	70%
Gujarat	100%	59%	97%	47%
Haryana	100%	87%	96%	76%
Himachal Pradesh	100%	97%	89%	93%
Jammu & Kashmir	81%	90%	94%	86%
Jharkhand	55%	72%	80%	78%
Karnataka	86%	73%	91%	80%
Kerala	55%	88%	74%	56%
Ladakh	98%	96%	100%	99%
Lakshadweep	91%	46%	58%	41%
Madhya Pradesh	73%	67%	77%	63%
Maharashtra	90%	83%	88%	80%
Manipur	80%	87%	85%	81%
Meghalaya	83%	90%	72%	68%
Mizoram	100%	60%	95%	81%
Nagaland	94%	82%	74%	83%
Odisha	77%	91%	82%	81%
Puducherry	100%	99%	100%	92%
Punjab	100%	97%	93%	79%
Rajasthan	58%	60%	81%	83%
Sikkim	92%	25%	94%	62%
Tamil Nadu	89%	92%	99%	84%
Telangana	100%	83%	99%	85%
Tripura	86%	97%	79%	31%
Uttar Pradesh	91%	94%	72%	66%
Uttarakhand	98%	90%	78%	89%
West Bengal	56%	94%	74%	88%

Note: Adequate quantity of water is defined as at least 55 litres per person per day. Water supply is regular if it is available as per a predefined schedule. Potability of water is determined by 11 parameters including hardness, presence of chlorides, nitrates, iron, arsenic, etc.
Source: JJM Dashboard, accessed on December 23, 2025; Functionality Assessment of Household Tap Connections – 2024; PRS.

Table 10: Stage of groundwater extraction in Indian states (as of 2025)

State/UT	Stage of Groundwater Extraction	State/UT	Stage of Groundwater Extraction	State/UT	Stage of Groundwater Extraction
Andaman and Nicobar Islands	2%	Jammu and Kashmir	25%	Odisha	49%
Andhra Pradesh	32%	Jharkhand	33%	Puducherry	76%
Arunachal Pradesh	0.4%	Karnataka	66%	Punjab	156%
Assam	14%	Kerala	50%	Rajasthan	147%
Bihar	46%	Ladakh	31%	Sikkim	6%
Chhattisgarh	48%	Lakshadweep	58%	Tamil Nadu	74%
Dadra and Nagar Haveli and Daman and Diu	40%	Madhya Pradesh	59%	Telangana	47%
Delhi	92%	Maharashtra	52%	Tripura	10%
Goa	23%	Manipur	9%	Uttar Pradesh	70%
Gujarat	56%	Meghalaya	5%	Uttarakhand	54%
Haryana	137%	Mizoram	4%	West Bengal	45%
Himachal Pradesh	39%	Nagaland	5%		

Source: National Compilation on Dynamic Ground Water Resources of India 2025, Central Ground Water Board; PRS.

Table 11: Polluted river stretches in India (2025)

State/UT	Polluted River Stretches	State/UT	Polluted River Stretches	State/UT	Polluted River Stretches
Andaman and Nicobar Islands	0	Jammu and Kashmir	7	Odisha	6
Andhra Pradesh	4	Jharkhand	10	Puducherry	2
Arunachal Pradesh	4	Karnataka	14	Punjab	2
Assam	6	Kerala	32	Rajasthan	8
Bihar	12	Ladakh	0	Sikkim	3
Chhattisgarh	6	Lakshadweep	0	Tamil Nadu	9
Dadra and Nagar Haveli and Daman and Diu	1	Madhya Pradesh	18	Telangana	5
Delhi	1	Maharashtra	54	Tripura	1
Goa	2	Manipur	18	Uttar Pradesh	16
Gujarat	10	Meghalaya	2	Uttarakhand	12
Haryana	4	Mizoram	4	West Bengal	11
Himachal Pradesh	10	Nagaland	2		

Source: Polluted River Stretches for Restoration of Water Quality – 2025, Central Pollution Control Board; PRS.

Table 12: Targets achieved in selected components of Atal Bhujal Yojana

	Item	% Achievement		Item	% Achievement
Institutional Strengthening and Capacity Building	Trainings	61%	Incentives	Public Disclosure of Groundwater Data – Water Level	96%
	Construction of Piezometers	117%		Public Disclosure of Groundwater Data – Water Quality	93%
	Digital Water Level Recorder	101%		Public Disclosure of Groundwater Data – Hydrogeological Reports	2%
	Digital/Analog Water Level Indicators	100%		Water Security Plans	100%
	Rain Gauge	100%		Financing of Water Security Plans	95%
	Water Flow Meters	63%		Adoption of practices for efficient water use	149%
	Water Quality Testing Kit	74%		Improvement in rate of groundwater decline	47%

Note: Data is cumulative for the period 2020-26.
Source: ABY Dashboard, accessed on January 3, 2026; PRS

Demand for Grants 2026-27 Analysis

Housing and Urban Affairs

Highlights

- Fund utilisation for the Ministry has declined due to high underspending on PM Awas Yojana – Urban. In 2025-26, the Ministry is estimated to spend only 31% of its allocated budget at the revised estimate stage.
- Urbanisation is increasingly being driven by rapid growth of peri-urban areas and census towns. Many schemes do not target census towns or peri-urban areas, weakening service delivery in these areas.
- Affordable housing in urban areas remains constrained by high land costs (up to 63% of housing cost in metros), restrictive land density regulations, and limited availability of land.
- Over one-third of the Ministry's budget is allocated to metro and mass rapid transit projects, while bus availability remains limited. Only 47,650 buses are currently serving urban residents, out of which 61% are concentrated in nine megacities.

The Ministry of Housing and Urban Affairs is the apex authority formulating policies and programmes related to housing and urban affairs. Urban development is a state subject with the 74th constitutional amendment proposing devolution of urban governance issues to municipal bodies. The Ministry of Housing and Urban Affairs provides schematic and programme support to states through its schemes and programmes. Some key areas of focus of the Ministry include: (i) urban planning, (ii) urban employment and urban poverty alleviation, (iii) planning and coordination of urban transport systems, (iv) formulation of housing policy, (v) water supply, sewerage and sanitation, and (vi) policy matters relating to municipal finances and urban local bodies.

This note examines the proposed budget allocations for 2026-27 to the Ministry of Housing and Urban Affairs and looks at some related issues.

Overview of Finances

Allocation in 2026-27[1]

In 2026-27, the Ministry has been allocated Rs 85,522 crore, higher than the revised estimate of 2025-26 by 50%. This is due to revenue expenditure increasing by 109%. It will now constitute 59% of total expenditure (42% in RE). Revenue expenditure in 2025-26 was 14% lower at the revised stage largely due to (69.4%) underspending on Pradhan Mantri Awas Yojana-Urban.

2026-27 Budget Announcements[2]

- Tier II and Tier III cities will be developed. City Economic Regions will be mapped and developed on the basis of their specific growth drivers. An allocation of Rs 5,000 crore per region has been proposed over a five-year period.
- An incentive of Rs 100 crore per issuance of municipal bond of more than Rs 1,000 crore has been proposed.

Table 1: Allocation towards the Ministry of Housing and Urban Affairs (in Rs crore)

	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from RE 2025-26 to BE 2026-27)
Revenue	21,632	24,226	50,714	109%
Capital	31,623	32,978	34,808	6%
Total	**53,255**	**57,204**	**85,522**	**50%**

Note: BE- Budget Estimates; RE- Revised Estimates.
Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget 2026-27; PRS.

Key Expenditure Heads

The Ministry has allocated 36% of its total budget for development of mass rapid transport systems (MRTS) and metro projects in urban areas. In addition, 26% of the total Ministry budget has been allocated for the PMAY-Urban scheme.

Table 2: Allocation towards key schemes under the Ministry (in Rs crore)

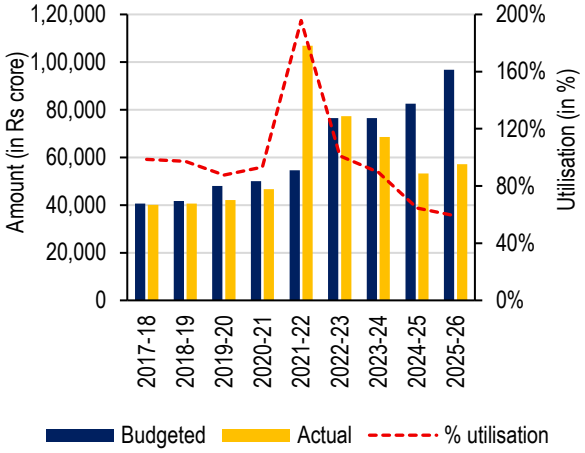
	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from RE 2025-26 to BE 2026-27
MRTS and Metro Projects	28,611	29,550	30,996	5%
PMAY- Urban and PMAY 2.0	5,865	7,900	22,025	179%
AMRUT	5,647	7,500	8,000	7%
Urban Challenge Fund	-	1,000	10,000	900%
Smart Cities Mission	2,126	-	-	-
Swachh Bharat Mission - Urbar	1,893	2,000	2,500	25%
PM e-bus sewa	477	300	500	67%
PM-SVANIDHI	443	572	900	57%

Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget 2026-27; PRS.

Fund Utilisation

Between 2017-18 and 2020-21, the Ministry budget utilisation was 94% which later declined to 77% between 2021-22 and 2025-26. The underspending during the recent years has been primarily due to lower fund utilisation under PMAY-Urban.

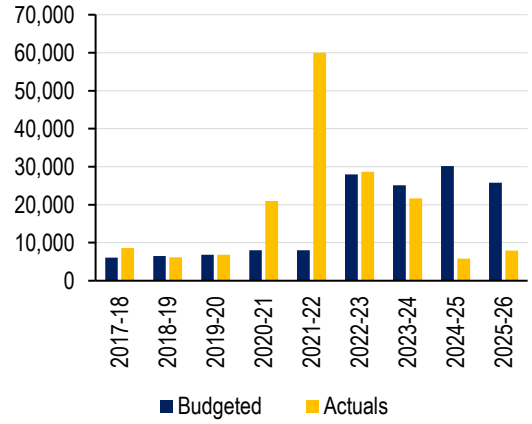
Figure 1: Allocation and utilisation of funds by the Ministry of Housing and Urban Affairs



Note: Actual figures for 2025-26 are Revised Estimates.
Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget for respective years; PRS.

PMAY-U saw an average underspending of 34% between 2017-18 and 2025-26 (see Figure 2).

Figure 2: Budgeted vs actual spending under PMAY-U (in Rs crore)



Note: Actual figures for 2025-26 are Revised Estimates.
Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget for respective years; PRS.

Urbanisation in India

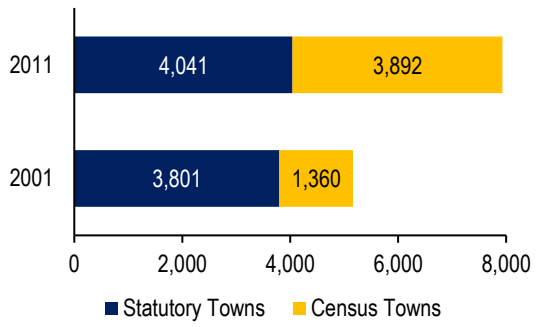
Globally, cities contribute 70% to the world's GDP.[3] The UN observed that urbanisation continues to be an engine of development in an economy.[3] It identified economies of location, increased efficiency, better mobility, and connectivity as the direct benefits of urbanisation. In addition, urbanisation also lowers production costs in an economy due to proximity of factors of production while allowing specialisation. The Economic Survey of India (2025-26) highlighted the economic benefits of agglomeration economies and larger and denser cities.[4] It noted that such cities are able to match workers and jobs more efficiently, accelerate learning to knowledge spillovers, and allow efficient sharing of infrastructure and services.[4] Therefore, urbanisation increases overall value of an economy.[3] However, unplanned and rapid urbanisation has resulted in uncontrolled and informal peri-urbanisation.[3]

In 2011, 31.1% (377.1 million) of India's population lived in urban areas.[5] According to the population projections by the National Commission on Population, the urban population is estimated to increase to 39.6% by 2036.[5] In 2025, the urban population is estimated at 522.4 million, accounting for 37.9% of the total population.[6] However, Niti Aayog (2021) observed that existing definitions of urban areas does not reflect the extent of urbanisation in the country.[7] According to the 2011 Census, urban areas in India consist of 7,933 settlements including statutory (4,041) and census towns (3,892). An urban area comprises of two different types of administrative units:[5,8]

- **Statutory Towns:** Administrative units defined by a statute as urban consisting of areas with urban local bodies such as municipal corporations, municipalities, cantonment boards. Statutory towns with a population over 1,00,000 are classified as cities.
- **Census Towns:** Settlements with a minimum population of 5,000, at least 75% of the male main workers engaged in non-agricultural roles, and a population density of at least 400 persons per square km. These towns are governed as villages and may not necessarily have urban local bodies.

Areas adjacent to statutory limits of a town that exhibit urban features in terms of infrastructure and amenities are classified as outgrowths. These are included within urban agglomerations. However, these outgrowths do not qualify as independent urban units on their own.

Figure 3: Census towns have grown faster than statutory towns between 2001-11



Sources: Census of India; PRS.

Between 2001 and 2011, the share of census towns in urban population has increased from 7.5% to 14.5%, with an addition of 2,532 new census towns.[7]

A report by Ministry of Housing and Urban Poverty Alleviation (2013) noted that urbanisation in India is driven by an expansion of urban agglomeration beyond municipal boundaries.[9] The report highlighted issues of sprawl and unregulated development in census towns and peripheral areas.

According to the data presented by the Town and Country Planning Organisation, about two-thirds of census towns do not have any master plan to guide spatial growth. These towns record rapid growth in urban economic activity. Niti Aayog (2021) noted that these towns may not be able to reap the benefits of urbanisation including productivity gains and employment generation.[7] Census towns serve as intermediaries to the rural-urban continuum.[7] However, they continue to be governed as villages and lack the institutional and financial capacity to cater to the urban needs. The 16th Finance Commission (FC) noted that the mismatch between the urban needs and rural governance of census town leads to deficient infrastructure and weak service delivery in peri-urban areas.[10]

Service delivery schemes under the Ministry such as Swachh Bharat Mission – Urban and AMRUT only target statutory towns, leaving out benefit delivery to census towns. According to the Economic Survey (2025-26), 16 Indian cities experienced faster growth in peripheral areas than in urban core areas between 2000 and 2020.[4]

In its World Urbanisation Prospects Report (2025), the UN observed that urbanisation in India reflects a gradual rural to urban migration.[6] The report highlights an initial migration trend from rural to smaller urban areas which then progresses to larger cities. According to the Periodic Labour Force Survey (PLFS), rural to urban migrants consisted 19% of the total internal migrants in the country in 2020-21.[11] The Committee on Slum Statistics/Census (2010) observed that urbanisation driven by rural to urban migration leads to proliferation of slum settlements in all cities and towns in India.[12] Based on the 2011 Census, slum population in India was estimated at 65.49 million people in 2011. This constitutes 17.4% of the total urban population in the country.[13]

The 16th Finance Commission has recommended an Urbanisation Premium to states as a one-time grant as an incentive for the merger of a peri-urban village into the contiguous Urban Local Body (ULB) area.[10] States may use this grant to support the establishment of essential administrative structures and provide basic civic amenities in the peri-urban areas in transition. The grants will be released to states on the formulation of a Transition Policy.[10]

Recommendations of the 16th Finance Commission for urban local bodies

The 16th Finance Commission has recommended grants worth Rs 9.47 lakh crore over the 2026-31 period.[10] These comprise grants worth Rs 3.6 lakh crore for urban local bodies.

Table 3: Grants-in-aid for 2026-31 (in Rs crore)

Grants	Amount
Local governments	**7,91,493**
Rural local bodies	***4,35,236***
Basic Grant	*3,48,188*
Performance Grant	*87,048*
Urban local bodies	***3,56,257***
Basic Grant	*2,32,125*
Performance Grant	*58,032*
Special Infrastructure Component	*56,100*
Urbanisation Premium	*10,000*
Disaster management	**1,55,916**
Total	**9,47,409**

Source: Report of the 16th Finance Commission; PRS.

ULB grants are divided into basic (80%) and performance-based (20%) components. The performance-based component is further divided into state (Rs 29,016 crore) and local body (Rs 29,016 crore) performance grants. State performance grants will be made available upon meeting a minimum benchmark for transfers to local bodies from their own resources. Local body performance grants are linked to achievement of minimum targets specified by the Commission for own source revenue growth. The Commission has also recommended Special Infrastructure Grants and Urbanisation Premium Grants tied to development of wastewater infrastructure and merger of peri-urban areas in adjoining urban areas.

Issues for Consideration

Affordable Housing

Housing Shortage in Urban Areas

On the basis of the 2011 Census, the Technical Group on Urban Housing had estimated housing shortage of 1.87 crore houses in urban areas.[14] In May 2025, a Committee (Chair: Ms. Anna Roy) was formed by Niti Aayog and the Ministry of Housing and Urban Affairs. The Committee assessed the urban housing shortage, examined current initiatives to promote affordable housing, and recommended strategic interventions.[15] It estimated a housing shortage of between five to seven crore in metro, urban, and semi-urban areas. The Report has classified Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, and Pune as metro cities. All cities with population over one lakh have been defined as an urban area.

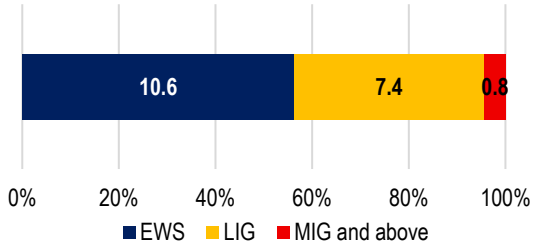
Table 4: Estimated housing shortage in metro, urban, and semi-urban areas (in crore)

	No of Households	Available Liveable Houses	Housing Shortage
Metro	5	2-3	2-3
Urban	3.8	1.8-2.3	1.5-2
Semi-Urban	4.8	3	1.5

Sources: A Comprehensive Framework to Promote Affordable Housing, Niti Aayog and Ministry of Housing and Urban Affairs, December 2025; PRS.

However, the Committee also noted the absence of a comprehensive and updated official dataset on urban affordable housing. Absence of this data limits assessment of housing schemes, tracking of scheme progress, or identification of areas requiring immediate intervention.[15]

Figure 4: Housing Shortage distribution among income sections (in million, as a % of total housing shortage estimated under 2011 Census)



Note: EWS is economically weaker sections, LIG is low-income groups, and MIG is middle-income groups.
Sources: Report of the Technical Group on Urban Housing Shortage (TG-12) (2012-17), Ministry of Housing and Urban Poverty Alleviation; PRS.

According to the estimates of the Technical Group, 56% of the housing shortage was estimated in the economically weaker section, 39% in the low-income group, and 4% in the middle-income group. While the housing shortage has evolved over time, it is increasingly being driven by issues such as: (i) limited availability of land, (ii) increasing land prices, (iii) affordability issues for EWS and LIG households, and (iv) lack of rental housing stock.[15]

PMAY – Urban

In 2015, the Pradhan Mantri Awas Yojana – Urban (PMAY-U) was launched with an aim to provide a pucca house with basic amenities to every eligible urban household until 2022. The scheme was extended as PMAY-U 2.0 to construct an additional one crore houses for urban poor and middle-class families in the next five years.[16] The scheme targets families belonging to EWS, LIG, and MIG segments with no ownership of a pucca house in the country identified on the basis of the following income criteria:[17]

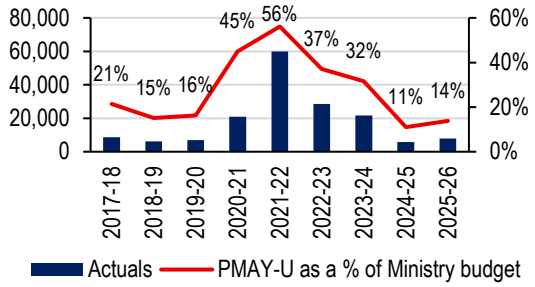
- **EWS:** Households with annual income up to Rs 3 lakh.
- **LIG:** Households with annual income between Rs 3 lakh and Rs 6 lakh.
- **MIG-I:** Households with annual income between Rs 6 lakh and Rs 12 lakh.
- **MIG-II:** Households with annual income between Rs 12 lakh and Rs 18 lakh.

The scheme is being implemented under the following four components as a Centrally Sponsored Scheme:[18]

- **Beneficiary-led Individual House Construction or Enhancement (BLC):** Under this component, central assistance of Rs 1.5 lakh is being provided to eligible families belonging to the EWS category.
- **Affordable Housing in Partnership (AHP) with public or private sector:** The government is offering assistance of Rs 1.5 lakh per EWS house in projects where at least 35% of the houses being developed are for the EWS category, with a single project having at least 250 houses.
- **Affordable Rental Housing (ARH):** Creation of affordable rental housing stock by incentivising investment by public and private entities. This will focus on creation of rental housing stock for EWS/LIG beneficiaries including urban migrants, homeless, working women, construction workers, and urban poor. Technical innovative grant of Rs 3,000 per square meter will be provided for projects using innovative technologies.
- **Interest Subsidy Scheme (ISS):** Under this component, an interest subsidy of 4% is offered on home loans up to Rs 25 lakh for property values up to Rs 35 lakh for EWS, LIG, and MIG families. This component of the scheme will be implemented as a central sector scheme with direct funding from the centre.

In 2026-27, Rs 22,025 crore is estimated to be spent on PMAY-U. This is 179% higher than the revised estimates of 2025-26. However, the Ministry is only estimating to spend Rs 7,900 crore at the revised stage, as compared to budgeted Rs 25,794 crore under the scheme. Similarly, according to the actuals, only 19% of the total budget under the scheme was spent in 2024-25.

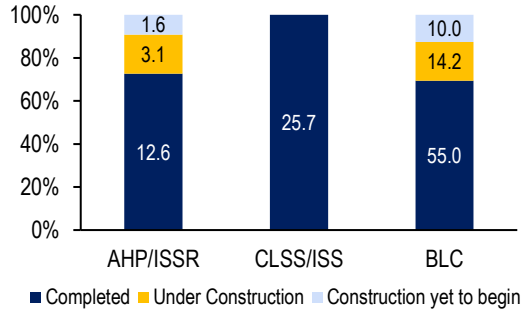
Figure 5: The Ministry has been spending 36% of its total budget on PMAY-U on average (in Rs crore)



Sources: Expenditure Budget for respective years, Ministry of Housing and Urban Affairs, Union Budget; PRS.

Over the 10 years of the scheme, 96.65 lakh houses have been completed under PMAY-U and PMAY-U 2.0.[19] Out of these, 94.2 lakh houses have been occupied by the beneficiaries. Under the scheme, 83% of the identified housing shortage has been addressed (see Table 10 in Annexure for state-wise status under the scheme). However, the Committee to Promote Affordable Housing (2025) observed that the scheme is primarily demand-driven and does not ensure a targeted supply of affordable housing. It also noted that the formal housing market focuses on middle and high-income groups, with limited supply for EWS and LIG.[15]

Figure 6: Completion status under PMAY-U and PMAY-U 2.0 (in lakh, as on January 5, 2026)



Note: Credit Linked Subsidy Scheme (CLSS), Beneficiary Led Construction (BLC), and In-situ slum rehabilitation (ISSR) are components under PMAY-U.
Sources: Achievement Status, PMAY Portal, as accessed on January 12, 2026; PRS.

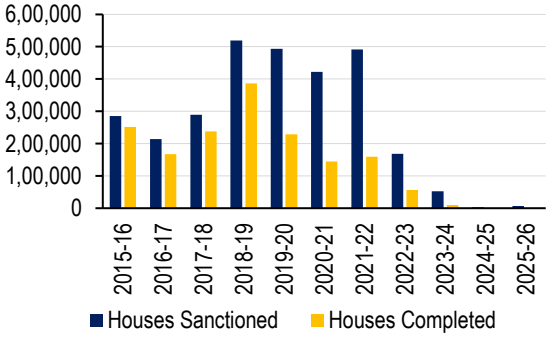
Land availability and affordability

According to the Ministry of Housing and Urban Affairs, the supply of land and housing has not kept pace with urban population growth.[20] A report by World Bank (2020) identified the adequate availability of planned and serviced land as a benchmark of a well-functioning housing market.[21] However, the Committee to Promote Affordable Housing (2025) observed that the land availability for affordable housing in urban areas is limited in India. It highlighted that inadequate provision of public utilities and delays in land-use conversion affect land supply in urban areas.

The Committee to Promote Affordable Housing (2025) observed that in rural areas, land costs contribute 10% to the total housing cost.[15] This increases to 63% in metros and urban areas. It observed that due to higher land costs, many urban households cannot afford a standard 30 square meter unit despite the subsidy benefit.[15] The Committee also noted that rural areas have been better able to benefit from housing schemes.[15]

The Economic Survey (2025-26) observed that due to lower land costs and access to large land plots, affordable housing is increasingly appearing in peripheral areas.[4] The Standing Committee on Housing and Urban Affairs (2025) highlighted the increasing land and construction costs in urban areas.[22] Therefore, it recommended increasing the central assistance per dwelling unit under the AHP vertical under the scheme. In its response to the recommendation of the Committee, the Ministry submitted that changes in the scheme guidelines at this juncture may delay implementation of the scheme in states.[23]

Figure 7: Year-wise sanctioned vs completed houses for slum household beneficiaries under PMAY-Urban (in numbers)



Sources: Unstarred Question No. [806], Ministry of Housing and Urban Affairs, Lok Sabha, December 4, 2025; PRS.

PMAY-U also had an in-situ slum rehabilitation component, under which houses are developed for all eligible slum dwellers in the original place of the slum. This component was later merged with the AHP component under PMAY 2.0. As of December 2024, out of the sanctioned houses under the slum rehabilitation (ISSR) vertical, only 37% houses were completed.[24] Out of the completed houses only 30% (of 37%) houses were occupied by the beneficiaries. The Standing Committee on Housing and Urban Affairs (2024) noted that this gap is due to incomplete infrastructure, non-allotment of houses, and unwillingness of allottees.

The Standing Committee on Housing (2023) observed notably low sanction of houses under the slum rehabilitation vertical of the scheme.[25] As of March 2022, a total of 4.33 lakh houses was sanctioned under the vertical, lower than the demand received of 14.35 lakh houses.[25] This was later

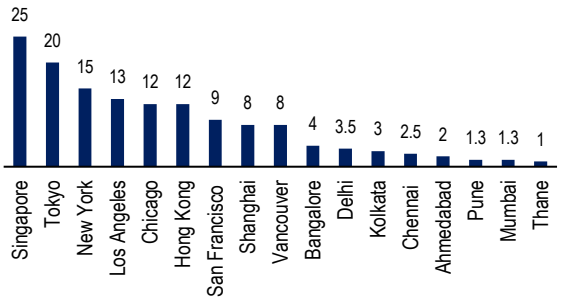
revised down to 3.52 lakh.[25] The Ministry stated the following as reasons for lower sanction and downward revision of sanctioned houses: (i) unavailability of land within municipal limits, (ii) statutory clearances, (iii) clearing of slums, (iv) unwillingness of slum dwellers, and (v) beneficiaries registering under other components of the scheme.[25]

Building and Density Regulations

In addition to land availability and prices, building regulations also influence the supply of affordable housing in urban areas. In 2020, World Bank identified the following as common constraints to affordable housing in urban areas: (i) restricting the floor area ratio (FAR) to limit the amount of floor area which can be built on a particular land parcel, and (ii) building height limits.[21] It noted that these constraints on land use are used as tools to restrict density of residential development in cities.

The High-Powered Expert Committee (HPEC, 2011) on Indian Urban Infrastructure and Services noted a mismatch between global limits and Indian limits on residential FAR/Floor Space Index (FSI).[26] For example, in many major cities globally, the FAR/FSI is above 10.[26] While in Indian cities this does not exceed four. The Committee (2011) also highlighted that these FAR/FSI restrictions do not prevent residential density in cities. Instead, they influence the extent of formal versus informal or illegal built-up space.

Figure 8: Free FSI available across cities



Sources: NAREDCO and Knight Frank; Economic Survey (2025-26); PRS.

While cities such as Mumbai, Delhi, Pune, Ahmedabad, have relaxed their FAR/FSI norms, these relaxations are often limited to select corridors or redevelopment projects such as transit-oriented development or slum rehabilitation.[27,28,29,30] In addition, higher FAR/FSI limits are also subject to payment of premium charge to municipalities.

Low FSI affects urbanisation by limiting the quantity of formal housing available, in turn raising real estate prices. Density regulation also leads to urban sprawl as high prices and inadequate availability of housing drives people to the peripheries of urban areas. The Economic Survey (2025-26) highlighted that such horizontal expansion increases the service delivery cost per unit of housing or commercial space.[4] World Bank (2013) also observed that FSI-induced sprawl leads to household income loss of two to four percent.[31]

Rental Housing in Urban Areas

According to the 2011 Census, 27% of the urban residents are living in rental accommodations, and most of them are informal in nature. A report by the National Real Estate Development Council (NAREDCO) noted that 80% of the households living in rented accommodation in urban areas belong to the EWS/LIG category.[32] Further, migrants to urban areas also constitute a major segment of demand for rental accommodation in urban areas.[33] According to the Periodic Labour Force Survey 2020-21, 19% of the total migrants migrated from rural to urban areas.[11] In addition, another 16% of the migrants moved from one urban area to another urban area, impacting the demand for affordable rental housing in urban areas.

To address the rental housing shortage in urban areas, the government introduced the Affordable Rental Housing Complex (ARHC) Scheme under PMAY-U in September 2020.[34] Rental housing under the scheme is provided through two models: (i) conversion of existing government funded vacant houses into ARHCs through the public-private partnership mode as a centrally sponsored scheme, and (ii) construction, operation, and maintenance of ARHCs by private and public entities as a central sector scheme.

The Standing Committee on Housing and Urban Affairs (2023) noted that 75,000 vacant government houses are targeted to be converted into ARHCs under the first model.[25] Under the second model, the Ministry has approved 82,273 new ARHC units in seven states until March 2025.[35]

A report by NAREDCO (2012) estimated the urban rental housing shortage at 69.9 lakh houses.[36] As against this, 5,648 houses were converted into ARHCs as of February 2023. Out of these, 4,470 houses have been occupied by the beneficiaries under the scheme.[37] A Report by Niti Aayog on Promoting Affordable Housing (2025) noted that current policies primarily target and promote affordable home ownership.[15] Due to low disposable income, irregular income, and increasing real estate prices, the EWS/LIG families cannot afford to own a house in urban areas.[33] Niti Aayog observed that rental housing is a critical need to address the urban housing shortage specially for migrants, industrial workers, and the urban poor.

Despite sustained demand for affordable rental housing, the supply of formal rental housing has remained limited due to regulatory and structural constraints. Niti Aayog (2025) noted vacancy of around one crore houses in urban areas.[15] Factors such as low rental yields, weak tenancy laws, informal tenancy arrangements, and litigation risks affect the supply of affordable urban rental housing.

Rent Control Acts in many states are skewed towards tenant protection with limited options to increase the rentals.[33] Unfavourable rent control regimes and low rental yields have discouraged the development of residential rental housing, with most new residential units being built for sale.[33] These factors have contributed to both landlords and tenants opting for informal rental agreements.[15]

The Model Tenancy Act (MTA), 2021 was approved by the Union Cabinet in June 2021, and circulated to all states for adoption.[38,39] The MTA aims to secure the rights of both the tenants and landlords equally. It also aims to create an accountable and transparent ecosystem for urban rental housing. As of December 2025, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Uttarakhand, Assam, and Arunachal Pradesh have enacted their state rental laws along the lines of the MTA.[15]

NAREDCO (2012) highlighted that unavailability of urban land makes affordable housing projects unviable for developers without any government support.[36] Niti Aayog recommended bidding for government-owned or acquired land by private developers to construct affordable rental housing. The Ministry of Housing and Urban Affairs noted the need for developing an ecosystem to enable the utilisation of vacant land for rental housing.[40] It observed that utilisation of land closer to city centres is difficult due to the restrictions posed under local planning and development control regulations including FAR/FSI norms, rigid zoning regulations, and minimum unit sizes.

Currently, affordable rental units provided by companies and institutions are considered as commercial units and are charged with higher municipal service charges. In addition, rental agreements drawn up by companies also attract GST. On the other hand, rental housing maintained by individual owners face lower residential charges for service delivery and zero GST on rental agreements.[15] The Niti Aayog Report on Affordable Housing (2025) observed that such differential practices restrict the growth of formal rental affordable housing developed or maintained by companies and institutions.

Niti Aayog recommended treating affordable rental housing as residential use housing for lower user charges and GST. Land Banks can also be created using vacant or underutilised land parcels under various ministries and departments. Niti Aayog recommended using these land banks to lease land parcels to public/private agencies for 30-50 years lease for development of affordable rental housing.

Affordable housing initiatives in other countries

United States of America:[15] The USA has implemented a Housing Choice Voucher Program for low-income families by offering them direct rental assistance. Under this, the government pays a share of their rent directly to the landlords with the average annual subsidy being USD 9,400 per household. The maximum rent a beneficiary under this scheme can pay is up to 30% of their income.

Sweden:[41] Some municipalities in Sweden provide rent-loss guarantees to landlords to encourage them to accept homeless people with uncertain incomes or poor rent-paying history.

Singapore:[15] 80% of the residents in Singapore live in flats developed by the Housing and Development Board. These flats are developed using integrated urban and transport planning. Public housing is developed next to MRT systems, job centres, schools, and other social infrastructure.

Table 5: Distribution of housing stock (in %)

Country	Government-aided Rental	Private Rental	Home Ownership
UK	20%	10%	70%
USA	3%	29%	68%
Austria	23%	17%	60%
Denmark	19%	18%	63%
Canada	6%	28%	66%

Sources: Bridging the Urban Housing Shortage in India, 2012, NAREDCO; PRS.

Connectivity and transportation

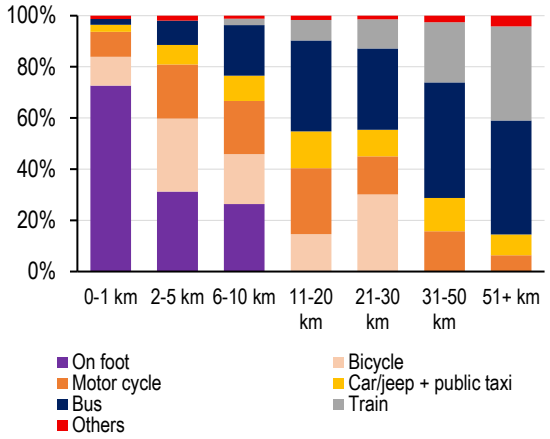
The Ministry of Housing and Urban Affairs acts as the nodal ministry for urban transport planning and coordination. While urban transport is a state subject under the Constitution, the Union government has taken up urban mobility initiatives and projects such as metro rails and formulating national-level transport policies.[42]

Rapid urbanisation and outward expansion of urban areas necessitate the need for an efficient and well-connected transportation system. The Standing Committee on Urban Affairs (2025) noted that peripheral areas adjoining the main city are growing at a faster rate than many million plus cities.[43] According to the Economic Survey (2024-25), more than 50% of urban residents globally enjoy access to easy public transportation, while this share is 37% for India.[44] It observed the need to develop end-to-end mobility solutions which efficiently connect buses, metro rails, and other modes of transit.

The National Urban Transport Policy, 2014 also emphasised the development of multi-modal public transportation systems.[45] The Policy focuses on moving people instead of vehicles by incorporating urban mobility as a part of urban planning. According to the 2011 Census, around 23% of the working population commuted to work on foot.[46] In addition, 11% took buses, 13% chose bicycles, and

12% used scooters to commute to work. The choice of transport varied with the distance of commute to work (See Figure 9).

Figure 9: Reliance on public transportation increases with distance of commute to work (in %)



Sources: Census of India, 2011; PRS.

The National Urban Transport Policy, 2014 noted that the formulation of national level policies is important to provide a common framework for urban transport development.[45] The National Policy states that a central policy is needed to coordinate capacity across states, guide state-level action plans within an overall framework, and ensure equitable service delivery. Similarly, the Standing Committee on Housing and Urban Affairs (2025) also noted that the role of central government should be expanded beyond offering financial assistance to states. It recommended that the central government be involved in policymaking for regional and urban transport planning.

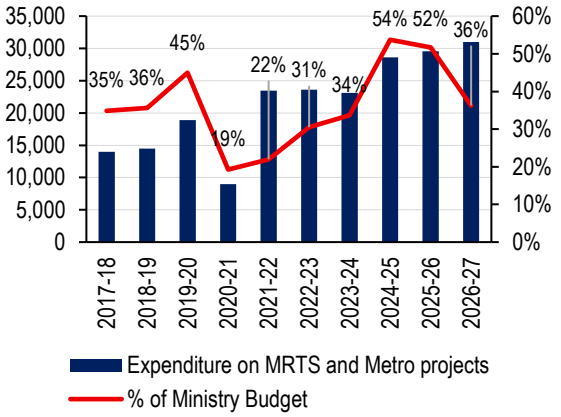
However, Niti Aayog (2021) observed that metropolitan transport planning including bus/rail rapid transit planning should be undertaken at the regional and city level.[7] At the same time, it noted that national and state level policy frameworks should provide broad strategic direction such as the National Urban Transport Policy.

One such example of urban transport managed by local authorities is the transport network in London.[26] The transport network in London is managed by Transport for London (TFL), which is an integrated body under the Greater London Authority. TFL is run by a team appointed by the Mayor of London who also sets its budget. TFL is responsible for planning, regulating, and operating transport services across the city. The HPEC noted that significant regulatory and budgetary powers vested in TFL have contributed to its success.

Metro-centric investment in urban transport

Mass Rapid Transit System (MRTS) and Metro Projects received the largest allocation under the Ministry Budget. Between 2017-18 and 2025-26 (RE), the Ministry has spent around 35% of its total budget on MRTS and Metro projects on average (see Figure 10). In 2026-27, the Ministry has allocated Rs 30,996 crore towards MRTS and Metro projects, which is 5% higher than the revised estimates of 2025-26.

Figure 10: Expenditure on MRTS and Metro projects (in Rs crore and % of Ministry budget)



Sources: Expenditure Budget for respective years, Ministry of Housing and Urban Affairs, Union Budget; PRS.

Metro projects are implemented through Special Purpose Vehicles (SPVs) with central support in the form of equity, grants, and pass-through assistance. Metro rail systems are useful in reducing traffic congestion and pollution, and providing affordable commute to the urban population.[47]

Table 6: Profit/loss (after tax) of operating metro networks (in Rs crore)

Metro Network	2018-19	2019-20
Bengaluru	-496.54	-595.67
Mumbai	235.57	242.13
Kochi	-281.23	-310.019
Jaipur	52.97	39.65
Delhi	-464.04	-468.27
Hyderabad	-148.87	-377.35
Lucknow	-	-250.269

Note: (+) is profit and (-) is loss.
Sources: Report No. [13], "Implementation of Metro Rail Projects – An Appraisal", Standing Committee on Housing and Urban Affairs, July 19, 2022; PRS.

However, the Standing Committee on Housing and Urban Affairs (2024) observed that metro projects are highly capital-intensive and unprofitable in smaller urban areas and emerging cities (see Table 6).[48] It recommended the Ministry to prioritise cost-effective MRTS projects for Tier II and Tier III cities such as Bus Rapid Transit (BRT), Light Rail Transit (LRT), and Regional Rail. The Committee further recommended drafting integrated urban mobility plans and exploring public private partnership options for development of MRTS.

Alternative urban transit systems

The choice of MRTS in a state depends on factors like passenger densities, peak hour traffic,

population, demand, average trip distance, and the cost of implementation.[48] However, these factors and the choice of MRTS vary across cities (see Table 7).[48]

Table 7: Comparison of different public transport systems

Transit Mode	Capital Cost (Million USD/km)	Capacity per hour per direction	Operating Speed (km/hr)
Standard Bus	-	3,180 – 6,373	10-30
Bus Rapid Transit	Up to 15	Up to 55,710	18-40+
Light Rail Transit	12-40	Up to 30,760	18-40
Heavy Rail Transit	40-350	52,000 – 89,950	20-60

Sources: Bus Rapid Transit in India – A Compendium Report, Comptroller Auditor General of India, 2022; PRS.

Regional Rapid Transit System (RRTS) is a high-speed rail-based commuter network operating in urban and peri-urban areas.[43] Currently, out of the eight identified RRTS corridors, three have been prioritised in the Delhi National Capital Region.[43] The Standing Committee (2025) noted that RRTS projects are suitable for cities having a strong metro network.[43] It recommended the Ministry to persuade states to ensure regional planning including transport planning in cities including Mumbai, Kolkata, Chennai, Bangalore, and Hyderabad.[43]

The Metro Rail Policy, 2017 provides that all metro rail proposals should include provision of feeder systems.[49] The Standing Committee on Housing and Urban Affairs (2022) noted that all metro networks in India do not have first and last mile connectivity.[47] This impacts the projected ridership of metro systems.[47] The absence of feeder systems and last mile connectivity may increase dependence on private vehicles for short distance travel.[47] The Economic Survey (2025-26) observed the under-performance of rail systems in areas where safe and convenient first and last mile connectivity is poor.[4]

Bus Rapid Transit Systems

The PM-eBus Sewa Scheme was approved by the government in 2023, with an aim to deploy 10,000 electric buses in different cities. As of January 2026, the Ministry has sanctioned 9,360 electric buses under the scheme.

The Economic Survey (2025-26) observed that despite these measures of the government, gaps in mass transit still persist.[4] It noted that currently there are only 47,650 buses in urban areas out of which 61% are concentrated in nine megacities. Lower bus availability in urban areas and high private vehicle use have led to fewer people being moved per kilometre of traffic lane.

In 2026-27, the PM-eBus Sewa Scheme has been allocated Rs 500 crore. The Ministry is estimating to spend Rs 300 crore at the revised estimate stage in 2025-26. This is 77% lower than the budget estimates for the e-bus scheme in 2025-26.

Provision of mobility services

In many cities there are multiple organisations engaged in the provision of transport services. This includes organisations like Development Authorities, Road Transport Authorities, State Transport Corporations, and Public Works Departments.[26] The HPEC 2011 observed that these organisations are engaged in different aspects of transport regulation but lack coordination among them.[26] It recommended setting up of a unified metropolitan transport authority (UMTA) in all cities with population above one million. The UMTA would assist the metropolitan planning committees in transport-related planning.[26] As of April 2022, 18 cities have either notified, set-up, or are in process of setting up their UMTAs.[47]

Transit Oriented Development in Urban Areas

The Ministry of Housing and Urban Affairs released an Advisory on Transit Oriented Development (TOD) in September 2023, building on the National TOD Policy of 2017.[50,51] TOD aims at integrating land use and transport planning to create walkable cities and high-density mixed land-use areas within walking distance of 500-800 meters from the MRT station. This would include development of commercial, residential, and business or office facilities within walking distance of the transit hubs.

The 2017 National Policy recommended reserving a minimum share of residential development withing TOD zones for affordable housing through higher FAR development rights. In addition to land-use planning, it also focuses on multimodal integration, and development of adequate open spaces, safe environment for pedestrians and non-motorised transport users, and unobstructed footpaths.

The Standing Committee on Urban Affairs (2022) noted that TOD facilities also increase ridership of metros and other mass transit facilities by increasing their accessibility to the public.[47] It noted that states and cities such as Karnataka, Tamil Nadu, Gujarat, Bihar, and Mumbai have not yet formulated their TOD policy. In addition, states and cities including Delhi, Nagpur, Uttar Pradesh, Telangana, West Bengal, Rajasthan, Kerala, and Pune have notified but not developed their policies yet. The Committee noted that actual TOD development has not happened along any metro system so far.

International Best Practices – TOD

Transit-led Development – Copenhagen, Denmark[52]

Copenhagen has followed a transit-led development approach since 1947.[52] The city was planned using a finger-like spatial plan that linked the municipality and surrounding regions along rail corridors originating from the city centre. The plan later received regulatory approval at the national level through the Danish Planning Act, 2007. The Act encouraged offices to be located within 600 meters of a railway station. City-level planning promoted mixed-use and high-density development around stations, while green wedges around the railway links were protected from development. This policy has led to the development of walkable urban centres, connected by rail-based transit.

Transit Oriented Redevelopment – Arlington, USA

Arlington County adopted a redevelopment-led TOD policy to create high-density, mixed-use transit corridors within an already built-up urban area.[53] Development was concentrated within a 400 m radius of MRT systems. Under the policy, higher plot coverage and FARs were permitted near the transit nodes. Niti Aayog referred to Arlington as an example of TOD implementation through redevelopment. Proactive transport planning and high FARs allowed high-density vertical development in the area. In addition, multiple residential units, retail commercial spaces, and office space was developed.

Status of Urban Service Delivery

Equitable provision of key civic amenities is one of the key responsibilities of urban local bodies (ULBs). These services include water supply, sanitation, and solid waste management. The Union government has launched various policies and schemes covering integrated urban development. In 2022, Niti Aayog observed that inadequate service delivery in urban areas compared to the needs of the city impacts the economic vision and planning in cities.[54] It noted that service delivery and department-specific plans are often not incorporated during the master plan exercise.

A report by the National Real Estate Development Council (2025) also highlighted gaps in provision of civic amenities in peripheral zones and city outskirts.[55] It noted that many peripheral areas lack services such as sewage networks, clean water supply, reliable electricity, drainage systems, waste management, and paved roads.[55] The Report noted that the absence of civic amenities limits the potential of housing projects outside core cities, despite higher demand due to affordability.

The Atal Mission for Rejuvenation and Urban Transformation (AMRUT) was launched in 2015 to address gaps in urban infrastructure. The Mission was extended and subsumed under AMRUT 2.0 in October 2021 for a period of five years (up to 2025-26). The Mission covers all ULBs with populations over one lakh.

The scheme focuses on providing functional tap connections to all households, water source conservation, rejuvenation of water bodies and wells, recycle/reuse of treated used water, and rainwater harvesting in all statutory towns.

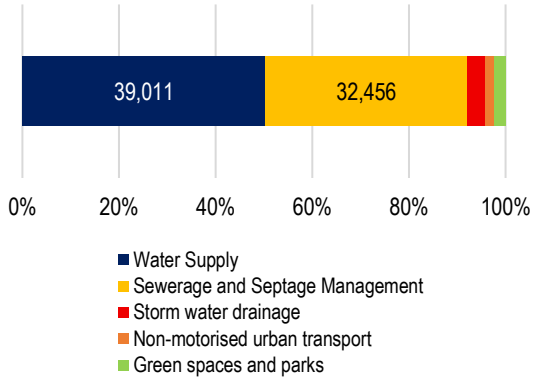
Around 50% of the total approved central assistance under the Mission has been allocated to water supply-related projects.

In 2026-27, the Mission has been allocated Rs 8,000 crore, which is 7% higher than the revised estimates for 2025-26. Spending under the Mission is estimated to be lower by 25% at the revised estimate stage in 2025-26.

Water Supply in Urban Area

HPEC (2011) identified several longstanding challenges in urban water supply including inadequate coverage, intermittent supply, low pressure, and poor quality of water supply.[26]

Figure 11: Sector-wise allocation of projects across states under AMRUT (in Rs crore, as a % of total allocation)



Sources: Report No. 7, Standing Committee on Housing and Urban Affairs, Ministry of Housing and Urban Affairs, December 12, 2025; PRS.

As of 2024, 70.4% urban households have access to safe and adequate drinking water within premises through piped water supply tap connection.[56] However, this coverage varies across states. States such as Punjab, Uttarakhand, Goa, Punjab, and Gujarat report household coverage over 85%, while states like Jharkhand, Uttar Pradesh, and Kerala lag behind with less than 50% household coverage. The Standing Committee on Housing and Urban Affairs (2025) noted that the per capita supply of water in Indian cities was as low as 37 litre per capita day (LPCD) for limited durations ranging from one to six hours.[57] In its response to the Committee, the Ministry stated that average water supply in urban areas stands at 122 LPCD, compared to prescribed benchmark of 135 LPCD. The Ministry also stated that water supply and management is primarily a state responsibility, with the Union government supplementing state efforts through schemes.

In terms of water quality, the Standing Committee (2025) noted divergence across datasets. One set of

data indicated that 98.8% of the tested household samples passed the drinking water quality test. However, another submission by the Ministry showed that only 66% of household-level samples met the BIS drinking water standards. The Ministry attributed this divergence to differences in data coverage across different cities.

Table 8: Status of major service level benchmarks under AMRUT and AMRUT 2.0

Indicator	Benchmark	Achievement of benchmarks under AMRUT
Coverage	100%	Average coverage of 75% households across states
Quantity	135 LPCD	Average 122 LPCD
Quality	100%	98.82% samples passed the quality test at household level

Sources: Report No. [7], Standing Committee on Housing and Urban Affairs, Ministry of Housing and Urban Affairs, December 12, 2025; PRS.

In addition to water delivery and quality, urban water systems also face efficiency challenges. Water which is pumped and then lost during supply or is unaccounted for is termed as Non-Revenue Water (NRW).[58] The HPEC Report (2011) estimated that NRW in urban areas accounted for 50% of the water produced or pumped.[26] It also highlighted that 70% of these leakages are from pipes for consumer connection and due to faulty water meters.[26] The AMRUT Mission set targets to reduce NRW to below 20%. According to a recent estimate by National Institute of Urban Affairs, NRW was estimated at 38% in 2019.[59] Under the Mission, states were provided incentives on achievement of certain milestones. However, no state has yet submitted any incentive claims under the scheme.

Sewerage and Wastewater Treatment

In addition to water supply, the AMRUT mission also targets wastewater and sewage treatment in urban areas.[60] As of April 2025, 149 lakh sewer connections have been provided as compared to the target of 145 lakh sewer connections.[61]

However, the Standing Committee on Housing and Urban Affairs (2025) observed a critical gap in the existing sewage treatment infrastructure.[57] It assessed the gap between the wastewater generated in cities as against the existing treatment plans. Actual capacity utilisation of the existing treatment plants is only 49% in 2020-21.[59] Out of the total 52,644 million litres per day (MLD) sewage being generated across cities, 25,995 MLD is still being left untreated.

The 16th FC has also recommended grants tied to sanitation and solid waste management and/or water management. In addition, the Commission has recommended specific grants worth Rs 56,100 crore for the development of wastewater management systems. These grants will be available to selected ULBs in cities with population between 10 to 40 lakh. The Commission has recommended the following indicative areas for infrastructure development: (i) separation of stormwater and underground drainage systems, (ii) expansion of wastewater system to uncovered areas, (iii) reduction of non-revenue water, and (iv) development of monitoring systems.

Swachh Bharat Mission – Urban

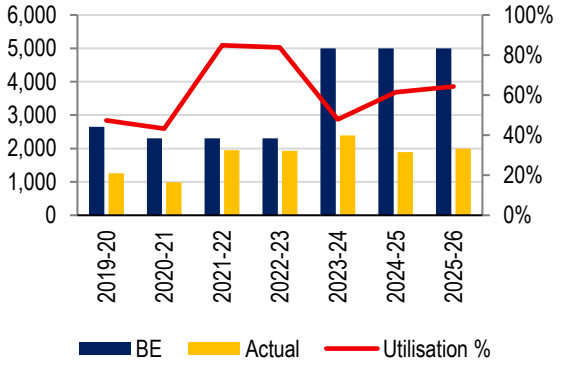
The Swachh Bharat Mission - Urban (SBM-U) was launched in October 2014. The scheme aims to make India free from open defecation and to achieve 100% scientific management of solid waste. The second phase of SBM-U was launched in 2021 for a period of five years (up to October 2026). The aim of the second phase of the scheme is to make all cities garbage free by 2026.

The Mission has been allocated Rs 2,500 crore in 2026-27, which is 25% higher than the revised estimates of 2025-26. In 2025-26, the Ministry is estimated to utilise only 40% of the total budget allocated to the Mission (Rs 5,000 crore) in 2025-26.

According to data available up to January 2026, 98% of wards in all statutory towns have achieved 100% door-to-door solid waste collection, and 90% wards have achieved 100% source segregation.[62] However, achievement of source segregation target has been uneven across states, ranging between 31% to 100% across some states (see Table 11 in Annexure).

Despite improvements in collection and segregation, solid waste processing capacity remains limited. Of the total solid waste generated across states, only 81% is currently being processed, with significant inter-state variation.[62] For example, solid waste processing capacity in West Bengal is 8%, as compared to 100% in Madhya Pradesh.[62]

Figure 12: Between 2019-20 and 2024-25, the budget utilisation has been 61% under the scheme



Note: Figures for 2025-26 are revised estimates.
Sources: Expenditure Budget for respective years, Ministry of Housing and Urban Affairs, Union Budget; PRS.

The Standing Committee on Housing and Urban Affairs (2023) noted that operation and maintenance of public and community toilets constructed under

SBM-U is the responsibility of state governments.[63] It recommended constant monitoring over operation and maintenance of public and community toilets both by the Centre and states.[63] It also observed that budgetary allocations under the Scheme were not being fully utilised and recommended complete utilisation of the allocated funds.[63]

Smart Cities Mission

The Smart Cities Mission was launched in June 2015, to enhance India's cities through smart and sustainable solutions. A total of 100 cities were identified for development as smart cities under the mission. The deadline for the Mission was extended until March 31, 2025. As of March 2025, 99.4% of the total budgetary allocation (Rs 47,652 crore) has been released to states.[64] During this period, 94% of the total approved projects under the scheme have been completed with the remaining projects under advance stages of completion.

Table 9: Key projects completed under the Smart Cities Mission

Sector	Initiative
Integrated Command and Control Centres	All 100 smart cities have operational ICCCs which use data for making informed decisions
Public safety	84,000 CCTV surveillance cameras, 1,844 emergency call boxes, and 3,000 public address systems have been installed
Solid waste management	9,194 vehicles have been enabled with RFID to digitise solid waste collection
Mobility	Over 1,740 km of smart roads constructed, 713 km of cycle tracks developed

Sources: Press Information Bureau, June 24, 2025; PRS.

In its assessment of the Smart Cities Mission, the Standing Committee (2024) observed some challenges in the implementation of the scheme. It identified issues such as: (i) frequent shelving and changing of projects during the execution stage, (ii) focus on development of specific areas within identified smart cities, and (iii) slow progress of project completion under the Mission. The Committee recommended that the Ministry should launch a second phase of the Mission with a special focus on tier 2 and tourist cities. It recommended undertaking a close assessment of the various project implemented during the Mission.

Governance and Capacity of ULBs

Effective service delivery in urban areas also depends on the governance and fiscal capacity of the ULBs. The HPEC (2011) highlighted the need to bring urgent reforms to empower ULBs with in line with the 74th Constitutional Amendment Act (CAA).[26] The 74th CAA empowers ULBs and enable them to function as institutions of self-governance.[65]

CAG (2024) noted that this assignment of core municipal functions to parastatals without accountability to ULBs undermines the principle of decentralisation and accountability to citizens. As a result, citizens are unable to hold their elected representatives accountable for service delivery.

Effective devolution of municipal functions

In 2024, the Comptroller Auditor General of India (CAG) noted persistent gaps in devolution of municipal functions to ULBs, despite overall compliance to the provisions of the 74th CAA.[65] The Audit observed that out of the 18 functions under the 12th Schedule of the Constitution, only four are fully devolved to ULBs on average.[65] Many of these functions are performed by parastatals and include an overlap of responsibilities. This also limits the role of ULBs to being an implementation agency for state schemes and missions.[65] For example, Maharashtra and Jharkhand have fully devolved central functions to ULBs (10 municipal functions). On the other hand, ULBs in Odisha and Uttarakhand do not have any functions with full jurisdiction. On average, ULBs have minimal role in functions such as regulation of land-use, public health, and water supply.[65] These functions are mostly performed by parastatals that are directly accountable to state governments and have no elected representatives of ULBs.

Constitution of Committees

In 2011, the HPEC Report recommended the creation of Metropolitan Planning Committees (MPC) and District Planning Committees (DPCs) in line with the 74th CAA.[26] These committees consolidate plans prepared by local governments in a district and create a draft development plan for the whole metropolitan region or district.[26] HPEC observed that DPCs have been constituted but not empowered to function in most states.[26] The CAG Audit also noted that only three states have formulated annual district plans including Maharashtra, Kerala, and Uttarakhand.[26]

In addition, the CAA mandates setting up of a State Finance Commission (SFC) every five years. The CAG Audit assessed that out of the 18 states surveyed, only 10 states have set up SFCs every five years.[65] The Audit also observed average lag of 412 days in setting up of SFCs across states.[65]

The 15th FC had made the constitution of SFC a mandatory condition to avail local body grants in 2024-25 and 2025-26. The 16th FC noted that there has been significant improvement across states in formation of SFCs. It noted that 19 states formed their SFCs after the recommendations of the 15th FC (see Table 12 in Annexure for details). The 16th FC has made it mandatory for all states to form their SFCs every five years to avail any local body grants.

Delays in elections to Urban Local Bodies

According to Article 243U, elections to ULBs should be completed before the expiry of the term of the City Council. CAG observed that 1,600 (61%) out of 2,625 ULBs in 17 states did not have an elected Council at the time of the Audit.[65] The Audit observed that delays in conducting ward delimitation exercise, court cases regarding reservations, and delays in formation of State Election Commissions were some of the reasons for delayed municipal elections (see Table 13 in Annexure for state-wise data).

Financial capacity of ULBs

CAG (2025) observed that sustainable revenue sources are important for ULBs to deliver municipal services and create enabling infrastructure.[65] It noted that on average, own source revenue (OSR) covers only 32% of the total revenue of ULBs. CAG also observed that ULBs of states including Jharkhand, Manipur, Tripura, and Uttarakhand have OSR less than 15%. The 16th FC observed the high but underutilised potential of revenue from property tax. CAG noted that on average only 56% of the property tax demand is realised by ULBs.

A lower share of OSR makes ULBs dependent on transfers in the form of grants from the centre and state. CAG noted that there was a shortfall of grants from the centre and states to ULBs of Rs 2,008 crore (see Table 14 in Annexure). It highlighted reasons such as short release of funds, delay in the constitution of SFCs, and non-adherence of ULBs to the criteria set by the finance commissions for the receipt of grants.

The 16th FC observed that states such as Andhra Pradesh, Nagaland, and West Bengal lagged in transferring funds to urban local bodies. During the 15th FC period, only 63% of the recommended grants were released to ULB (Rs 75,718 crore out of the recommended Rs 1,21,055 crore).

To address these issues, the 16th FC has recommended the following eligibility conditions for states to avail urban local body grants: (i) states meeting a minimum benchmark for transfers to local bodies from their own resources, and (ii) achievement of a minimum growth target for own source revenue growth for ULBs.

[1] Ministry of Housing and Urban Affairs, Expenditure Budget, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe60.pdf.

[2] Budget Speech 2026-27, Union Budget, https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

[3] Urbanization For Prosperity Policy Statement, 25th Session of the Governing Council, UN-Habitat, https://unhabitat.org/sites/default/files/download-manager-files/Urbanization%20For%20Prosperity%20Policy%20Statement%2025th%20Session%20of%20the%20Governing%20Council.pdf

[4] Economic Survey of India (2025-26), India Budget 2026-27, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.

[5] Report of the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, November 2019, https://nhm.gov.in/New_Updates_2018/Report_Population_Projection_2019.pdf

[6] World Urbanization Prospects 2025, United Nations Department of Economic and Social Affairs, https://www.un.org/development/desa/pd/world-urbanization-prospects-2025

[7] Reforms in Urban Planning Capacity in India, Niti Aayog, September 2021, https://www.niti.gov.in/sites/default/files/2021-09/UrbanPlanningCapacity-in-India-16092021.pdf.

[8] ORGI Circular 002/2021, Office of the Registrar General & Census Commissioner, India, https://censusindia.gov.in/nada/index.php/catalog/40511/download/44143/ORGI_circular002_2021.pdf.

[9] India National Report, Habitat III, https://habitat3.org/wp-content/uploads/Habitat-III_India-National-Report.pdf

[10] Volume I – Main Report, Report for 2026-31, Sixteenth Finance Commission, https://fincomindia.nic.in/asset/doc/commission-reports/16th-FC/reports/Vol1-Main-Report.pdf.

[11] Migration in India 2011-2021, Ministry of Statistics and Programme Implementation, August 2023, https://www.mospi.gov.in/sites/default/files/publication_reports/Migration%20in%20India%20RL16082023.pdf.

[12] Report of the Slum Committee, National Buildings Organisation, https://nbo.gov.in/pdf/REPORT_OF_SLUM_COMMITTEE.pdf

[13] Slums in India: A Compendium, National Buildings Organisation, 2015, https://nbo.gov.in/pdf/SLUMS_IN_INDIA_Slum_Compendium_2015_English.pdf

[14] Report of the Technical Group on Urban Housing Shortage (TG-12), 2012-17, Ministry of Housing and Urban Poverty Alleviation, https://nbo.gov.in/pdf/urban-housing-shortage.pdf.

[15] A Comprehensive Framework to Promote Affordable Housing, Niti Aayog, Ministry of Housing and Urban Affairs, December 2025, https://niti.gov.in/sites/default/files/2026-01/A_Comprehensive_Framework_to_Promote_Affordable_Housing.pdf.

[16] "Cabinet approves Pradhan Mantri Awas Yojana – Urban 2.0 Scheme", Press Information Bureau, Ministry of Housing and Urban Affairs, August 9, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2043924 .

[17] Frequently Asked Questions, Pradhan Mantri Awas Yojana – Urban, as accessed on January 12, 2026, https://pmay-urban.gov.in/faq.

[18] About Scheme, Pradhan Mantri Awas Yojana – Urban, as accesses on January 12, 2026, https://pmay-urban.gov.in/about.

[19] Achievement under PMAY-U and PMAY-U 2.0, PMAY-U Portal, as on January 5, 2026, https://pmay-urban.gov.in/uploads/progress-pdfs/68ac528160e77-Achievement_under_PMAY-U_&_PMAY-U2.0_cropped.pdf.

[20] Annual Report 2022-23, Ministry of Housing and Urban Affairs, https://mohua.gov.in/upload/uploadfiles/files/2688HUA-ENGLISH-19-4-2023.pdf.

[21] Urban Land and Housing Market Assessment: A Toolkit, World Bank, 2020, https://documents1.worldbank.org/curated/en/922921600345178886/pdf/Urban-Land-and-Housing-Market-Assessment-A-Toolkit.pdf

[22] Report No. 3, "Demands for Grants (2025-26)", Standing Committee on Housing and Urban Affairs, March 12, 2025, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/18_Housing_and_Urban_Affairs_3.pdf?source=loksabhadocs.

[23] Report No. 6, "Action Taken by the Government on the recommendations contained in the Third Report (Eighteenth Lok Sabha) of the Standing Committee on Housing and Urban Affairs (2024-25) on 'Demands for Grants (2025- 2026)' of the Ministry of Housing and Urban Affairs", Standing Committee on Housing and Urban Affairs, August 20, 2025, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/18_Housing_and_Urban_Affairs_6.pdf?source=loksabhadocs.

[24] Report No. 1, "Demands for Grants (2024-25)", Standing Committee on Housing and Urban Affairs", December 11, 2024, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Urban_Development_1.pdf?source=loksabhadocs.

[25] Report No 17, "Evaluation of Implementation of Pradhan Mantri Awas Yojana (Urban)", Standing Committee on Housing and Urban Affairs, March 20, 2023, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Housing_and_Urban_Affairs_17.pdf?source=loksabhadocs.

[26] Report of the High Powered Expert Committee on Indian Urban Infrastructure & Services, Ministry of Urban Development, March 2011, https://mohua.gov.in/upload/uploadfiles/files/FinalReport_hpec09.pdf.

[27] Master Plan for Delhi 2021, Delhi Development Authority, 2021, https://dda.gov.in/sites/default/files/inline-files/Master_Plan_for_Delhi_2021_text_report.pdf.

[28] "Developers can now purchase premium FAR in Bengaluru", The Hindu, December 6, 2025, https://www.thehindu.com/news/national/karnataka/developers-can-now-purchase-premium-far-in-bengaluru/article70366084.ece.

[29] "Maharashtra government increases FSI for slum rehab projects across state", The Economic Times, February 28, 2022, https://economictimes.indiatimes.com/industry/services/property-/-cstruction/maharashtra-government-increases-fsi-for-slum-rehab-projects-across-state/articleshow/89887476.cms?from=mdr.

[30] "AUDA clears transit-oriented zone benefits for 4604 ha along 10 roads", Times of India, Ahmedabad, December 23, 2025, https://timesofindia.indiatimes.com/city/ahmedabad/auda-clears-transit-oriented-zone-benefits-for-4604-ha-along-10-roads/articleshow/126127456.cms?utm.

[31] Urban Development Series: Financing Indian Cities, World Bank, 2013, https://documents1.worldbank.org/curated/en/373731468268485378/pdf/757340PUB0EPI0001300pubdate02021013.pdf.

[32] Rental Housing in India, National Real Estate Development Council, https://naredco.in/notification/pdfs/rental-housing-india.pdf.

[33] Draft National Urban Rental Housing Policy, Ministry of Housing and Urban Affairs, 2015, https://mohua.gov.in/upload/uploadfiles/files/National_Urban_Rental_Housing_Policy_Draft_2015.pdf.

[34] "New initiatives towards enabling affordable rental housing for all", Press Information Bureau, May 20, 2022, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1655131&reg=3&lang=2.

[35] Unstarred Question No. 4379, Lok Sabha, Ministry of Housing and Urban Affairs, March 27, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU4379_RRtMmZ.pdf?source=pqals.

[36] Urban Housing Shortage in India, National Real Estate Development Council, 2012, https://www.naredco.in/notification/pdfs/Urban-housing-shortage-in-India.pdf.

[37] Unstarred Question No. 1174, Rajya Sabha, Ministry of Housing and Urban Affairs, February 13, 2023, https://rsdebate.nic.in/bitstream/123456789/736161/1/PQ_259_13022023_U1174_p159_p160.pdf.

[38] "New initiatives to promote rental housing", Press Information Bureau, July 20, 2021, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1844644&reg=3&lang=2.

[39] Model Tenancy Act, Ministry of Housing and Urban Affairs, June 2, 2021, https://mohua.gov.in/upload/uploadfiles/files/Model-Tenancy-Act-English-02_06_2021.pdf.

[40] ARHC Concept Note, Affordable Rental Housing Complexes Portal, Ministry of Housing and Urban Affairs, as accessed on January 12, 2026, https://arhc.mohua.gov.in/filesUpload/ARHCConceptNote.pdf.

[41] Brick by Brick 2021, National Real Estate Development Council, 2021, Https://www.naredco.in/notification/pdfs/brick-by-brick-2021-8619.pdf.

[42] "Swachh Bharat Mission", Press Information Bureau, October 2, 2014, https://www.pib.gov.in/newsite/erelcontent.aspx?relid=90951&reg=3&lang=2.

[43] Report No 5, "Regional Rapid Transit System and Role of NCRTC", Standing Committee on Housing and Urban Affairs, July 22, 2025, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/18_Housing_and_Urban_Affairs_5.pdf?source=loksabhadocs.

[44] Economic Survey 2024-25, Ministry of Finance, 2025, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf

[45] National Urban Transport Policy, Ministry of Housing and Urban Affairs, https://mohua.gov.in/upload/uploadfiles/files/TransportPolicy.pdf.

[46] Census of India, 2011, https://censusindia.gov.in/census.website/data/data-visualizations/Commute_Bar-Stacked-Area-Chart.

[47] Report No. 13, "Implementation of Metro Rail Projects – An Appraisal", Standing Committee on Housing and Finance Affairs, July 19, 2022, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Housing_and_Urban_Affairs_13.pdf?source=loksabhadocs.

[48] Report No. 1, "Demands for Grants (2024-25)", Standing Committee on Housing and Urban Affairs", December 11, 2024, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Urban_Development_1.pdf?source=loksabhadocs.

[49] Metro Rail Policy, 2017, Ministry of Housing and Urban Affairs, https://mohua.gov.in/upload/whatsnew/59a3f7f130eecMetro_Rail_Policy_2017.pdf.

[50] Advisory on Transit Oriented Development, Ministry of Housing and Urban Affairs, 2023, https://mohua.gov.in/pdf/6530ca05dcbc5advisory.pdf.

[51] Transit Oriented Development Policy, Ministry of Housing and Urban Affairs, 2017, https://mohua.gov.in/upload/whatsnew/59a4070e85256Transit_Oriented_Developoment_Policy.pdf.

[52] India's City Transformation: A Roadmap for Reforms, World Bank, https://openknowledge.worldbank.org/server/api/core/bitstreams/0818e8e4-5463-5102-90c1-6dd9b9df0f39/content.

[53] Global Mobility Summit 2018 Outcomes, Niti Aayog, 2018, https://www.nitiforstates.gov.in/public-assets/Policy/policy_files/GNM518F000457.pdf.

[54] Cities as Engines of Growth, Niti Aayog and Asian Development Bank, May 2022, https://www.niti.gov.in/sites/default/files/2022-05/Mod_CEOG_Executive_Summary_18052022.pdf.

[55] India Affordable Housing, National Real Estate Development Council, July 2025,https://naredco.in/sites/default/files/2025-07/17th%20National%20Convention/AFH_2025.pdf.

[56] EnviStats India 2025, Ministry of Statistics and Programme Implementation, 2025, https://www.mospi.gov.in/sites/default/files/reports_and_publication/statistical_publication/EnviStats/Complete_ES1_2025.pdf.

[57] Report No. 7, "Review of Atal Mission for Rejuvenation and Urban Transformation (AMRUT) with special emphasis on Urban Drinking Water", Standing Committee on Housing and Urban Affairs, December 12, 2025, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/18_Housing_and_Urban_Affairs_7.pdf?source=loksabhadocs.

[58] "What is non-revenue water and how can we reduce it for better water service?", World Bank Blogs, August 31, 2016, https://blogs.worldbank.org/en/water/what-non-revenue-water-how-can-we-reduce-it-better-water-service.

[59] Non-Revenue Water Management, National Institute of Urban Affairs, December 2021, https://niua.in/c-cube/sites/all/themes/zap/assets/pdf/WATER%20MGT/WM2-%20NRW.pdf.

[60] AMRUT 2.0 Operational Guidelines, Ministry of Housing and Urban Affairs, 2021, https://amrut.mohua.gov.in/uploads/AMRUT_2.0_Operational_Guidelines.pdf.

[61] https://sansad.in/getFile/loksabhaquestions/annex/184/AS469_8SPQbZ.pdf?source=pqals.

[62] Swachh Bharat Mission Progress, Swachh Bharat Mission – Urban Portal, as accessed on January 14, 2026, https://sbmurban.org/swachh-bharat-mission-progess.

[63] Report No. 18, "Demands for Grants (2023-24)", Standing Committee on Housing and Urban Affairs, March 20, 2023, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Housing_and_Urban_Affairs_18.pdf?source=loksabhadocs.

[64] Report No. 21, "Smart Cities Mission: An Evaluation", Standing Committee on Housing and Urban Affairs, February 8, 2024, https://sansad.in/getFile/lsscommittee/Housing%20and%20Urban%20Affairs/17_Housing_and_Urban_Affairs_21.pdf?source=loksabhadocs.

[65] Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India – Volume I, Comptroller and Auditor General of India, 2024, https://cag.gov.in/uploads/StudyReports/SR-Compendium-067346fdd7000e9-76046538.pdf.

Annexure

Table 10: State-wise housing target and completion under PMAY-Urban (completion rate as accessed on January 7, 2026)

States	Estimated number of beneficiaries identified under PMAY-U	Houses Completed	Housing shortage addressed
Andhra Pradesh	20,50,000	11,19,901	55%
Arunachal Pradesh	8,000	8,405	105%
Assam	1,40,000	1,43,230	102%
Bihar	3,75,000	1,98,204	53%
Chhattisgarh	3,00,000	2,61,995	87%
Delhi	79,000	31,670	40%
Goa	4,845	3,174	66%
Gujarat	7,65,000	9,63,217	126%
Haryana	1,50,000	72,749	48%
Himachal Pradesh	13,000	11,887	91%
Jammu and Kashmir	79,331	34,954	44%
Jharkhand	2,20,000	1,64,854	75%
Karnataka	7,00,000	3,98,070	57%
Kerala	1,30,000	1,38,779	107%
Madhya Pradesh	8,50,000	8,94,215	105%
Maharashtra	13,50,000	10,37,844	77%
Manipur	55,000	21,439	39%
Meghalaya	6,000	2,750	46%
Mizoram	40,000	33,813	85%
Nagaland	35,000	30,120	86%
Odisha	1,80,000	1,68,437	94%
Punjab	1,15,000	1,01,895	89%
Rajasthan	2,20,000	2,63,048	120%
Sikkim	1,500	219	15%
Tamil Nadu	7,15,000	6,19,003	87%
Telangana	2,25,000	2,25,346	100%
Tripura	92,000	81,606	89%
Uttar Pradesh	17,00,000	17,16,677	101%
Uttarakhand	50,000	48,444	97%
West Bengal	5,50,000	5,02,051	91%

Sources: PMAY-Urban Dashboard as accessed on January 7, 2026; Report No. [17], "Evaluation of Implementation of Pradhan Mantri Awas Yojana", Standing Committee on Housing and Urban Affairs, March 20, 2023; PRS.

Table 11: Solid waste management under Swachh Bharat Mission - Urban

States	Total no. Wards	Door to door collection (% of total wards)	Source segregation (% of total wards)	Solid waste processed (% of total solid waste generated)
Andhra Pradesh	3,854	99%	97%	84%
Arunachal Pradesh	529	99%	96%	22%
Assam	1,062	97%	57%	65%
Bihar	5,690	93%	71%	32%
Chhattisgarh	3,255	100%	100%	100%
Delhi	271	100%	66%	85%
Goa	225	100%	100%	100%
Gujarat	1,385	99%	98%	99%
Haryana	1,668	99%	84%	91%
Himachal Pradesh	595	98%	96%	99%
Jammu And Kashmir	1,099	100%	94%	80%
Jharkhand	1,061	87%	80%	44%
Karnataka	7,285	98%	87%	89%
Kerala	3,533	100%	100%	99%
Madhya Pradesh	7,591	100%	100%	100%
Maharashtra	6,649	100%	99%	93%
Manipur	305	99%	97%	59%
Meghalaya	123	72%	53%	39%
Mizoram	209	100%	73%	0%
Nagaland	420	52%	31%	1%
Odisha	2,038	100%	100%	96%
Puducherry	116	100%	100%	100%
Punjab	3,199	100%	99%	85%
Rajasthan	8,185	98%	63%	53%
Sikkim	51	100%	100%	87%
Tamil Nadu	12,806	100%	100%	66%
Telangana	2,944	100%	99%	98%
Tripura	334	95%	95%	99%
Uttar Pradesh	14,164	98%	97%	96%
Uttarakhand	1,307	100%	97%	94%
West Bengal	3,008	79%	64%	8%

Sources: Swachh Bharat Mission – Urban, Dashboard, as accessed on January 7, 2026;

Table 12: List of states forming their SFCs after recommendations of the 15th FC

State	Last SFC Constituted	SFC Constituted on
Andhra Pradesh	5th	March, 2023
Arunachal Pradesh	3rd	December, 2024
Assam	7th	July, 2024
Chhattisgarh	4th	July, 2021
Gujarat	4th	November, 2024
Himachal Pradesh	7th	March, 2024
Jharkhand	5th	January, 2024
Karnataka	5th	October, 2023
Kerala	7th	September, 2024
Maharashtra	6th	April, 2025
Mizoram	2nd	April, 2021
Nagaland	4th	October, 2024
Odisha	6th	January, 2025
Rajasthan	6th	April, 2021
Sikkim	6th	June, 2022
Telangana	2nd	February, 2024
Uttar Pradesh	6th	January, 2024
Uttarakhand	6th	January, 2025
West Bengal	6th	December, 2024

Sources: Volume II – Report of the 16th Finance Commission; PRS.

Table 13: Urban Local Bodies without an elected Council at the time of CAG Audit

State	Number of ULSGs without elected Council	Total ULSGs
Andhra Pradesh	22	123
Chhattisgarh	18	169
Haryana	12	87
Himachal Pradesh	0	31
Jharkhand	15	50
Karnataka	210	273
Kerala	0	21
Madhya Pradesh	347	407
Maharashtra	10	44
Manipur	27	27
Odisha	112	114
Punjab	129	167
Rajasthan	6	196
Tamil Nadu	664	664
Telangana	4	141
Tripura	20	20
Uttarakhand	4	91
Total	**1,600**	**2,625**

Sources: Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India – Volume I, Comptroller and Auditor General of India, 2024; PRS.

Table 14: Shortfall of Central and State Finance Commission grants to Urban Local Bodies (in Rs crore)

States	Shortfall in SFC Grants	Shortfall in basic and performance grants as recommended by the CFC
Andhra Pradesh	524	582
Assam	896	289
Chhattisgarh	256	185
Madhya Pradesh	313	603
Haryana	53	351
Himachal Pradesh	2	57
Jharkhand	Data unavailable	488
Karnataka	15,564	332
Maharashtra	Data unavailable	1,445
Manipur	478	40
Odisha	196	334
Punjab	3,280	0
Rajasthan	53	525
Tamil Nadu	1,307	1,324
Tripura	Data unavailable	35
Telangana	1,170	647
Kerala	0	0
Uttarakhand	0	0

Sources: Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India – Volume I, Comptroller and Auditor General of India, 2024; PRS.

Demand for Grants 2026-27 Analysis
Telecommunications

Highlights

- About 41% of the total budget allocation is towards revival plan for BSNL and MTNL. Both of these entities have continued to register losses.
- Funds allocated to Bharatnet have been underutilised since 2022-23. Usage of Bharatnet infrastructure also remains low. Of the one lakh gram panchayats where Wi-Fi hotspots were installed, 766 had active hotspots.
- Imports of telecom instruments in 2024-25 was 21% higher than the previous year. Domestic manufacturing faces challenges such as cost disabilities compared to other countries and limited component manufacturing.

The Department of Telecommunications under the Ministry of Communications is responsible for promotion, development, and regulation of the telecom sector.[1] The Department also administers several public sector undertakings such as BSNL and ITI limited that are involved in providing telecommunication services, consultancy, and equipment manufacturing.[1] As of 2025, India's total number of telecom subscriber base is about 1.2 billion, the second largest in the world.[2] The telecom sector is also ranked third in attracting FDI equity inflow in the country.[2] This note examines the allocation to the Department in 2026-27, trends in expenditure over the last few years, and discusses certain key issues in the sector.

Overview of finances

Allocation in 2026-27

The Department has been allocated Rs 73,991 crore, which is 1.4% of the total budget of the central government.[3] The allocation to the Department in 2026-27 is estimated to increase by 39% from the revised estimate of 2025-26 (see Table 1). The increase is mainly due to a higher capital infusion in BSNL (314% more than revised estimate). This is aimed to support technology upgradation and restructuring in the company.[3] It is part of the revival plan for BSNL. The central government has been implementing this revival plan to improve the financial health of BSNL and MTNL since 2019 (see next page for more details).[4]

In 2025-26, spending by the Department is estimated to be 34% lower than budgeted.[3] This is mainly due to the expected underutilisation of budgeted financial support to BSNL and MTNL.[3] At the revised stage, expenditure worth Rs 10,590 crore is estimated.[3] This is lower than the budget allocation (Rs 35,189 crore).[3] Further, utilisation of amount allocated for Bharatnet (75% lower than budgeted), capital outlay in north eastern area (74% lower), and defence spectrum (52% lower) is also expected to be limited.[3] Bharatnet project aims to provide broadband connectivity to all gram panchayats.[5]

Table 1: Allocation to the Department of Telecommunications (in Rs crore)

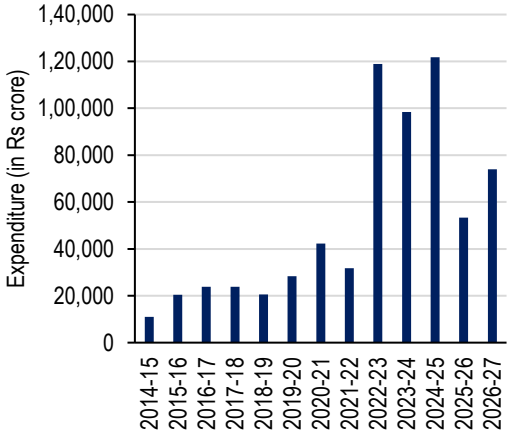
	2024-25 Actuals	2025-26 BE	2025-26 RE	2026-27 BE	% change (25-26 RE to 26-27 BE)
Revenue	47,881	29,220	29,482	26,716	-9%
Capital	73,846	51,785	23,916	47,275	98%
Total	**1,21,727**	**81,005**	**53,398**	**73,991**	**39%**

Note: BE: Budget Estimates; RE: Revised Estimates.
Sources: Demand No.[13], Expenditure Budget, Union Budget 2026-27; PRS.

Trends in expenditure

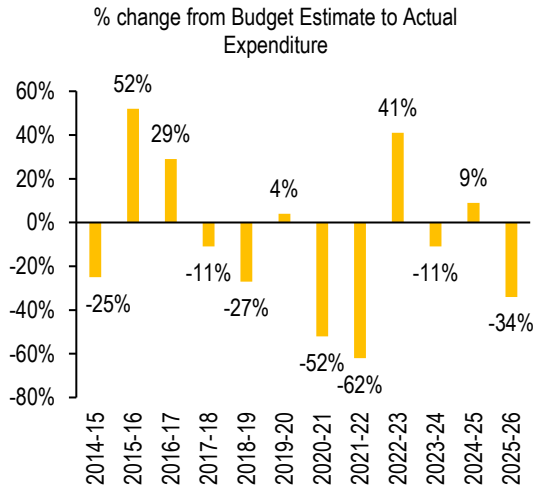
Fund utilisation by the Department has varied over the years. Between 2014-15 and 2026-27, the expenditure of the Department is estimated to increase at an annualised growth rate of 17%. In 2021-22 and 2023-24, the expenditure by the Ministry was 62% and 11% lower than the respective budget expenditure estimates (see next page). In 2022-23, the expenditure was 41% higher than the budget estimates. This is mainly due to the carryover of allocations to revival plan for BSNL and MTNL to subsequent years (see next page for more details). A high variability in budget estimates and actual spending may indicate issues with budget forecasting and scheme implementation.

Figure 1: Expenditure has risen in recent years mainly due to revival plan for BSNL and MTNL



Note: Figures for 2025-26 as per revised estimates; figures for 2026-27 are as per budget estimates.
Sources: Union Budget documents of various years; PRS.

Figure 2: Fund utilisation by the Department has varied widely over the years



Note: Revised Estimates taken as actuals for 2025-26.
Sources: Union Budget documents of various years; PRS.

Key expenditure heads

In 2026-27, three items account for over 95% of the total allocation. The highest allocation is towards support for BSNL and MTNL (41%). Out of this, Rs 28,473 crore is towards capital infusion in BSNL. The second highest allocation is towards pensions (28%). This is for the pensionary benefits of department employees, including those absorbed in BSNL and MTNL. It is effective from April 2014.[3] The third highest is towards Bharatnet project with Rs 20,000 crore (27%). Allocation towards Bharatnet has seen an increase of 264% over the revised estimate of 2025-26. In 2025-26, the spending under this scheme is estimated to be 75% lower than budgeted.

Table 2: Key expenditure heads in 2026-27

Head	2024-25 Actual	2025-26 RE	2026-27 BE	% change (2025-26 to 2026-27)
Support to BSNL and MTNL	81,419	10,590	30,149	185%
Pension	18,225	19,685	21,064	7%
Bharatnet	3,995	5,500	20,000	264%
Compensation to TSPs	4,643	4,000	3,600	-10%
Defence Spectrum	446	706	975	38%

BE: Budget Estimates; RE: Revised Estimates. TSP: Telecom Service Providers.
Sources: Expenditure Budget, Union Budget 2026-27; PRS.

Key schemes and initiatives

Revival plan for BSNL and MTNL

BSNL and MTNL are PSUs under the Department of Telecommunications.[1] MTNL mainly provides telecom services in Mumbai and Delhi while BSNL provides these services in the rest of the country.[1] Between 2020-21 and 2024-25, roughly half of the budget of the Department has been spent on BSNL and MTNL. The revival plan aims to reduce the losses of these two PSUs.[4] Some of the reasons for losses over the years include: (i) debt burden, (ii) high employee cost, and (iii) lack/delay of 4G services (except on a limited basis in certain areas).[6] Under the revival plan for these two entities, support has been announced in three tranches (Table 3).[4,7,8] These involves support for purchase of spectrum, payment of AGR dues, and capital expenditure. The plan also seeks to reduce employee costs through the Voluntary Retirement Scheme (VRS), provide viability gap funding (VGF), and promote asset monetisation.[9] VGF is mainly intended to offset losses incurred in providing telecom services in rural areas.[9] Under VRS, about 93,000 out of 1.75 lakh employees of BSNL and MTNL had opted for the retirement scheme (as of 2023).[10]

The Committee on Public Undertakings (2024) noted that debt reduction in BSNL was largely achieved through the issuance of sovereign guaranteed bonds and repayment of high-cost loans using viability gap funding.[10] However, it noted some challenges, including the delay in the merger of MTNL with BSNL and incomplete spectrum allocation for Delhi and Mumbai.[10] Amidst a delayed merger, BSNL entered a service agreement with MTNL which became effective on January 1, 2025.[9] Under the agreement, BSNL has assumed responsibility for operating and maintaining MTNL's telecom services in Delhi and Mumbai.[9] Other issues in the revival measures relate to the incomplete transfer of the VGF to BSNL, delays in 4G rollout, and challenges in asset monetisation (see page 8).[9,10]

While there have been specific allocations for the revival plan every year, the utilisation has been very volatile (see Table 13 in Annexure). For a discussion on the performance of BSNL and MTNL (see page 8)

Table 3: Key components of revival plan as sanctioned by Union Cabinet

Components	Amount (in Rs crore)
2019 Revival Package	
Purchase of Spectrum	20,140
Voluntary Retirement Scheme	17,169
Sovereign Guarantee for Bonds	15,000
Support for payment of GST for Spectrum	3,674
2022 Revival Package	
Purchase of Spectrum	44,993
Sovereign Guarantee for Bonds	40,399
Support for Payment of AGR dues	33,404
Support for Capital Expenditure	22,471
2023 Revival Package	
Purchase of Spectrum	88,516
Miscellaneous	532

Sources: PIB Press Releases; PRS.

Bharatnet

Bharatnet project was launched in 2011 to provide affordable high-speed internet access to gram panchayats in the country.[5] The initial aim was to make about 2.5 lakh gram panchayats service ready by connecting them with optical fibre networks.[5] In July 2017, the implementation strategy was revised to also include last mile connectivity through Wi-Fi or any other suitable technology.[11] Further amendments to the project revised the targets to cover about 2.6 lakh gram panchayats.[5]

The project involves three implementation phases.[5] Phase I focused on laying Optical Fibre Cable (OFC) to connect one lakh gram panchayats.[5] This phase was completed in December 2017.[5] Phase II is still ongoing.[5] It focuses on expanding coverage to additional 1.5 lakh gram panchayats using optical fibres, radio, and satellite technologies.[5] It was originally supposed to be completed by December 2019.[12] Phase III is also ongoing and aims to integrate 5G technologies, increase bandwidth capacity, and ensure last-mile connectivity.[5]

In June 2021, the duration of the Bharatnet project was extended to 2025.[13] The scheme was also extended to cover all inhabited states and villages on a demand basis.[5,13] As of September 2025, out of 6.6 lakh villages in India, only two lakh villages have been covered under the Bharatnet project (31% covered).[14] The Standing Committee on Communication and Information technology (2025) noted the following challenges with the Bharatnet project: (i) difficult terrains, (ii) right of way issues, and (iii) difficulty in accessing left wing extremism affected areas[15]

Table 4: Status of Bharatnet project as of September 2025

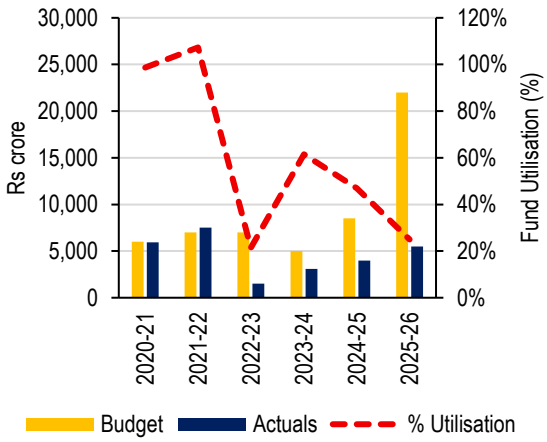
Parameter	Achievement	
	Number of gram panchayats	In %
OFC laid	2.18 lakh	83%
Wi-Fi Installed	1.04 lakh	39%
Wi-Fi operational	766	0.3%

Sources: Bharat Broadband Network Limited website, as accessed on January 15, 2026; PRS.

Low fund utilisation under Bharatnet

Between 2019-20 and 2024-25 (six years), on average, actual spending was 34% lower than the budget estimate. In 2023-24, against a budget allocation of Rs 5,000 crore, actual expenditure was Rs 3,076 crore (62% of the allocated amount). Further, in 2024-25, actual expenditure was Rs 6,500 crore against budgeted amount of Rs 8,500 crore.

Figure 3: Actual spending under Bharatnet has been lower than the allocation



Note: Revised estimate used as actuals for 2025-26.
Sources: Union Budget Documents of various years; PRS

Limited utilisation of the network

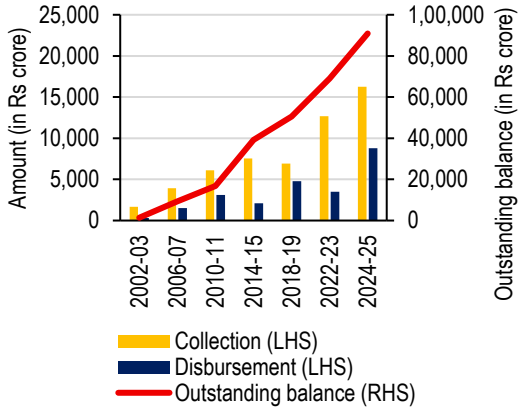
The utilisation of Bharatnet network is through leasing of bandwidth and dark fibre, Wi-Fi at public places, and Fibre to the Home (FTTH) connections at households, government institutions, and private insitutions.[15] The total number of FTTH connections targeted to be completed by March 2026 is 18 lakh.[15] As of January 15, 2026, about 14 lakh FTTH connections are commissioned.[16] Wi-Fi hotspots have been installed in about one lakh gram panchayats as of September 2025.[14] However, Wi-Fi hotspots are active in only 766 gram panchayats.[14] The Standing Committee on Communication and Information technology (2025) noted that usage of network remains suboptimal despite the availability of underlying infrastructure.[15]

Digital Bharat Nidhi

The Universal Service Obligation Fund (USOF) was established in 2002.[17] It was renamed to Digital Bharat Nidhi (DBN) in 2024.[17] It aims to provide financial support for the provision of telecom services in commercially unviable rural and remote areas of the country.[17] It also seeks to support research and development, and introduction of telecommunication services, technologies, and products.[18] The resources for the fund are raised through a Universal Access Levy, which is 5% of the adjusted gross revenue earned by all telecom service providers (except for value-added service providers like internet or voice mail providers).[19]

There are various schemes that are being funded through DBN.[20] This includes a scheme for mobile communication services in Left-Wing Extremism (LWE) affected areas, and a project for the Provision of 4G based mobile services at Border Out Posts (BOPs) of different border guarding forces and Border Intelligence Posts (BIPs) of IB.[20]

Figure 4: Under-utilisation of DBN funds (as of January 2026)



Source: Fund Status Dashboard, Digital Bharat Nidhi website, as accessed on January 26, 2026; PRS.

The fund utilisation of DBN over the years has been considerably lower than the amount credited to it. Between 2002-03 and 2024-25, a total of Rs 1.79 lakh crore has been credited to the fund.[21] Out of which, Rs 88,202 crore has been disbursed for various schemes (49% of the total amount).[21]

Scheme for mobile communication services in left wing extremism affected areas

The scheme for provisioning of mobile services at identified locations affected by LWE was approved in 2014.[1] The scheme has two phases. Phase-I focusses on providing mobile services of 2G technology in LWE affected states such as Jharkhand and Chhattisgarh.[15] This phase is being implemented by BSNL.[1] In 2022, a plan to upgrade the existing towers from 2G to 4G was also approved.[1] As of December 2024, 2,343 sites across identified states provide 2G services.[15] Out of these, only 297 sites have been upgraded for 4G services.[15] Phase-II seeks to install 2,542 towers to provide 4G mobile services in the LWE affected states.[15] The revised scope for the total number of towers stands at 1,289.[15] The timeline for project completion was March 2023, which was subsequently extended to May 2025.[15] As of January 2026, 1,169 mobile towers have been installed.[16]

Comprehensive Telecom Development Plan for the North Eastern Regions

The Comprehensive Telecom Development Plan for the North Eastern Regions aims to provide mobile coverage to identified uncovered villages and areas along national highways in the north eastern region.[22] The towers are laid by private telecom operators.[15] As on September 9, 2024, 1,358 telecom towers were installed against a target of 2,004 telecom towers.[15] In states such as Tripura and Sikkim, the number of towers installed is less than 40% of the proposed number.[15] Key issues include: (i) forest and defence clearances, (ii) accessibility, and (iii) land record issues.[15]

Comprehensive Telecom Development Project for Islands

The Comprehensive Telecom Development Project for Islands aims to provide connectivity to Andaman and Nicobar Islands and Lakshadweep.[23] This connectivity is to be via Submarine Optical Fiber Cable and bandwidth augmentation to these islands.[23] Under the plan, 82 towers are to be set up for providing 4G mobile coverage in identified villages.[15] Further, 42 towers are to be set up for providing 4G services along NH-4 (National Highway-4) in Andaman and Nicobar Islands.[23] As of March 2025, 66 sites have been commissioned under this project (46 along NH-4 and 20 to provide 4G services in villages).[15]

The Submarine OFC Connectivity to Andaman and Nicobar Island Project aims to provide connectivity between Chennai and the Islands.[23] The connectivity is to be provided through a 2,313 km long submarine OFC.[23] As of February 12, 2026, 2,312 km of submarine OCF have been laid connecting eight islands within the Island group.[16]

PLI scheme for telecom sector

The Department of Telecommunications notified a Production Linked Incentive (PLI) scheme in February 2021 with a total projected outlay of Rs 12,195 crore.[24] It aims to boost domestic manufacturing of telecom and networking products in India.[25] The scheme provides incentive of 4% to 6% on the incremental sale of products manufactured in India, with certain conditions also applicable for minimum investment.[26] Under the scheme, the support is to be provided for a period of five years, from 2021-22 to 2025-26.[26] In June 2022, the scheme was amended to add a component for design-led manufacturing.[26]

A total of 42 companies has been granted approval under the scheme as of December 2022.[27] These companies have a committed investment of Rs 4,115 crore.[27] Generation of additional sales of Rs 2.45 lakh crore and additional employment of 44,000 is expected over five years.[27] As of November 2025, investments worth Rs 4,789 crore have been made, and sales of about one lakh crore, and employment of 29,446 have been produced.[28] Fund utilisation under PLI scheme has varied over the years.[29]

Table 5: Progress under the PLI Scheme for telecom sector as of November 2025

Category	Investment (Rs crore)	Sales (Rs crore)	Employment (in number)
Domestic MSMEs	511	9,185	5,676
Other Domestic Companies	2,719	32,399	17,591
International Companies	1,559	59,526	6,179
Total	**4,789**	**1,01,110**	**29,446**

Sources: Telecom PLI Dashboard, Udyami Mitra Portal, SIDBI, as accessed on January 26, 2026; PRS.

Table 6: Allocations under PLI scheme for telecom sector (in Rs crore)

Year	Budget	Actual	Fund utilisation
2022-23	528	39	7%
2023-24	800	292	37%
2024-25	1,806	844	47%
2025-26	1,966	1,944*	99%

Note: *For 2025-26, figure is as per the revised estimate.
Sources: Union budget for various years; PRS.

Network for defence services

The Network for Spectrum (NFS) project aims to enhance the communication capabilities of the defence services through a dedicated telecom network.[15] The project is being implemented by BSNL.[15] Under the project, network elements such as optical fibre cable and transmission equipment are to be set up across the country.[15] The project was unable to meet its target for completion by 2024-25.[15] The project has also encountered delays due to: (i) difficulty in receiving right of way permissions from multiple agencies, (ii) limited working season in certain regions such as Ladakh, Kashmir, and Arunachal Pradesh, and (iii) delays in manufacturing or installing of components.[15] Further, the fund utilisation under the project also remains low.[15]

Table 7: Low fund utilisation for defence network (in Rs crore)

Year	Budget	Actual	Fund utilisation
2021-22	5,200	3,070	59%
2022-23	1,961	1,368	70%
2023-24	2,158	1,093	51%
2024-25	-	446	-
2025-26	1,456	706*	48%

Note: *Revised Estimates taken as actuals for 2025-26.
Sources: Union budget for various years; PRS.

Non-Tax Revenue from Communication Services

Communication services are one of the major sources of non-tax revenue of the central government.[15] It includes proceeds from auction of spectrum and license fees, and spectrum usage charges.[15] In 2026-27, non-tax revenue from communication services is estimated to be Rs 1,17,050 crore, which is 18% of the estimated total non-tax revenue (Rs 6,66,228 crore).[30] Collections are estimated to decrease by 17% compared to the revised estimates of 2025-26.[30]

Table 8: Non-tax revenue from communication services (in Rs crore)

Year	Budget	Actual	% change from Budget to Actual	% change year-on year
2021-22	53,987	85,828	59%	89%
2022-23	52,806	64,835	23%	-24%
2023-24	89,469	90,659	1%	40%
2024-25	1,20,267	84,794	-29%	-6%
2025-26	82,443	1,40,828	71%	66%
2026-27	1,17,050	-	-	-17%

Note: Revised estimate for 2025-26 shown as actuals.
Sources: Union Budget Documents of various years; PRS.

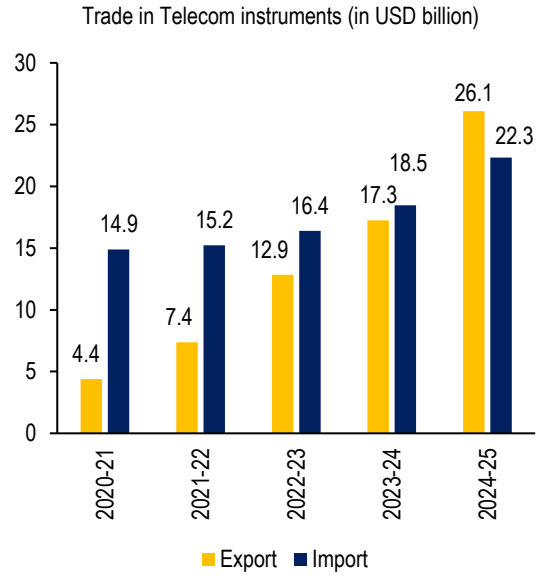
Issues for consideration

Import dependence for telecom instruments

India imported telecom instruments worth USD 22.3 billion in 2024-25, an increase of about 21% over the previous year.[31] In 2025-26, in the first eight months (April-November), telecom instruments worth USD 16.7 billion were imported, a 24% increase over the corresponding period in the previous year.[31]

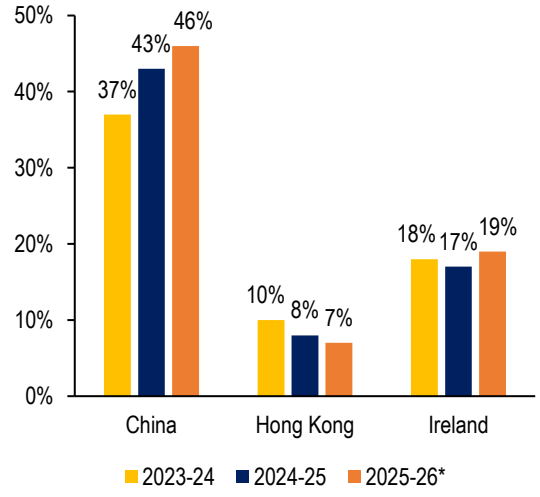
While there is a continued import dependence, exports of telecom instruments have also seen a significant rise in recent years. NITI Aayog (2024) noted that for telecom equipment such as 4G or 5G signal processing units, more than 40% are imported from China.[32] It noted that domestic manufacturing for complex telecom products are limited.[32] It also noted that India is heavily reliant on imports for components.[32] As of November 2025, China remains the top import source for telecom instruments.[31] In 2024-25, telecom imports from China increased by 42% over the previous year.[31]

Figure 5: Import and export of telecom instruments has continued to rise in recent years



Note: Data at the principal commodity level.
Sources: Trade Monitoring Dashboard, Ministry of Commerce website, as accessed on January 30, 2026; PRS.

Figure 6: About 42% of telecom instruments has been imported from China in the last three years



Note: *Data for 2025-26 is up to November 2025.
Sources: Trade Monitoring Dashboard, Ministry of Commerce website, as accessed on January 30, 2026; PRS.

The central government has taken certain steps in recent years for development of domestic manufacturing capacity. These steps include PLI scheme to promote domestic manufacturing, capex support, and interest subvention for manufacturing of telecom equipment and electronic goods.[33]

In 2024-25, over 90% of telecom instruments exported were in the form of smartphones.[31] With regard to imports, 84% of the telecom instruments imported included components used in network or transmission related equipments.[31] NITI Aayog (2024) noted that despite several incentives, participation in electronics manufacturing remains limited.[32] It noted that electronics manufacturing in India faces a cumulative cost disability of 10%-14% for assembly and 14%-18% for component manufacturing compared to China.[32] This includes disabilities due to: (i) tariffs and material costs (4%-6%), (ii) logistics costs (2%-3%), and (iii) high finance costs which add about 1%-2.5% for assembly and up to 4% for components.[32] It noted that China also has an advantage due to presence of local components and sub-assembly ecosystems.[32]

TRAI (2023) had suggested following some measures to promote telecom and networking equipment manufacturing.[33] Some of these measures include preferential market access for locally manufactured equipment, creation of a Network and Telecom Equipment Development Fund for the promotion of local manufacturing, and tax relief for investments in the development of intellectual property in India. NITI Aayog (2024) also recommended: (i) providing fiscal incentives for component manufacturing and building industrial infrastructure, (ii) rationalisation of tariffs and taxes, (iii) investment in skilling to address shortage of skill workers, and (iv) simplifying process of tech transfer for manufacturing of components.[32]

Augmentation of telecom network

The National Broadband Mission (NBM) aims to expand and improve broadband connectivity across India.[34] The Mission has multiple targets. First, it aimed to increase fiberisation of telecom towers to 70% in 2024-25.[34] As of July 2025, 46% of telecom towers were fiberised.[35] Fiberisation means connection of telecom towers through optical fiber. It allows for improved reliability, higher transmission capacity, and lower latency (time taken in data transfer). Second, it aimed to increase the OFC route length to 50 lakh kilometres by 2024-25. The OFC route length is about 42 lakh kilometres as of September 2025.[34,36]

To provide high broadband speed, the Department of Telecommunications had set a target for network latency. Network latency refers to the time delay it takes for data to travel from one point to another across a network.[37] Lower latency means less delay in data transmission.[37] The network latency (wireless) in India was targeted to be 25 millisecond for 2023-24.[29] The target for subsequent years was revised to 75 milliseconds.[15,29] As of March 2025, the revised target has been achieved.[15]

Further, the Department had set a target of increasing tower density to improve quality of service.[34] In 2019-20, there were a total of 5.65 lakh towers in the country, which were to be increased to 15 lakh by 2024-25.[34] As of January 2026, total number of towers in the country was 8.5 lakh.[38]

The Standing Committee on Communications and Information Technology (2024) noted that commercial viability and issues in accessing right of way were affecting the laying of new optical fiber.[29]

The Right of Way Rules govern the approvals and coordination required for laying fiber. In September 2024, the central government notified new Rules on Right of Way.[39] These Rules aim to provide for a timebound process for accessing right of way.[40] It also seeks to promote sharing of fibre infrastructure across government and private entities.[40]

Rural-Urban divide in telecom connectivity

The telecom connectivity in India has increased over the years.[36] The overall tele-density (telephone connections per 100 people) in India in March 2014 was about 75% which increased to about 87% in September 2025.[36] However, this connectivity varies across states (see Table 11 in annexure). It also varies across rural and urban regions. As of September 2025, tele-density in urban areas was about 135% as compared to about 60% in rural areas.[41] Further, the total number of internet subscribers per 100 people in urban areas was 115%, higher than rural areas (47%).[41] In states such as Bihar and Jharkhand, tele-density in rural areas is about 45% and 48% respectively. This is lower than states such as Telangana and Tamil Nadu where tele-density is 85% and 70% in rural areas (Table 11).

The Committee on Public Undertakings (2025) noted some issues with rural connectivity.[42] First, the return on investments for telecom service providers is low in rural areas. Second, availability of power supply in these areas is poor. Third, there is a lack of a reliable transmission media for backhaul connectivity. Fourth, delays in forest or land clearance have been a hindrance. TRAI (2023) also noted poorer digital literacy and affordability issues as a hinderance for wider digital penetration.[43]

To address the rural-urban gap, the Department provides financial support through measures such as DBN and Telecom Technology Development Fund (TTDF).[36] TTDF aims to fund research and development of communication technologies suited to rural conditions.[36] The Committee on Public Undertakings (2025) observed structural difficulties in maintaining networks in rural areas.[42] It noted that the support for operational expenditure provided to telecom service providers from DBN is limited.[42] It recommended usage of low-maintenance technologies and creation of a dedicated corpus under TTDF to support the development of rugged and low-cost equipment for rural deployment.[42]

Challenges in satellite-based internet services

Satellite internet is an emerging technology with the potential to provide connectivity from space to any location through satellites.[44] This makes it crucial for remote villages, border areas, and islands where terrestrial internet services are either difficult to reach or economically unviable.[44] The Department of Telecommunications regulates provision of satellite-based communication by granting authorisations under the Unified Licence (UL) Regime framework.[44] In 2020, the central government allowed private sector participation in space activities.[44] As of June 2025, more than ten satellite operators have shown interest and applied for authorisation to provide satellite-based capacities.[44] Three private operators have been granted UL with authorisations for providing the services (as of January 2026).[45]

The central government aims to harness satellite internet as a key driver of Digital India.[44] However, there are certain challenges associated with large scale deployment of satellites. First, satellite communications use specific frequency bands (spectrums) that serve as essential channels through which voice, data, and broadband signals are transmitted between earth and space.[44] As the number of satellites increases, the risk of signal interference increases.[46] Second, in order to offer lower latency and higher bandwidth, satellite service providers increasingly deploy large constellations of satellites in low earth orbit.[44,47] While this improves service quality, it also increases the risk of satellite collisions.[47] These collisions may not only disrupt internet service but also affect other satellite based critical systems used for navigation and defence-related communications. Third, satellite network is increasingly becoming vulnerable to cybersecurity threats such as signal jamming and spoofing.[47]

The Department of Telecommunications has recently sought reconsideration of TRAI's recommendations for satellite spectrum usage charge.[48] As of January 2026, the framework is yet to be finalised.

Limited deployment under PM-WANI

The National Digital Communication Policy, 2018, set a target of establishing one crore public Wi-Fi hotspots by 2022.[49] One of the measures to support the objective is the Prime Minister's Wi-Fi Access Network Interface (PM-WANI) scheme launched in December 2020.[50] The scheme allows shops and small establishments to set up public Wi-Fi access points by utilising services of existing telecom service providers. No licence or registration fee is charged from the shops and small establishments that establish such hotspots.[51] Users can access internet services by downloading a mobile application, authenticating themselves, and connecting to a PM-WANI hotspot nearby.[50]

As of February 2026, about 4.1 lakh Wi-Fi hotspots have been deployed under this scheme.[51] About 51% of these hotspots are located in Delhi.[51] Several states, particularly in the north-east have seen limited deployment of Wi-Fi hotspots (see Table 12 in annexure).[51] The Department of Telecommunications (2022) noted that high internet costs and expensive broadband connection agreements with telecom service providers are some of the key reasons for poor uptake of the scheme.[50] The Department of Telecommunication revised the framework in 2024 to address cost related challenges, including measures such as permitting usage of regular broadband (FTTH) connection.[52]

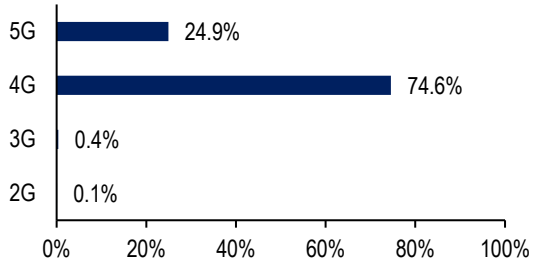
Limited adoption of 5G

5G services were launched in India in October 2022.[53] As of December 2025, 5G services have been rolled out in all states and union territories.[36] 85% of the population has access to 5G network in India.[36] However, only 25% of the total wireless data usage in the country was over 5G network in 2024-25.[54] The Standing Committee on Communications and Information Technology (2024) noted the following key challenges related to 5G usage in India: (i) limited use cases for 5G, and (ii) insufficient return on investment from 5G for service providers.[29]

Advantages of 5G include higher speed, greater reliability, and low latency.[29] However, the Standing Committee on Communications and Information Technology (2024) noted that the latter two 5G use cases, which were expected to be widely deployed, have not yet been realised.[29] The Department of Telecommunications has awarded 100 5G Use Case Labs to educational institutions across the country.[55] The initiative seeks to promote competencies and engagement in 5G technologies among students and start-up communities.[55]

In 2022, the central government had issued a new licence called Captive Non-Public Network (CNPN) licence for establishing private 5G networks.[56] TRAI observed that the uptake for CNPN has been limited.[56] As of June 2023, only two CNPN licences have been issued out of which one is NCRTC Limited which is implementing Delhi Meerut-Ghaziabad Rapid Rail project.

Figure 7: Share of network type in wireless data usage in 2024-25



Sources: Yearly Performance Indicators Report 2024-25, TRAI, July 8, 2025; PRS.

6G network in India

On March 22, 2023, the Bharat 6G Vision document was released.[57] The document aims to position India as the leading contributor for the design and deployment of 6G technology by 2030.[57] Some initiatives taken by the government to facilitate the development of 6G technology in the country include: (i) funding two testbeds for research and development and (ii) approval of 104 research proposals on 6G network ecosystems.[57] The Bharat 6G Alliance (B6GA) is another initiative that aims to drive 6G research and development in the country by bringing together startups, industry, and academia.[57]

Globally, 6G technology remains in its early stages of development.[58] The International Telecommunication Union (ITU), a UN agency is in the process of setting global 6G standards.[58] These standards are helpful to allow devices to function across borders and network suppliers.[58] As development of 6G progresses, some considerations for its adoption may include evaluation of infrastructure readiness, spectrum availability and allocation, and emerging network security challenges. In February 2024, the UK and USA, along with eight other nations, endorsed a joint statement on 6G security principles including using only "trusted" technology to maintain national security.[58]

Financial performance of BSNL and MTNL

BSNL and MTNL have been incurring losses in most quarters since 2009-10.[59] Between 2019-20 and 2025-26, the central government has estimated to spend a cumulative of Rs 2.2 lakh crore towards support to BSNL and MTNL (see Table 13 in annexure). Under the revival plan, both BSNL and MTNL have offered voluntary retirement scheme to their employees.[4] As of 2023, 93,000 out of 1.75 lakh employees of BSNL and MTNL had opted for the retirement scheme.[10] The reduction in salary bill has led to a lower overall expenditure (see Table 9 and Table 10). While losses have decreased, in 2024-25, BSNL's current ratio (ratio of current assets to current liabilities) stood at 4.14:1, against company-stated ideal ratio of 2:1.[9] The higher ratio may reflect high levels of short-term liquidity, however, it may also indicate potential underutilisation of resources in the company.

On the revenue side, MTNL has observed a consistent decline in income since 2017-18, whereas BSNL's income has grown at an annualised rate of 4% between 2019-20 and 2024-25. For both BSNL and MTNL, income in 2024-25 was lower than 2017-18 level. In the third quarter (October-December) of 2024-25, BSNL has booked a profit of Rs 262 crore.[60] This is the first instance of booking profit in a quarter since 2007.[61] In 2019, the government had proposed merging the two entities; however, this has not occurred due to: (i) unsustainable debt of MTNL and (ii) pending statutory dues.[62] In August 2025, MTNL defaulted in the payment of principal (instalment) and interest

to multiple banks.[63] The total financial indebtedness of the company was Rs 34,842 crore.[63] This includes a bank loan of Rs 8,734 crore.[63]

Table 9: Financial performance of BSNL (in Rs crore)

Year	Income	Expenditure	Profit (+)/Loss (-)
2017-18	25,071	33,809	-8,738
2018-19	19,321	34,225	-14,904
2019-20	18,907	34,406	-15,499
2020-21	18,595	26,036	-7,441
2021-22	19,052	26,034	-6,982
2022-23	20,702	27,364	-6,662
2023-24	21,317	26,683	-5,366
2024-25	23,427	25,841	-2,414
2025-26 (till third quarter)	17,706	21,415	-3,709

Sources: Report of the Standing Committee on Communication and Information Technology on DFG of Department of Telecommunications for various years; Annual Reports and Financial Results of BSNL; PRS.

Table 10: Financial performance of MTNL (in Rs crore)

Year	Income	Expenditure	Profit (+)/Loss (-)
2017-18	3,116	6,090	-2,974
2018-19	2,606	5,997	-3,391
2019-20	2,227	5,923	-3,696
2020-21	1,873	4,333	-2,461
2021-22	1,778	4,379	-2,603
2022-23	1,474	4,385	-2,911
2023-24	1,301	4,604	-3,303
2024-25	1,307	4,631	-3,324
2025-26 (till third quarter)	608	3,407	-2,799

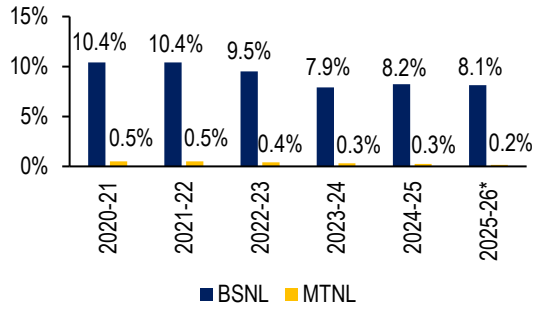
Sources: Report of the Standing Committee on Communication and Information Technology on DFG of Department of Telecommunications for various years; Annual Reports and Integrated financial results of MTNL; PRS.

CAG (2025) identified certain operational lapses that contributed to BSNL's revenue loss.[64] One of these was the non-deduction of licence fees by BSNL under its revenue-sharing arrangements.[64] Under BSNL's FTTH Open Policy, revenue from services provided through local franchisees was to be shared after deducting levies, including licence fees.[64] However, BSNL did not deduct the licence fee from payments made to partners.[64] The audit also pointed to wasteful expenditure due to procurement of higher-capacity underground cables that remained unused and incorrect billing for shared telecom.[64]

Market share

BSNL and MTNL saw a consistent decline in market share in terms of subscriber base between 2019-20 and 2023-24 (see Figure 8 on next page).[65] In 2024-25, BSNL's share increased to 8.2%, resulting from a net gain of 40 lakh new subscribers.[65] The market share of BSNL in urban areas in 2025-26 (as of September 2025) was 9.7%.[41] Even in the rural areas, its share during this period was 6.1%, behind some major private operators (see Table 14 in Annexure).[41]

Figure 8: Market share of BSNL and MTNL in terms of number of subscribers



*Data for 2025-26 as of September 2025.
Sources: Performance Indicator Reports, TRAI; PRS.

For MTNL, the market share continues to be low. The Department of Telecommunications (2024) observed that the current wireless telecom industry in Delhi and Mumbai (MTNL's service area) is driven by data.[29] As a result, voice services are no longer a revenue generating factor rather it is a bundled service of data.[29] Private operators in these two cities have rolled out 4G and 5G networks in order to retain their existing customers.[29] However, MTNL was not able to roll out these services at the same pace.[29] Some of the constraints faced by MTNL include financial limitations and untrained manpower.[29] As discussed earlier, BSNL operates and maintains MTNL's network from January 1, 2025. The rollout of 4G and 5G services by BSNL in these two cities were delayed in comparison to private operators.

Challenges in asset monetisation

BSNL owns multiple properties in different cities whose cumulative worth is estimated at Rs 67,000 crore.[66] The 2019 revival plan included monetisation of BSNL's assets to raise funds for debt repayment and meeting other operational requirements.[4] Monetisation involves sale or leasing of properties. Asset monetisation worth Rs 20,200 crore was targeted to be carried out between 2019-20 and 2022-23.[66] In October 2020, Department of Investment and Public Asset Management (DIPAM) decided that assets having value of Rs 100 crore and above would be monetised as per DIPAM framework.[66] For assets below Rs 100 crore, it would be monetised by BSNL or the Department of Telecommunications.[66] Land assets of about Rs 189 crore were monetised through sale or transfer between October 2019 and February 2023.[66] Further, none of the assets could be monetised under DIPAM framework till July 2022.[66] Besides sale, leasing of properties and renting out sparable space

was identified for monetisation.[66] BSNL earned an amount of Rs 690 crore towards monetisation through leased assets during October 2019 to February 2023.[66]

Key reasons for delay in asset monetisation as noted by CAG (2025) included: (i) encroachment and deficiency in documentation for several assets and (ii) high reserve price for bids.[66] The monetisation targets for subsequent years were revised in 2022.[67] BSNL achieved the revised monetisation targets for 2023-24 and 2024-25.[67] However, certain challenges were noted in this monetisation process.[67] These include issues related to change of land use, property mutations and other statutory clearances.

[1] Annual Report 2024-25, Department of Telecommunications, Ministry of Communications, https://dot.gov.in/sites/default/files/Annual%20Report%20English%20Dot%202024.pdf.

[2] "About telecommunication sector", Invest in Telecommunication, India Investment Grid website, as accessed on January 12, 2026, https://indiainvestmentgrid.gov.in/sectors/telecommunication.

[3] Demand No. 13, Expenditure Budget, Department of Telecommunications, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe13.pdf.

[4] "Union Cabinet approves revival plan of BSNL and MTNL and in-principle merger of the two", Press Information Bureau, Union Cabinet, October 23, 2019, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1588848&reg=3&lang=2.

[5] "BharatNet", Press Information Bureau, Ministry of Communications, April 21, 2025, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2123137&reg=3&lang=2.

[6] Unstarred Question No. 509, Rajya Sabha, Ministry of Communications, February 6, 2020, https://sansad.in/getFile/annex/251/AU509.pdf?source=pqars.

[7] "Cabinet approves revival package of BSNL amounting to Rs 1.64 Lakh Cr.", Press Information Bureau, Union Cabinet, July 27, 2022, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1845422.

[8] "Union Cabinet allots 4G/5G spectrum to BSNL", Press Information Bureau, June 7, 2023, https://pib.gov.in/PressReleasePage.aspx?PRID=1930444.

[9] Annual Report 2024-25, BSNL, https://bsnl.co.in/documents/freports/annual-report-2024-25-en.pdf.

[10] "6th Report: Bharat Sanchar Nigam Limited", Committee on Public Undertakings, December 18, 2024, https://sansad.in/getFile/lsscommittee/Public%20Undertakings/18_Public_Undertakings_6.pdf?source=loksabhadocs.

[11] "50th Report: Progress of Implementation of Bharatnet", Standing Committee on Information Technology, August 2018, https://eparlib.sansad.in/bitstream/123456789/763783/1/16_Information_Technology_50.pdf.

[12] "6th Report: Demand for Grants (2020-21) of Department of Communications (Ministry of Communications), Standing Committee on Information Technology, March 2020, https://loksabhadocs.nic.in/lsscommittee/Communications%20and%20Information%20Technology/17_Information_Technology_6.pdf.

[13] "Progress of National Broadband Mission", Press Information Bureau, Ministry of Communications, July 22, 2022, https://pib.gov.in/PressReleasePage.aspx?PRID=1843752.

[14] "Usage and villages covered", Bharat Broadband Network Limited website, as accessed on January 15, 2026, https://bbnl.nic.in/usages.pdf.

[15] "8th Report: Demand for Grants (2025-26): Department of Telecommunications", Standing Committee on Communication and Information Technology, March 2025, https://sansad.in/getFile/lsscommittee/Communications%20and%20Information%20Technology/18_Communications_and_Information_Technology_8.pdf?source=loksabhadocs.

[16] "DBN Dashboard", Digital Bharat Nidhi, Department of Telecommunications website, as accessed on January 15, 2026, https://usof.gov.in/en/usof-dashboard.

[17] "2025 Year End Review for Department of Telecommunications", Press Information Bureau, Ministry of Communication, December 19, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2206477&reg=3&lang=2.

[18] The Telecommunications Act, December 24, 2023, https://egazette.gov.in/WriteReadData/2023/250880.pdf.

[19] "USO", Controller of Communication Accounts Delhi website, as accessed on January 12, 2026, https://cgca.gov.in/ccadl/uso.

[20] "Ongoing schemes", Digital Bharat Nidhi, Department of Telecommunication, Ministry of Communication website, as accessed on February 16,2025, https://usof.gov.in/en/ongoing-schemes.

[21] "Fund Status", Digital Bharat Nidhi website, as accessed on January 26, 2026, https://usof.gov.in/en/fund-status.

[22] "Comprehensive Telecom Development Plan", Press Information Bureau, Ministry of Communication, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2085663&reg=3&lang=2.

[23] "Comprehensive Telecom Development Project for Islands", Ongoing Schemes, https://usof.gov.in/en/ongoing-schemes.

[24] "Design led manufacturing under Production Linked Incentive (PLI) Scheme for Promoting Telecom and Networking Products Manufacturing in India", Press Information Bureau, Ministry of Communications, June 20, 2022, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1835560&reg=3&lang=2.

[25] "Halfway through the telecom PLI Scheme", Invest India, September 20, 2024, https://www.investindia.gov.in/blogs/halfway-through-telecom-pli-scheme.

[26] "PLI Scheme", Department of Telecommunications website, as accessed on January 26, 2026, https://dot.gov.in/pli-scheme.

[27] "DoT extends PLI Scheme for Telecom and Networking Products to 42 beneficiaries with a total committed Outlay of Rs. 4,115 crore", Press Information Bureau, Ministry of Communications, October 31, 2022, https://pib.gov.in/PressReleasePage.aspx?PRID=1872271.

[28] "PLI Dashboard", Department of Telecommunications, January 26, 2026, https://pli-telecom.udyamimitra.in/.

[29] "5th Report: Demand for Grants (2024-25): Department of Telecommunications", Standing Committee On Communications and Information Technology, December 2024, https://sansad.in/getFile/lsscommittee/Communications%20and%20Information%20Technology/18_Communications_and_Information_Technology_5.pdf?source=loksabhadocs.

[30] Summary of estimates of non-tax revenue, Union Budget 2026-27, February 2, 2026, https://www.indiabudget.gov.in/doc/rec/ntr.pdf.

[31] Trade Monitoring Dashboard, Ministry of Commerce and Industry website, as accessed on January 30, 2026, https://trade-analytics.commerce.gov.in/public/commodity.

[32] Electronics: Powering India's Participation in Global Value Chains, NITI Aayog, 2024, https://www.niti.gov.in/sites/default/files/2024-07/GVC%20Report_Updated_Final_11zon_0.pdf.

[33] Recommendations on 'Promoting Networking and Telecom Equipment Manufacturing in India', Telecom Regulatory Authority of India, September 22, 2023, https://www.trai.gov.in/sites/default/files/Recommendation_23092023.pdf.

[34] National Broadband Mission, Department of Telecommunications, December 2019, https://dot.gov.in/sites/default/files/National%20Broadband%20Mission%20-%20Booklet_0.pdf?download=1.

[35] "Draft National Telecom Policy 2025", Department of Telecommunications, July 2025, https://dit.py.gov.in/sites/default/files/draftntp2025.pdf.

[36] "2025 Year End Review for Department of Telecommunications", Press Information Bureau, Ministry of Communications, December 19, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2206477&reg=3&lang=1.

[37] "Latency", European Commission website, as accessed on February 17, 2026, https://interoperable-europe.ec.europa.eu/taxonomy/term/19460.

[38] "DoT Dashboard", Department of Telecommunications website, as accessed on January 24, 2026, https://dot.dashboard.nic.in/DashboardF.aspx.

[39] Telecommunications (Right of Way) Rules, 2024, Telecom Regulatory Authority of India, September 2024, https://www.trai.gov.in/sites/default/files/2024-09/Telecommunications_17092024.pdf.

[40] Unstarred Question No. 528, Lok Sabha, Ministry of Communications, December 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU528_QJYXfp.pdf?source=pqals.

[41] "The Indian Telecom Services Performance Indicators", TRAI, December 3, 2025, https://www.trai.gov.in/sites/default/files/2025-12/QPIR_03122025.pdf.

[42] "14th Report: Setting up of 25,000 Wi-Fi Hotspots in BSNL Rural Telephone Exchanges ", Committee on Public Undertakings, August 12, 2025, https://eparlib.sansad.in/bitstream/123456789/2992147/1/18_Public_Undertakings_14.pdf.

[43] "Consultation Paper on Digital Inclusion in the Era of Emerging Technologies", TRAI, September 14, 2023, https://www.trai.gov.in/sites/default/files/2024-11/Cons_P_14092023.pdf.

[44] "Satellite Internet in India", Press Information Bureau, Ministry of Communications, September 23, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2170091&reg=3&lang=2.

[45] "Satellite Communication Services", Press Information Bureau, Ministry of Communications, January 29, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2220346&reg=3&lang=1#:~:text=Satellite%2Dbased%20communication%20services%20can,optical%20fiber%2C%20microwave%2C%20etc.

[46] "ITU and ESA agree on optimizing satellite communication", ITU website, as accessed on January 24, 2026, https://www.itu.int/hub/2025/03/itu-and-esa-agree-on-optimizing-satellite-communications/.

[47] "Satellites: State of play and challenges for the EU", European Parliament, September 2025, https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/777930/EPRS_BRI(2025)777930_EN.pdf.

[48] "Recommendations on Terms and Conditions for the Assignment of Spectrum for Certain Satellite-Based Commercial Communication Services", TRAI, December 2025, https://www.trai.gov.in/sites/default/files/2025-12/Recommendation_08122025_0.pdf.

[49] National Digital Communications Policy – 2018, Ministry of Electronics and Information Technology, https://www.meity.gov.in/writereaddata/files/National_Digital_Communications_Policy%E2%80%932018.pdf.

[50] "TRAI revises tariff framework for retail broadband connectivity provided to PDOs under the PM-WANI scheme", Press Information Bureau, Ministry of Communication, June 16, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2136754&reg=3&lang=2.

[51] PM-Wani central registry website, as accessed on February 13, 2026, https://pmwani.gov.in/wani.

[52] "Wi-Fi Access Network Interface (PM-WANI) Scheme", Press Information Bureau, Ministry of Communications, December 3, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2198211&reg=3&lang=2#:~:text=Data%20Office%20Aggregators).-,As%20on%2026.11.,users%2C%20after%20due%20user%20consent.

[53] "Expansion of 5G Network in the country", Press Information Bureau, Ministry of Communication, March 21, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2113855&reg=3&lang=2.

[54] "The Indian Telecom Services Yearly Performance Indicators 2024-25", TRAI, July 8, 2025, https://www.trai.gov.in/sites/default/files/2025-07/YIR_08072025_0.pdf.

[55] "Experimental License for 100 5G Labs", Department of Telecommunications, https://eservices.dot.gov.in/experimental-license-100-5g-labs.

[56] "Recommendations on the Terms and Conditions of Network Authorisations to be Granted Under the Telecommunications Act, 2023", Telecom Regulatory Authority of India, February 17, 2025, https://trai.gov.in/sites/default/files/2025 02/Recommendations_17022025_0.pdf.

[57] "Building a Viksit Bharat with 6G", Press Information Bureau, Ministry of Communications, October 26, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2182603&reg=3&lang=2.

[58] "6G mobile technology", UK Parliament post notes, December 2, 2024, https://researchbriefings.files.parliament.uk/documents/POST-PN-0734/POST-PN-0734.pdf

[59] Unstarred Question No 1773, Lok Sabha, Ministry of Communications, February 13, 2019, http://164.100.24.220/loksabhaquestions/annex/17/AU1773.pdf.

[60] "With First Back-to-Back Quarter Profits, FY 24-25 Shows Turnaround", Press Information Bureau, Ministry of Communications, May 27, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131702&reg=3&lang=2.

[61] "BSNL Achieves ₹262 Crore Profit in Q3 – First Profit Since 2007", Press Information Bureau, Ministry of Communications, February 14, 2026, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2103297&utm_source=chatgpt.com&reg=3&lang=2.

[62] "43rd Report: Demands for Grants (2023-24): Department of Telecommunications", Standing Committee on Communication and Information Technology, March 2023, https://sansad.in/getFile/lsscommittee/Communications%20and%20Information%20Technology/17_Communications_and_Information_Technology_43.pdf?source=loksabhadocs.

[63] Intimation of Default in the Payment of Principal (Instalment) & Interest of Banks by MTNL, Exchange filing on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), September 11, 2025, https://mtnl.in/INTIMATION%20OF%20DEFAULT%20AS%20ON%2031.08.2025%20IN%20THE%20PAYMENT%20OF%20PRINCIPLE%20AND%20INSTALMENT%20OF%20BANK%20LOANS%20BY%20MTNL%20DTD%2011.09.2025.pdf.

[64] "Report of the Comptroller and Auditor General of India for the year ended 31 March 2023", CAG March 29, 2025, https://cag.gov.in/webroot/uploads/download_audit_report/2025/Report-No.-1-of-2025_Compliance_English-digitized-067eccde49e51a7.62680152.pdf.

[65] Quarterly Performance Indicator Reports, TRAI, https://trai.gov.in/release-publication/reports/performance-indicators-reports.

[66] Report No. 16/2023: Compliance Audit on Finance and Communication, Union Government, Comptroller and Auditor General of India, August 9, 2023, https://cag.gov.in/en/audit-report/details/119132.

[67] Unstarred Question No. 495, Rajya Sabha, Ministry of Communications, July 24, 2025, https://sansad.in/getFile/annex/268/AU495_rHYHID.pdf?source=pqars.

Annexure

Table 11: State-wise tele-density and internet subscribers as of September 2025

State or UT	Tele-density (%)			Internet subscribers per 100 population		
	Rural	Urban	Total	Rural	Urban	Total
Andaman and Nicobar	124%	148%	135%	104%	120%	111%
Andhra Pradesh	73%	109%	87%	55%	91%	69%
Arunachal Pradesh	71%	131%	86%	62%	105%	73%
Assam	57%	166%	75%	46%	124%	59%
Bihar	45%	136%	56%	35%	110%	44%
Chandigarh	-	-	152%	-	-	116%
Chhattisgarh	48%	141%	74%	42%	121%	64%
Dadra & Nagar Haveli and Damand & Diu	143%	50%	64%	133%	45%	59%
Delhi	-	-	182%	-	-	166%
Goa	189%	143%	153%	192%	141%	152%
Gujarat	74%	114%	94%	58%	101%	80%
Haryana	73%	182%	120%	59%	154%	100%
Himachal Pradesh	91%	415%	125%	64%	352%	94%
Jammu and Kashmir	66%	152%	93%	54%	129%	77%
Jharkhand	48%	108%	64%	39%	86%	52%
Karnataka	72%	158%	111%	60%	133%	93%
Kerala	269%	86%	121%	256%	68%	105%
Ladakh	161%	223%	181%	158%	114%	144%
Lakshadweep	-	-	112%	-	-	96%
Madhya Pradesh	43%	132%	69%	35%	117%	59%
Maharashtra	64%	143%	103%	53%	125%	88%
Manipur	42%	134%	72%	38%	124%	66%
Meghalaya	68%	144%	84%	60%	105%	70%
Mizoram	99%	127%	115%	87%	99%	94%
Nagaland	73%	67%	70%	64%	59%	61%
Odisha	65%	155%	83%	50%	117%	63%
Puducherry	73%	71%	72%	75%	66%	68%
Punjab	67%	169%	110%	56%	136%	90%
Rajasthan	57%	141%	80%	44%	123%	65%
Sikkim	152%	76%	111%	118%	70%	92%
Tamil Nadu	70%	133%	105%	55%	110%	85%
Telangana	85%	134%	109%	69%	125%	97%
Tripura	69%	99%	82%	53%	81%	65%
Uttar Pradesh	49%	136%	70%	38%	118%	57%
Uttarakhand	84%	145%	107%	65%	118%	85%
West Bengal	58%	120%	81%	44%	105%	67%
All-India	**60%**	**135%**	**87%**	**47%**	**115%**	**72%**

Note: Tele-density can be higher than 100% as a person may have more than one connection
Sources: The Indian Telecom Services Performance Indicators July-September 2025, TRAI; PRS.

Table 12: Wi-fi Hotspots installed under PM-WANI (as of February 13, 2026)

State or UT	Total Wi-Hi Hotspots
Andaman and Nicobar	275
Andhra Pradesh	6,076
Arunachal Pradesh	1,017
Assam	1,651
Bihar	4,086
Chandigarh	253
Chhattisgarh	2,839
Dadra & Nagar Haveli and Damand & Diu	-
Delhi	2,08,944
Goa	430
Gujarat	11,857
Haryana	18,474
Himachal Pradesh	936
Jammu and Kashmir	2,299
Jharkhand	1,042
Karnataka	21,834
Kerala	5,002
Ladakh	601
Lakshadweep	1
Madhya Pradesh	7,597
Maharashtra	34,240
Manipur	21
Meghalaya	256
Mizoram	3
Nagaland	78
Odisha	3,041
Puducherry	89
Punjab	3,713
Rajasthan	2,890
Sikkim	13
Tamil Nadu	7,504
Telangana	4,288
Tripura	310
Uttar Pradesh	51,590
Uttarakhand	980
West Bengal	4,206
All-India	**4,08,436**

Sources: PM WANI Central Registry Website, as accessed on February 13, 2026; PRS.

Table 13: Expenditure towards support to BSNL and MTNL (in Rs crore)

Head	2020-21		2021-22		2022-23		2023-24		2024-25		2025-26		2026
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Revised	Budget
Capital Infusion in BSNL	14,115	0	14,115	0	44,720	26,386	52,937	56,785	82,916	71,940	33,758	6,885	28,473
Capital infusion in MTNL	6,295	0	6,295	0	0	0	0	0	0	0	0	0	0
Grants for payment of GST-BSNL	2,541	0	2,541	0	3,550	0	2,218	2,218	0	0	0	0	0
Grants for payment of GST-MTNL	1,133	0	1,133	0	0	0	0	0	0	0	0	0	0
Financial support to MTNL	372	383	383	384	384	384	384	383	312	302	0	0	0
Payment of principal amount of MTNL Bonds	0	0	0	0	0	0	0	865	3,669	3,669	0	0	0
Loans to MTNL on invocation of guarantees	0	0	0	0	0	0	0	0	156	1,151	0.01	1,829	0.01
Implementation of voluntary retirement scheme-BSNL/MTNL	3,295	3,028	3,000	3,473	3,300	3,465	2,671	2,127	0.01	4,248	0.01	676	476
Ex-gratia payment to employees taking VRS-BSNL/MTNL	9,889	11,162	0	0	0	0	0	0	0	0	0	0	0
Viability gap funding	0	0	0	0	0	16,189	1,740	1,200	1,200	1,200	1,200	1,200	1,200
Waiver of guarantee fee – BSNL/MTNL	0	0	0	0	0	42	174	239	556	170	231	0	0
Total	**37,640**	**14,573**	**27,467**	**3,857**	**51,954**	**46,466**	**60,124**	**63,817**	**88,809**	**82,680**	**35,189**	**10,590**	**30,149**

Sources: Demand No. [13], Department of Telecommunications, Expenditure Budget, Union Budget Documents of various years; PRS.

Table 14: Share of telecom service providers in subscriber base (as of September 2025)

Telecom service provider	Share of subscribers (in %)		
	Rural	Urban	Overall
Reliance Jio	40.3%	41.9%	41.2%
Bharti	35.4%	31.1%	33.0%
Vodafone Idea Limited	17.9%	15.6%	16.6%
BSNL	6.1%	9.7%	8.1%
Tata	0.3%	1.4%	0.9%
MTNL	0.0%	0.3%	0.2%
Others	0.1%	0.1%	0.1%

Sources: The Indian Telecom Services Performance Indicators July –September, 2025, TRAI; PRS.

Demand for Grants 2026-27 Analysis

Power and New & Renewable Energy

Highlights

- Coal-based plants account for 43% of installed capacity and generate 71% of electricity. Solar and wind generate 13% of electricity with a 37% share in installed capacity. Their intermittent nature means that increasing their share in generation needs to be carefully sequenced to maintain grid stability.
- In 2024-25, 58% of targeted transmission lines were added. The sector remains import-dependent for critical materials used in transmission infrastructure.
- Distribution utilities continue to incur losses, although losses have come down in recent years. Losses are due to factors such as underpricing of tariffs and higher technical and commercial losses.

Key announcements in Budget Speech 2026-27

- **Custom duty exemptions:** The central government will exempt basic customs duty on capital goods used in cells of battery energy storage. Also, duty exemptions for nuclear power project imports is extended till 2035.
- **Restructuring of PFC and RFC:** Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will be restructured in accordance with the Viksit Bharat vision for Non-Banking Financial Corporations.
- **Dedicated rare-earth corridors:** The central government will establish rare-earth corridors to promote mining, processing, research, and manufacturing.
- **Carbon Capture Utilisation and Storage:** An outlay of Rs 20,000 crore is proposed for the Carbon Capture Utilisation and Storage (CCUS) technologies over the next five years.

Power is under the concurrent list of the Constitution.[1] Both the central and state government implement programmes and schemes on the subject. The Ministry of Power is responsible for policy formulation and implementation for the electricity sector at the central level.[2] The Ministry of New and Renewable Energy (MNRE) works towards promotion and development of renewable sources such as solar and wind.[3]

These Ministries also administer several public sector undertakings. As of December 2025, 23% of the generation capacity is owned by the central PSUs such as NTPC and NHPC.[4] Another 22% is owned by the state government-owned entities.[4] In 2024-25, 93% share of the distribution by both revenue earned and volume of energy sold was undertaken by state government-owned entities.[5] This note analyses budgetary allocation and expenditure trends of the two ministries and discusses key issues.

Overview of Finances

Ministry of Power: In 2026-27, the Ministry of Power has been allocated Rs 29,997 crore, an increase of 39% over the revised estimate of 2025-26.[6] About 1% of this allocation is towards capital expenditure.[6] 60% of the total expenditure has been allocated towards the Revamped Distribution Sector Scheme (RDSS).[6] This scheme was launched in 2021 to provide support to distribution companies for improving financial and operational performance.[7] A key component of RDSS is the assistance for installation of prepaid smart meters. Other key heads of allocation are: (i) assistance to central public sector undertakings for power projects (25% of the allocation), (ii) transfers to Power System Development Fund (PSDF) (4%), which is utilised for creating transmission systems, and (iii) viability gap funding for development of battery energy storage system (3%).[6]

Ministry of New and Renewable Energy: In 2026-27, the Ministry of New and Renewable Energy (MNRE) has been allocated Rs 32,915 crore, an increase of 30% from the revised estimate of 2025-26.[8] The increase is driven by higher allocations towards PM Surya Ghar Muft Bijli Yojana (an increase of Rs 5,000 crore).[8] The scheme was approved in February 2024.[9] It provides financial assistance to households for installing rooftop solar.[9]

Table 1: Allocations towards Ministries of Power and New & Renewable Energy (in Rs crore)

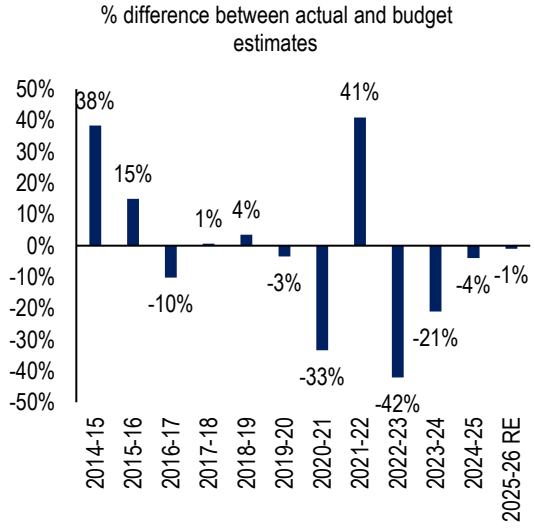
Head	2024-25 Actuals	2025-26 RE	2026-27 BE	% change (25-26 RE to 26-27 BE)
Power	**19,714**	**21,588**	**29,997**	**39%**
of which				
RDSS	12,974	15,671	18,000	15%
Assistance to PSUs	2,980	2,732	7,401	171%
Power System Development Fund	1191	1100	1103	0%
MNRE	**18,627**	**25,301**	**32,915**	**30%**
of which				
PM Surya Ghar	7,818	17,000	22,000	29%
Solar Power (Grid)	6,583	1,000	1,775	78%
PM KUSUM	2,560	5,000	5,000	0%
Wind Power (Grid)	800	500	500	0%
Green Hydrogen	301	300	600	100%

Note: BE: Budget Estimates; RE: Revised Estimates.
Sources: Demand No. [71] and 79, Expenditure Budget, Union Budget 2026-27; PRS.

Trends in fund utilisation over the years

Ministry of Power: The fund utilisation by the Ministry of Power has seen wide fluctuations over the last decade (see Figure 1). In 2022-23, the actual expenditure by the Ministry was 42% lower than budgeted. This was mainly driven by lower fund utilisation under RDSS (64%). In the previous year (2021-22), the actual expenditure was 41% higher than the budget expenditure. This was due to higher expenditure on multiple schemes such as Integrated Power Development Scheme (IPDS), Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGY), and programmes including those on strengthening of power systems. In 2025-26, as per revised estimates, the overall expenditure by the Ministry of Power is 1% lower than budgeted.

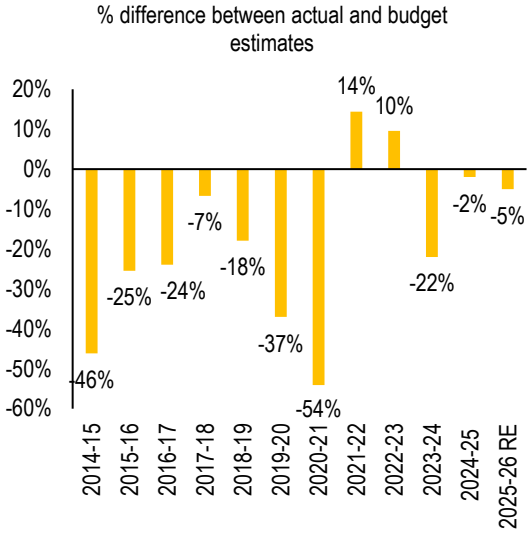
Figure 1: Fund utilisation by Power Ministry



Note: For 2025-26, revised estimate taken as actuals.
Source: Demands for Grants of Ministry of Power for various years; PRS.

Ministry of New and Renewable Energy: Over the last decade, actual expenditure by MNRE has generally been lower than the budget estimate, except in 2021-22 and 2022-23. In 2023-24, the overall expenditure by MNRE was 22% lower than budgeted. For the subsequent year, 2024-25, underutilisation decreased (2%). In 2025-26, as per the revised estimates, spending by the Ministry is estimated to be 5% lower than budgeted. Expenditure under PM-KUSUM is expected to be 92% higher than budgeted in 2025-26. Expenditure under PM Surya Ghar is estimated to be 15% lower than the budget estimate. PM-KUSUM provides for solarisation of agricultural pumps and feeders (see next page for more discussion on these schemes).[10]

Figure 2: Fund utilisation by MNRE



Note: For 2025-26, revised estimate taken as actuals.
Source: Demands for Grants of MNRE for various years; PRS.

Key Schemes

Revamped Distribution Sector Scheme

The Revamped Distribution Sector Scheme (RDSS) was launched in 2021.[11] It aims to strengthen the distribution infrastructure and reduce the aggregate technical and commercial (AT&C) losses to pan-India level of 12-15%.[12] AT&C losses refer to the ratio of power for which the distribution company (discom) did not receive any payment to the total electricity procured by the discom.

A key part of RDSS is the provision of financial assistance to discoms for prepaid smart consumer and system metering.[12] This assistance is to be based on meeting a stipulated pre-qualifying criteria and achieving a basic minimum benchmark in reforms.[12] Most of the smart meters under RDSS are installed and maintained by private entities called Advanced Metering Infrastructure Service Providers (AMISPs) under long-term contracts with discoms.[13] Smart meters are being installed at consumer as well as system level.[12] However, there has been limited rollout of smart meters under the scheme. The scheme targeted to install 10 crore smart meters in its first phase.[7] As of January 8, 2025, 22 crore consumer meters have been sanctioned under RDSS.[13] Contracts have been awarded for 15 crore consumer meters and five crore consumer meters have been installed.[13] In six states, consumer meters have been sanctioned but deployment is yet to begin.[13] Further, in states such as Andhra Pradesh, Gujarat, and Tamil Nadu, not all installed meters are connected to the system.[14]

Table 2: Status of Smart metering across India (as of December, 2025)

Type	Sanctioned	Achievement	
		In number	In %
Consumer Meters	22 crore	5 crore	23%
Distribution Transformer Meters	53 lakh	13 lakh	25%
Feeder Meters	2 lakh	1.6 lakh	77%

Source: All India Smart Metering Status, Website of National Smart Grid Mission of Ministry of Power, as accessed on December 31, 2025; PRS.

One of the reasons for low number of installed smart meters may be their high costs. Under this scheme, central government provides a performance-linked grant to discoms for smart metering.[15] This grant is at the rate of 15% of the cost per smart meter (or 22.5% for special category states).[15] The grant is subject to a maximum of Rs 900 per smart meter (or Rs 1,350 for special category states).[15] However, the cost of smart meters in several states discovered during the bidding process ranges between Rs 7,000-Rs 16,000.[14] Discoms with financial issues may be unable to cover the remaining costs which may contribute to delays in installations. The recovery of smart meter costs from low-consumption and subsidised consumer categories may be also limited, as revenue from such consumers are low.

Delays have also been observed in implementation phases of smart metering. These include: (i) delays in issue of tenders and establishment of direct debit facilities and (ii) delays in field testing and approvals.[16] Smart meters can also facilitate large scale integration of renewable power and enable time of day tariffs.[17] However, states such as Gujarat and Tamil Nadu that have high variable renewable energy (such as solar and wind), have made limited progress in smart meter rollouts (see Table 6 in Annexure).[13,18]

PM KUSUM Scheme

The scheme aims to provide financial support for the installation of small solar power plants on barren agricultural land, and solarisation of agriculture pumps.[19] It seeks to achieve a solar capacity of 35 GW.[19] Originally, this capacity was to be added by 2022.[3] The target has been revised to 2025-2026.[20] The Standing Committee on Estimates (2025) observed delays in capacity additions.[21] Some of the reasons for poor adoption include: (i) limited availability of low-cost finance, (ii) absence of central financial assistance for small solar plants, and (iii) lack of subsidy for solar pumps with capacities above 7.5 horsepower.[21] Higher capacity pumps are used in regions with low groundwater.[21]

Table 3: Sanctioned vs Installed under the PM-KUSUM Scheme (as of February 2026)

Parameter	Sanctioned	Installed	
		In unit	In %
Grid-connected decentralised solar power plants	10,000 MW	765 MW	8%
Stand-alone solar pumps	13 lakh	10 lakh	76%
Grid-connected solar pumps	55,392	12,311	22%

Source: Achievement Dashboard, National Portal PM-KUSUM, as accessed on February 9, 2026; PRS.

PM Surya Ghar Scheme

PM-Surya Ghar Muft Bijli Yojana was approved in February 2024 with the aim of installing rooftop solar in one crore households by 2026-27.[9,22] Under this scheme, financial assistance is provided in the form of central financial assistance (CFA) and a collateral free loan. As of December 9, 2025, rooftop solar systems have been installed in 24 lakh households (24% of the target met).[22]

Key reasons for slow progress under the scheme include: (i) high rejection rate of loan applications particularly due to unclear house ownership status, (ii) limited consumer awareness about the scheme, and (iii) inadequate availability of empanelled vendors responsible for facilitating approvals and installations.[21,23] Further, the scheme has made it mandatory to install solar modules manufactured in the country to avail financial support.[21] However, Standing Committee on Estimates (2025) noted that domestic manufacturing capacity is insufficient.[21]

National Green Hydrogen Mission

The Mission aims to build domestic capabilities to produce green hydrogen and reduce dependence on fossil fuels.[24] Green Hydrogen is hydrogen produced using renewable energy, such as solar power.[25] The Mission seeks to provide a scalable fuel alternative for sectors such as steel.[24,25] It targets annual production of five million metric tonnes (MMT) of green hydrogen by 2030.[25] As of December 16, 2025, 18 companies have been awarded a cumulative production capacity of 0.86 million tonnes per annum.[26]

There are certain issues with development of green hydrogen. First, producing green hydrogen requires fresh water.[24] More than 35% of the global green and blue hydrogen (blue hydrogen is produced using fossil fuels) production capacity (in operation and planned) is located in highly-water stressed regions.[27] India is estimated to have 99% of its hydrogen capacity in extremely water-stressed areas by 2040.[27] While sea water can also be used, it requires development of processing infrastructure.[24]

Production of green hydrogen is also an expensive process.[24] The price of grey hydrogen (fossil fuels

are used to produce grey hydrogen) in 2025 ranges between USD 1.5 to 3 per kg compared to USD 3 to 6 per kg for green hydrogen.[28] High costs are partly due to components such as electrolysers used in the production of green hydrogen.[29] The cost of the electrolysers has increased in the last few years due to higher prices of input materials and slower deployment of the technology.[29,30] Although technology advancements, and falling solar and wind prices is expected to bring down the prices.[29,31]

Hydrogen (including green hydrogen) also has a low volumetric energy density.[32] This means that storing and transporting hydrogen requires larger tanks or additional compression or liquefaction compared to other fuels. The costs of hydrogen distribution and storage can increase the production cost by three times when developed and utilised for individual projects in industries.[28] Thus, hydrogen storage for various applications remains a challenge.[33]

Issues for Consideration

Generation capacity

In India, various sources of energy are used to generate power.[34] These include fossil fuels (such as coal and natural gas), nuclear energy, and renewable sources (such as solar and wind).[34] The energy sector is heavily reliant on non-renewable thermal sources (such as coal and natural gas), which together account for largest share of the country's electricity generation capacity.[34] Coal accounted for about 43% of total installed capacity as of December, 2025.[4] The share of coal during 2024-25 in total electricity generation was about 71%.[35,36] Renewable sources (solar, wind, and hydro) accounted for 22% of total electricity generation.[35]

As per its climate change related commitments, India also aims to achieve: (i) 500 GW of installed electricity capacity from non-fossil fuel sources by 2030 and (ii) 50% of its energy requirements from renewable energy by 2030.[37] The Central Electricity Authority (CEA) (2023) projected that much of the renewable energy capacity will come from solar and wind.[39] 44% of the total generation is expected to be met from these two sources by 2031-32.[39] To meet these targets, installed capacity as well as related storage capacity needs to be increased.

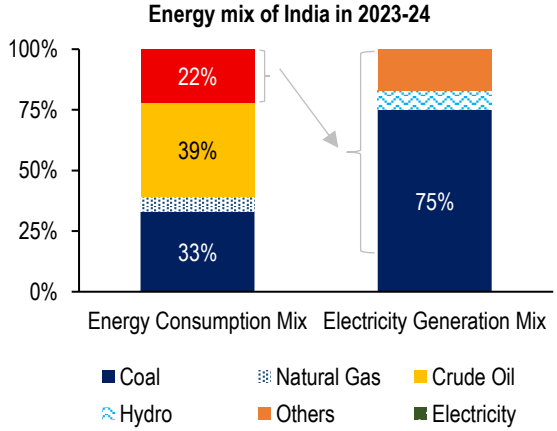
Demand is projected to grow from the all-India peak electricity demand of 250 GW in 2024-25 to 366 GW in 2031-32.[38,39] CEA estimates that in order to meet the estimated electricity demand by 2031-32, coal and lignite based installed capacity would also need to be increased to support the base load requirements.[40] The following sections discusses certain issues related to different sources of power.

Table 4: All-India installed capacity and electricity generation

Source	Generation (in BU)		Installed Capacity (in GW)			
	2024-25		December 2025		March 2032 Projected	
		In %		In %		In %
Solar	144	8%	136	26%	365	42%
Coal and Lignite	1,332	73%	226	44%	260	30%
Wind	83	5%	55	11%	122	14%
Large Hydro (>25 MW)	149	8%	51	10%	62	7%
Gas	31	2%	20	4%	25	3%
Nuclear	57	3%	9	2%	20	2%
Biomass	16	1%	12	2%	16	2%
Small Hydro (<=25 MW)	12	1%	5	1%	5	1%
Diesel	0.4	0%	1	0%	-	-
Total	**1,824**		**515**	-	**875**	-

Source: Monthly Renewable Energy Generation Report (March 2025), Central Electricity Authority (CEA); Installed Capacity Report for November 2025, CEA; National Electricity Plan, Vol I, March 2023, CEA; PRS.

Figure 3: 75% of electricity generation in 2023-24 was from coal



Source: India Energy Statistics 2025, MoSPI; India Climate and Energy Dashboard, Niti Ayog; PRS.

Thermal power

Declining coal power plant utilisation

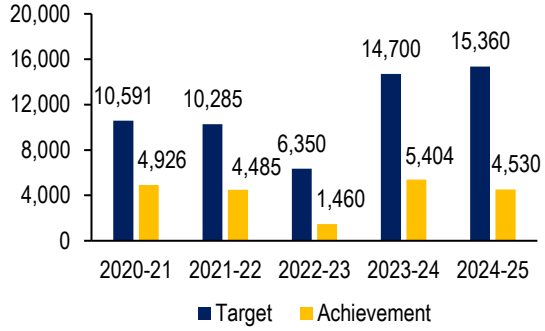
In 2009-10, plant load factor (PLF) for coal and lignite plants was 84%, which has come down to 69% in 2024-25.[41,42] PLF is a measure of the output of a power plant compared to the maximum output it could produce. The decrease in PLF may be due to: (i) availability of surplus capacity in certain regions, (ii) low demand for power, (iii) demand being met from other sources such as renewables, and (iv) unavailability of fuel. Poorer capacity utilisation may increase the unit cost of electricity generation from these plants and may also present the challenge of financial viability for them. CEA has projected that PLF of coal-based power plants will be around 58-59% till 2031-32.[39]

Thermal power capacity addition targets missed

The central government has proposed to set up additional 80 GW of coal based thermal power capacity between 2024-25 and 2031-32 to meet projected demand.[40] However, the capacity additions for thermal power between 2021-22 to 2024-25 have been below target (see Figure 4). Key reasons for shortfall include: (i) frequent litigations related to land compensation, and (ii) non-performance of sub-contractors at site and re-tendering of some Balance of Plant (BoP).[43] BoP refers to all auxiliary systems and equipment, apart from the core components such as boiler, required for the operation of a power plant.

As of 2025, the total thermal capacity on hold or unlikely to be commissioned is about 21 GW.[44] The vast majority belongs to the private sector.[44] Delays in projects may lead to cost overruns. There are multiple reasons for these delays or dropouts. These include: (i) withdrawal of Power Purchase Agreements (PPAs) by discoms due to land-related issues at associated mines which increased costs and electricity prices, and (ii) delays by Engineering, Procurement, and Construction (EPC) contractors.[44]

Figure 4: Thermal capacity additions missed in the past five years (in MW)



Source: Thermal Broad Status Report 2025, CEA; PRS.

Nuclear Energy

The central government launched the Nuclear Energy Mission in February 2025.[45] It aims to achieve 100 GW of nuclear power capacity by 2047 through deployment of new nuclear reactors.[45] As of November 2025, India operates 24 nuclear reactors with the total installed capacity of 8.8 GW.[46] It's share in the total electricity generation has remained stable at around 2-3% between 2014-15 to 2024-25.[46,47] In December 2025, parliament passed a Bill to enable private participation in nuclear power plant operation and handling of nuclear fuel.[46] Some challenges associated with nuclear energy industry include limited uranium reserves, high upfront capital costs, longer lead times, and safety concerns in transportation, storage and disposal of used fuels.[48,49]

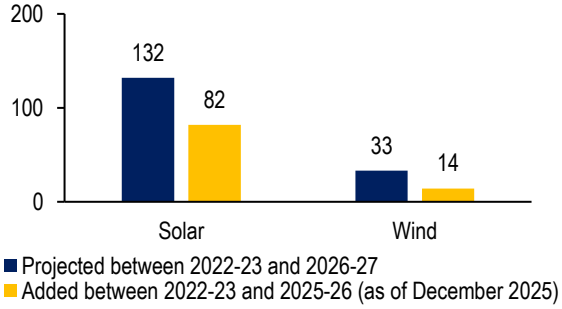
Renewable energy

Fossil fuels such as coal are the major source of power used in the country.[34] Coal has a 43% share in the total installed power generation capacity.[4] For 2024-25, the share of coal in generation was 71%.[36,50] In comparison, solar and wind, the two major sources of renewable energy, had a share of 37% in total installed capacity.[4] However, in 2024-25, they contributed only 13% of the total electricity generation.[35,50] This may be because solar energy can be generated only during sunny days and wind energy generation is intermittent based on wind conditions such as wind speed.

As of December 2025, installed capacity of solar and wind stood at 136 GW and 55 GW, respectively.[51] In December 2025, the Ministry noted that another 69 GW of solar and 30 GW of wind capacity is under implementation.[52] A further 35 GW of solar and 1.8 GW of wind capacity has been tendered.[52]

The Economic Survey (2025-26) observed that higher share of renewable energy may pose challenges to grid stability and increase cost of maintaining dispatchable thermal capacity.[53]

Figure 5: Capacity Addition since 2022-23: Projected vs Actual (in GW)



Source: Installed Capacity Report, Central Electricity Authority; National Electricity Plan, Central Electrical Authority; PRS.

Pending sale agreements for solar

The Renewable Energy Implementing Agencies (REIAs) such as SECI signs PPAs with power developers to procure renewable energy.[54] It then signs a Power Sale Agreement (PSA) with power purchasers such as discoms.[54] As of September 2025, about 44 GW of solar capacity that was awarded through bids by REIAs remains without signed PSA.[55] Delays in the signing of PSA may slow down the use of solar capacity awarded. Key reasons for unsigned PSA include: (i) limited procurement of renewable power despite Renewable Purchase Obligation (RPO) (RPO mandates discoms to procure a certain percentage of electricity from renewables), (ii) steep increase in the renewable energy bids by REIAs since 2023-24, and (iii) state discom's expectation for decrease in renewable energy tariffs in future bids.[23]

Import dependence in components of solar panels

As of June 2025, the total solar panel manufacturing capacity in India stood at 91 GW.[23] Domestic manufacturing of components used in solar panels manufacturing such as polysilicon, ingots, and wafers remains limited.[23] In the case of polysilicon, which is a critical component in development of solar panels, the Standing Committee on Energy (2025) noted that the country has no manufacturing capability.[23] In the absence of adequate domestic

production of these components, there is heavy dependence on imports from countries such as China.[56,57] Some of the reasons for lack of domestic capacities include the capital-incentive nature of production and lack of skilled manpower to manufacture components such as polysilicon.[58]

Availability of critical minerals

Critical minerals such as lithium, copper, and silver are used in the manufacturing of materials such as solar panels and energy storage systems.[53] For example, solar panels with a power capacity of 1 GW require approximately 19 tons of silver.[53] Wind turbines of 1 GW capacity require 2,866 tons of copper.[53] India imports a large amount of minerals such as copper and silver.[59] The Economic Survey 2025-26 observed that prices of metals such as copper is becoming highly price-volatile due to mine outages in multiple countries amidst the growing demand.[53] Further, affordability of materials using these minerals can be adversely impacted due to increased mineral prices and absence of parallel financial support and capacity building.[53]

The central government notified a National Critical Mineral Mission in June 2025.[60] It aims to strengthen India's critical mineral supply chain by ensuring availability domestically and from abroad. Under the Mission, the government seeks to launch 1,200 exploration projects and auction over 100 mineral blocks to increase domestic supply.[61] As of December 3, 2025, the central government auctioned 34 blocks of critical minerals.[62] The total exploration projects under Geological Survey of India were 230 in 2025-26 across the country (up to December 3, 2025).[62]

Slower wind capacity growth

India had set a target of achieving installed capacity of 60 GW of wind power by 2022.[63] CEA has projected the addition of another 33 GW of wind power between 2022-23 and 2026-27.[39] As of December 2025, the wind capacity stood at 55 GW.[4] The Standing Committee on Energy (2022) had noted the following as key reasons for slow capacity addition in wind: (i) the shift in tariff system from feed-in-tariff (guaranteed above market price for producers) to tariff determination by competitive bidding, and (ii) aggressive bidding by some developers, who decrease prices to unsustainable levels and eventually back out of the project.[64]

Out of the total estimated potential more than 95% of commercially exploitable wind resources are concentrated in seven states.[39] CEA (2023) observed that the land resources required for large scale production of onshore wind projects are gradually becoming a major constraint.[39] Offshore wind power is seen as an alternative in such a scenario.[39] Absence of any obstruction in the sea offers better quality of wind power and its conversion to electrical energy.[39] Offshore wind turbines are much larger in size (in range of 5 to 10 MW per turbine) as against 2-3 MW of an onshore wind turbine.[39] However, the cost per MW for offshore turbines are also higher because of requirement of stronger structures and foundations to operate in a marine enviroment.[39] In 2024, the central government launched a viability gap funding scheme for offshore wind energy projects.[65] The scheme aims to reduce the cost of power from offshore wind projects through financial assistance.[65]

Insufficient storage capacity for renewables

The variability and uncertainty in generation from solar and wind may lead to a mismatch between demand and supply. Higher integration of Variable Renewable Energy (VRE) in grid leads to challenges such as variable grid voltage.[66] To maintain grid stability, power is curtailed (reduction of electricity generated below the maximum potential of a generator).[67] Storage systems can be used to bring down the variability of renewable energy generation and reduce power curtailments.[68] Battery Energy Storage Systems (BESS) and pump storage are expected to be two primary options for storage in India.[39] BESS can store excess solar energy during the day and use that for peak demand during non-solar hours. In pump storage, water is pumped and stored upstream, which can later be used to run turbines to produce energy.

As of June 2025, the total storage capacity was about 5 to 5.5 GW.[23] CEA has projected that about 16 GW of storage capacity will be required in 2026-27.[39] The Forum of Regulators (2025) noted that issues such as power curtailment are likely to intensify with higher renewable penetration in the absence of sufficient storage.[67] One of the key reasons for slow development of storage systems in India is its high costs particularly for certain technologies such as BESS.[23] Although, higher costs are expected to reduce. By 2030, solar energy with battery storage is expected to be competitive with existing coal capacity driven by factors such as the decline in prices of batteries and solar panels.[69]

In September 2023, the Cabinet approved a viability gap funding scheme for battery energy storage systems.[16] Under the scheme, financial support is provided for the development of BESS approved during 2023-26.[70] It seeks to develop 4,000 GWh of storage capacity by 2030-31.[71] However, the fund utilisation under this scheme has remained low in recent years, with zero expenditure in 2024-25.[16] Under the scheme, fund disbursement occurs in five tranches. These are tied to a project milestone such as 10% upon financial closure of the project.[70] In 2024-25, none of the projects could achieve financial closure leading to zero funds being disbursed.[16] As of February 2026, 10 GW of BESS capacity is under construction, and another 20 GW under tendering.[72]

As of February 2026, Pumped Storage Plant (PSP) projects of 12 GW capacity are also under construction.[72] Further, about 7 GW of PSPs are

concurred but yet to be taken up for construction.[72] Forum of Regulators (2025) noted certain issues in pumped storage such as delays in grant of clearances, uncertainty in tariffs, limited number of civil contractors, and exclusion of off-stream pumped storage projects from White category classification.[67] White category includes non-polluting industries (such as solar power) and has simplified approval process.[67]

Inadequate investments in renewables

Renewable energy projects are capital intensive and require significant upfront investment.[73] India's cost of capital for grid-scale renewable energy is one of the lowest among developing economies, however, it is 80% higher than in advanced economies.[74] International Energy Agency (2025) observed that higher financing costs affect the financial viability of projects, leading to higher energy prices.[74] The Economic Survey (2025-26) noted India's reliance on international climate finance as one of the reasons for the high cost of capital.[53] The Survey stated that global capital does not flow at scale to developing countries due to structural features of the international financial system and risk perceptions, resulting in high costs.[53]

Financing in renewable energy infrastructure in India in the form of debt and equity.[75] These come from sources such as banks, private Non-Banking Financial Companies (NBFCs), bond markets, and international lenders.[75] MNRE noted that although the investment in the sector has increased, higher mobilisation of renewable energy finance is needed to meet national targets, particularly in certain segments.[76] These segments include energy storage, green hydrogen, and offshore wind.[76]

It is estimated that Rs 30.5 lakh crore of financing is required from 2023-24 till 2029-30 to achieve 500 GW of non-fossil fuel-based power capacity (an average of Rs 4.4 lakh crore per year).[76] The investment in 2024-25 was only about 2.68 lakh crore.[76] Some reasons affecting financing include: (i) limited availability of reliable and standardised data for investors to assess risk, (ii) lack of domestic off-takers for emerging energy segments such as green hydrogen, and (iii) higher financing costs due to technological and market uncertainities.[23,77]

Hydropower below potential

Hydropower can support grid flexibility by helping manage the variations in electricity generation from renewable energy sources such as solar and wind.[67] They have higher storage capabilities and can rapidly increase or decrease output, with ramp rates of 80–100% of power output per minute (compared to 1-2% for a coal-fired plant).[67] Higher ramp rate signify that they can move from near-zero to full output within a short time.[67] As per the CEA study, the exploitable large hydro potential in the country is about 133 GW.[67] As of December 2025, only 51 GW of large hydro plants (>25 MW) are installed.[4] About 13 GW of hydropower projects are under construction and 4 GW of projects are under various stages of planning.[72] These are targeted to be completed by 2031-32.[72] The untapped potential may be due to reasons involving adverse geological conditions or difficult terrain.[67] Other issues that cause delay in hydro power development include issues around resettlement of local communities and uncertainty regarding tariff determination.[67]

Further, hydropower projects are typically required to provide free power to the home state.[67] However, in some cases, states have changed the terms of the agreements midway for various reasons, impacting the financial stability of the hydro projects.[67] Additionally, the waiver of the Inter-State Transmission System (ISTS) charges for hydro and related pumped storage projects is limited to projects commissioned by June 30, 2025.[67] While similar cut-off dates apply to solar and wind projects, they have a significantly shorter construction timelines unlike hydro and pumped storage projects which have much longer gestation periods.[67,78]

Low compliance with RPO

Certain entities such as discoms are mandated to procure a specific percentage of electricity from renewable sources. This is referred to as renewable purchase obligations. The Ministry of Power specified the RPO trajectory for different obligated entities. This has now been replaced by a minimum Renewable Energy Consumption obligation (RCO) for the entities.[79] As per the notification issued by the Ministry of Power, the minimum share of renewable energy consumption for entities such as discoms is set at about 36% for 2026-27 rising to 43% in 2029-30.[79]

In 2022-23, the RPO compliance across states varied from 7% in Puducherry to 88% in Sikkim (see Table 10 in the annexure).[80] Only 15 states met their RPO obligation. The Union Ministry of Power (2022) had observed that discoms perceive renewable energy to be expensive and having additional costs towards integration.[81] Discoms can also fulfil their RPO obligations by purchasing Renewable Energy Certificates (RECs).[82] The government circulated a draft Electricity (Amendment) Bill, 2025 for comments. This Bill introduces a penalty for non-compliance with the obligations.

Geothermal Energy in India

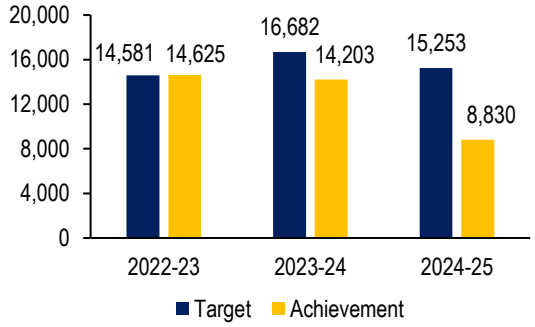
The central government notified a National Policy on Geothermal Energy on September 15, 2025.[83] It aims to promote the exploration, development, and deployment of geothermal resources in the country.[84] According to the Geological Survey of India (2022), India's estimated theoretical geothermal resource potential is around 11 GW.[83] However, despite this assessed potential, participation in geothermal energy development remains limited, with most activities in pilot project stage.[84] This is due to reasons including high upfront costs, risks associated with exploration, and limited domestic technical capabilities.[85]

Transmission

Addition of transmission lines

Transmission systems require augmentation to support the integration of new generation capacity and rising demand.[87] CEA projects that India will need to add 1,23,577 circuit kilometre (ckm) of transmission lines between 2022-23 and 2026-27 (an average of 24,715 ckm per year).[87] In 2024-25, achievement on addition of transmission lines (220 kV and above) was below target (Figure 6). In case of transmission projects, the Standing Committee on Energy (2024) noted the following key reasons for delay: (i) issues with right-of-way permissions, (ii) delay in land acquisition, (iii) contractual disputes, and (iv) unexpected route diversions to protect endangered species and coal mining areas.[43] Further, poor availability of required steel quality and limited number of High Voltage Direct Current (HDVC) systems has led to delayed supply.[16]

Figure 6: Transmission lines (of 220 kV and above): Target vs Achievement (in ckm)



Source: Executive Summary Report (of various years), Central Electrical Authority; PRS.

Under the Green Energy Corridor (GEC), the central government funds laying of transmission lines to evacuate power from Renewable Energy (RE) projects.[86] It has multiple phases.[86] The Phase-I of GEC is under implementation in eight states.[86] It aims to facilitate grid integration and power evacuation of 24 GW of RE in RE-rich states such as Gujarat, Rajasthan, and Tamil Nadu.[86] The Phase-I (Intra-state) of GEC faced delays in some states such as Andhra Pradesh, Himachal Pradesh and Gujarat.[86] The delay was due to issues related to land acquisition, right-of-way, and forest clearances.[86]

Import dependence for equipment

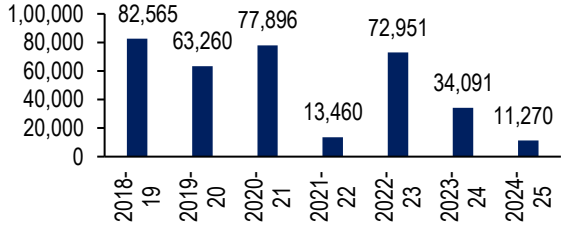
Transmission is carried out primarily by central and state-owned companies and largely remains a government-controlled activity.[87] Key materials and equipment used for transmission infrastructure include Cold Rolled Grain Oriented (CRGO) Steel and HDVC systems.[23] CRGO steel is used in transformers and reactors and HVDC based transmission lines and transformers are required for transmission of power over long distances.[23] India has been lagging in manufacturing of these materials and equipment due to the need for large capital, advanced technology, and adequate testing infrastructure.[23] The central government has launched a Production-Linked Incentive Scheme for Speciality Steel including CRGO in 2021.[88] The scheme aims to bring an investment of about Rs 40,000 crore and add 25 million tonnes of manufacturing capacity of speciality steel.[88] As of October 2025, the PLI scheme has attracted investments of about Rs 23,022 crore and 2.3 million tonnes of speciality steel production.[89]

Distribution

In most states, electricity distribution is carried out by a single company, typically a state government-owned entity that serves all consumers in a given area.[5] Private sector discoms supply electricity in a few places such as Delhi and Mumbai.[5] A persistent challenge for the electricity sector has been the poor financial performance of discoms.[5,90] In seven years between 2018-19 and 2024-25, cumulative losses of distribution utilities were Rs. 3.6 lakh crore.[91]

In 2024-25, on average, discoms spent Rs 7.10 per unit to earn Rs 7.04 (based on actual subsidy received and excluding regulatory income which are receivable in future), resulting in revenue gap of six paise per unit.[5] In 2023-24, this gap was 20 paise per unit.[5] In the past, discoms have required government support to be bailed out from losses.[90] For instance, in 2015, under UDAY scheme, state governments had to take over 75% of the debt of their discoms worth Rs 2.3 lakh crore.[92] Persistent financial problems result in payments delays and non-payment to generators impact their fuel suppliers, i.e., coal companies.

Figure 7: Discoms continue to make losses (in Rs crore)



Note: Losses above are based on actual subsidy received and excluding revenue grant under UDAY to offset losses, and any regulatory income (recoverable in future).
Source: Reports on Performance of Power Utilities, Power Finance Corporation; PRS.

If the entire amount of subsidy billed was received and discoms also recovered the entire amount of regulatory income in the same year, discoms would register a profit of Rs 2,701 crore in 2024-25.[5] However, this is mainly due to Rs 12,138 crore profit registered by the private sector discoms.[5] The state-owned discoms would still register losses of Rs 9,437 crore.[5]

A variation in distribution losses in recent years may also be due to factors such as variance in fuel prices and release of subsidies by state governments. In 2021-22, losses decreased due to higher subsidy payments.[93] Subsidy payment was 10% higher than

subsidy billed in that year, likely due to payment of dues for previous years. In 2022-23, losses had increased due to a higher reliance on imported coal and higher price of imported coal amidst the record high global coal demand during that year.[94,95]

AT&C losses have come down, however, remain above target in some states

AT&C losses have come down from 22% in 2018-19 to 15% in 2024-25.[96] In 2024-25, on aggregate, distribution utilities billed 88% of the electricity they injected into the grid.[5] Of which, they collected 97% of the amount they billed.[5] AT&C losses vary significantly among states. These range between as low as 8% in Delhi (state sector) to as high as 23% in Madhya Pradesh, 28% in Jharkhand, and 49% in Nagaland in 2024-25.[5] These losses can be attributed to: (i) technical losses which include some unavoidable loss in energy transfer, (ii) inefficiencies in energy transfer due to sub-optimal condition of the network, and (iii) commercial losses such as theft or inadequate metering.

Draft Electricity (Amendment) Bill, 2025

The Draft Electricity (Amendment) Bill, 2025 was released by the Ministry of Power on October 8, 2025. It seeks to propose measures to promote competition and improve financial viability of distribution utilities. The Draft Bill allows network sharing among discoms operating in the same area. Currently, each discom supply and distribute electricity through their own networks. It requires tariffs to be cost-reflective and propose removal of cross-subsidies paid by manufacturing enterprises, railways, and metro railways within five years. Further, the Bill establishes an Electricity Council comprising of union and state power ministers. The Council will advise central and state governments on policy measures and coordinate implementation of sector reforms.

Underpricing of tariffs

Tariffs charged to consumers are regulated by State Electricity Regulatory Commissions (SERCs). Often, tariffs are designed on a multi-year basis. At times, they are designed such that the tariff is lower than the cost in initial years, and cost recovery is offloaded to upcoming years. These costs, recoverable in future, are termed as regulatory income. For instance, in 2024-25, Maharashtra state discoms booked a regulatory income of Rs 8,208 crore.[5] However, non-recovery of costs would add up as annual losses for discoms. In August 2025, the Supreme Court noted a disproportionate increase in regulatory assets.[97] It directed the distribution companies (discoms) to clear the existing regulatory assets within four years.[97] It also advised capping the regulatory asset at 3% of a discoms' revenue.[97]

Power procurement costs

Power procurement costs constitute about 70%-80% of the total costs of discoms.[98] Power procurement costs vary significantly across states, from as low as about Rs 3 per kWh in Sikkim, to as high as Rs 8.5 per kWh in Delhi.[5] In many states, a high percentage of power demand is tied up in long-term contracts.[99] Fixed costs will still have to be paid under these long-term contracts if the discom looks for alternative sources for procuring power.[99]

Delay in release of government subsidies

The state government may choose to provide subsidies to keep prices lower for certain categories of consumers. While determining the retail tariff, regulators make adjustments for the subsidy. However, states may not pay all the subsidies booked by discoms in the same financial year. For example, in 2024-25, discoms received 99% of the subsidy they billed.[5] Some state governments such as, Himachal Pradesh (57%), Punjab (82%), and Maharashtra (88%) released a relatively lower proportion of tariff subsidy in 2024-25.[5]

[1] Entry No. 38, List III- Concurrent List, Seventh Schedule, Constitution of India, https://cdnbbsr.s3waas.gov.in/s380537a945c7aaa788ccfcdf1b99b5d8f/uploads/2024/07/20240716890312078.pdf.

[2] "About Ministry", Website of Ministry of Power as accessed on July 29, 2024, https://powermin.gov.in/en/content/about-ministry.

[3] Annual Report 2022-23, Ministry of New and Renewable Energy, https://cdnbbsr.s3waas.gov.in/s3716e1b8c6cd17b771da77391355749f3/uploads/2023/08/2023080211.pdf.

[4] "All India Installed Capacity (in MW) of Power stations", Central Electricity Authority, December 31, 2025, https://cea.nic.in/wp-content/uploads/installed/2025/12/website.pdf.

[5] Report on Performance of Power Utilities 2024-25, Power Finance Corporation, February 2026, https://www.pfcindia.co.in/ensite/DocumentRepository/ckfinder/files/Operations/Performance_Reports_of_State_Power_Utilities/Report%20on%20Performance%20of%20Power%20Utilities%202024-25.pdf.

[6] Demand No. 79, Expenditure Budget, Ministry of Power, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe79.pdf.

[7] "Cabinet approves Revamped Distribution Sector Scheme: A Reforms based and Results linked Scheme", Press Information Bureau, Union Cabinet, June 30, 2021, https://pib.gov.in/PressReleasePage.aspx?PRID=1731473.

[8] Demand No. 71, Expenditure Budget, Ministry of New and Renewable Energy, Union Budget 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe71.pdf.

[9] "Cabinet approves PM-Surya Ghar: Muft Bijli Yojana for installing rooftop solar in One Crore households", Press Information Bureau, Union Cabinet, https://pib.gov.in/PressReleasePage.aspx?PRID=2010130.

[10] "PM-KUSUM", Ministry of New and Renewable Energy, August 6, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2042069&reg=3&lang=2.

[11] Unstarred Question No. 1397, Lok Sabha, Ministry of Power, answered on February 13, 2025,

https://powermin.gov.in/sites/default/files/uploads/LS13.02.2025_Eng.pdf.

[12] "Overview", Ministry of Power website, as accessed on December 24, 2025, https://powermin.gov.in/en/content/overview-5.

[13] "All India Smart Metering Status", National Smart Grid Mission website, as accessed on December 24, 2025, https://www.nsgm.gov.in/en/sm-stats-all.

[14] MIS reports, RDSS, Ministry of Power website, as accessed on January 10, 2026, https://rdss.powermin.gov.in/mis-report.

[15] "Fund Disbursement Guidelines under Revamped Distribution Sector Scheme (RDSS)", REC Limited, Ministry of Power, June 2023, https://www.ipds.gov.in/webappdocs/RDSS_Docs/Fund%20Disbursement%20Guidelines_RDSS_28062023.pdf.

[16] 4th Report: Demand for Grants (2025-26) of the Ministry of Power, Standing Committee on Energy, March 2025, https://sansad.in/getFile/lsscommittee/Energy/18_Energy_4.pdf?source=loksabhadocs.

[17] Unstarred Question No. 2868, Rajya Sabha, Ministry of Power, answered on August 18, 2025, https://sansad.in/getFile/annex/268/AU2868_Z4qwMX.pdf?source=pqars.

[18] "State-wise installed capacity of renewable power as on November 30, 2025", Ministry of New and Renewable Energy, https://cdnbbsr.s3waas.gov.in/s3716e1b8c6cd17b771da77391355749f3/uploads/2025/12/2025121012612916 71.pdf.

[19] "Progress and Implementation of PM KUSUM Scheme", Press Information Bureau, Ministry of New and Renewable Energy, December 23, 2023, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1989815&reg=3&lang=2.

[20] "PM-KUSUM - Grid-connected solar power plants of 89.45 MW capacity installed; 2.09 lakh agriculture pumps have been solarized; Reduction in carbon dioxide (CO2) emissions by 0.67 million tonnes and diesel consumption by 143 million litres of diesel per annum- Union Power & NRE Minister – Shri R. K. Singh", Press Information Bureau, Ministry of New and Renewable Energy, March 16, 2023, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1907703&reg=3&lang=2.

[21] 7th Report: Implementation of Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan (PM-KUSUM) & PM Surya Ghar : Muft Bijli Yojana, Standing Committee on Estimates, December 4, 2025, https://sansad.in/getFile/lsscommittee/Estimates/18_Estimates_7.pdf?source=loksabhadocs.

[22] "PM Surya Ghar: Muft Bijli Yojana Delivers Zero Electricity Bills to Over 7.7 Lakh Households", Press Information Bureau, Ministry of New and Renewable Energy, December 16, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2204466&reg=3&lang=1.

[23] 10th Report: Performance Evaluation of Solar Power Projects in the country, Standing Committee on Energy, September 2025, https://sansad.in/getFile/lsscommittee/Energy/18_Energy_10.pdf?source=loksabhadocs/.

[24] 5th Report: Demand for Grants 2025-26 of the Ministry of New and Renewable Energy, Standing Committee on Energy, https://sansad.in/getFile/lsscommittee/Energy/18_Energy_5.pdf?source=loksabhadocs.

[25] "Unlocking India's Green Hydrogen Production Potential", Press Information Bureau, November 12, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?id=155990&NoteId=155990&ModuleId=3&reg=3&lang=2.

[26] "Government Highlights Progress Under National Green Hydrogen Mission to Reduce Green Hydrogen Costs", Press Information Bureau, December 16, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2204464&reg=3&lang=1.

[27] "Water for hydrogen production", International Renewable Energy Agency, 2023, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2023/Dec/IRENA_Blue risk_Water_for_hydrogen_production_2023.pdf

[28] "Enabling sustainable demand for green hydrogen in India", Institute for Energy Economics and Financial Analysis, November 2025, https://ieefa.org/sites/default/files/2025-11/Enabling%20sustainable%20demand%20for%20green%20hydrogen%20in%20India.pdf.

[29] "Global Hydrogen Review 2025", International Energy Agency, https://iea.blob.core.windows.net/assets/a6c466dd-b6f0-44bd-a60a-6940eccfb1c3/GlobalHydrogenReview2025.pdf

[30] "Low-emissions hydrogen projects grow as policy support races to catch up", International Energy Agency, October 2, 2024, https://www.iea.org/news/low-emissions-hydrogen-projects-grow-as-policy-support-races-to-catch-up.

[31] "Making the breakthrough: Green hydrogen policies and technology costs", International Renewable Energy Agency, 2021, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Nov/IRENA_Green_Hydrogen_breakthrough_2021.pdf.

[32] "Alternative Fuel Data Center", US Department of Energy website, as accessed on December 26, 2025, https://afdc.energy.gov/fuels/hydrogen-basics.

[33] "Hydrogen Storage", US Department of Energy website, as accessed on December 27, 2025, https://www.energy.gov/eere/fuelcells/hydrogen-storage.

[34] "Indias Energy Landscape", Press Information Bureau, June 22, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154717&ModuleId=3#:~:text=As%20of%20June%202025%2C%20India's,Expansion%20in%20Renewable%20Energy%20Capacity.

[35] "Monthly Renewable Energy Generation Report", March 2025, https://cea.nic.in/wp-content/uploads/resd/2025/03/Monthly_RE_Generation_Report_March_2025.docx.pdf.

[36] "Category Wise- Fuel Wise Generation", Central Electricity Authority, March 31, 2025, https://npp.gov.in/public-reports/cea/daily/dgr/31-03-2025/dgr17-2025-03-31.pdf.

[37] "India's Stand at COP-26", Press Information Bureau, Ministry of Environment, Forest, and Climate Change, February 3, 2022, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1795071&reg=3&lang=2.

[38] "Year end review - 2024", Press Information Bureau, Ministry of Power, January 1, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2089243&reg=3&lang=2.

[39] National Electricity Plan Vol. I- Generation, Central Electricity Authority, https://cdnbbsr.s3waas.gov.in/s3716e1b8c6cd17b771da77391355749f3/uploads/2023/09/2023090112560713 49.pdf.

[40] Unstarred Question No. 469, Lok Sabha, Ministry of Power, July 25, 2024, https://sansad.in/getFile/loksabhaquestions/annex/182/AU469_JVGZen.pdf?source=pqals.

[41] "Energy generation, programme, and plant load factor", National Power Portal, Central Electricity Authority, April 22 2025, https://npp.gov.in/public-reports/cea/monthly/generation/18%20col%20act/2025/MAR//18%20col%20act-1_2025-MAR.pdf.

[42] "Power Sector at a glance All India", Ministry of Power website, as accessed on January 11, 2025, https://powermin.gov.in/en/content/power-sector-glance-all-india.

[43] 1st Report: Demand for Grants (2024-25) of the Ministry of Power, Standing Committee on Energy, December 2024, https://sansad.in/getFile/lsscommittee/Energy/18_Energy_1.pdf?source=loksabhadocs.

[44] "Broad Status Report of Under Construction Thermal Power Projects", Central Electricity Authority, November 2025, https://cea.nic.in/wp-content/uploads/thermal_broad/2025/11/BS_Nov_2025_Approved.pdf.

[45] "Nuclear Power in Union Budget 2025-26", Press Information Bureau, Department of Atomic Energy, February 3, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2099244&reg=3&lang=2.

[46] "The Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Bill, 2025", Press Information Bureau, December 19, 2025, https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/dec/doc20251219739001.pdf.

[47] "Energy Statistics India 2025", Ministry of Statistics and Programme Implementation, https://www.mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[48] "Advantages and Challenges of Nuclear Energy", US Department of Energy, June 11, 2024, https://www.energy.gov/ne/articles/advantages-and-challenges-nuclear-energy.

[49] "Parliament question: Leveraging India's Thorium reserves", Press Information Bureau, Department of Atomic Energy, December 18, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2205825&reg=3&lang=2.

[50] "Source-wise Electricity Generation Trends", India Climate and Energy Dashboard, Niti Ayog, accessed on January 13, 2025, https://iced.niti.gov.in/energy/electricity/generation/power-generation.

[51] Installed Capacity Report – December 2025, Central Electricity Authority, https://cea.nic.in/wp-content/uploads/installed/2025/12/website.pdf.

[52] "2025 Marks Highest-Ever Renewable Energy Expansion in India's Energy Transition Journey", Ministry of New and Renewable Energy, December 29, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2209478&reg=3&lang=1.

[53] The Economic Survey 2025-26, Ministry of Finance, January 29, 2026, https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf .

[54] "Empowering sustainable growth with renewable energy", Solar Energy Corporation of India Ltd. (SECI) website, as accessed on December 23, 2025, https://www.seci.co.in/empowering-sustainable-growth-with-renewable-energy.

[55] "India's RE Integration Strategy Enters Next Phase: Government Adopts Nuanced, Case-by-Case Approach to REIA Bids with Focus on Grid Strength, Storage and Market Reform", Press Information Bureau, Ministry of New and Renewable Energy, November 4, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2186235&reg=3&lang=2.

[56] "Solar PV Global Supply Chains", International Energy Agency, July 7, 2022, https://www.iea.org/reports/solar-pv-global-supply-chains.

[57] "Solar PV manufacturing capacity and production by country and region, 2021-2027", International Energy Agency website, as accessed on December 23, 2025, https://www.iea.org/data-and-statistics/charts/solar-pv-manufacturing-capacity-and-production-by-country-and-region-2021-2027.

[58] "India's Photovoltaic Manufacturing Capacity Set to Surge", Institute for Energy Economics and Financial Analysis, JMK Research and Analytics, April 2023, https://jmkresearch.com/wp-content/uploads/2024/02/Indias-Photovoltaic-Manufacturing-Capacity-Set-to-Surge-April-2023.pdf.

[59] "Export and Import", Ministry of Mines website, as accessed on February 3, 2026, https://mines.gov.in/webportal/content/export--import.

[60] Notification F. No. 28/15/2024-CMM-Part (1), The Gazette of India, Ministry of Mines, June 24, 2025, https://egazette.gov.in/WriteReadData/2025/264204.pdf.

[61] National Critical Mineral Mission, Ministry of Mines, January 2025, https://mines.gov.in/admin/storage/ckeditor/24_pages__desktop_1752835254.pdf.

[62] Unstarred Question No. 506, Lok Sabha, Ministry of Mines, December 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU506_oQsaKi.pdf?source=pqals.

[63] 7th Report: Action Plan for Achievement of 175 GW Renewable Energy Target, Standing Committee on Energy, 17th Lok Sabha, March 2021, https://sansad.in/getFile/lsscommittee/Energy/17_Energy_17.pdf?source=loksabhadocs.

[64] 27th Report: Evaluation of Wind Energy in India, Standing Committee on Energy, July 2022, https://sansad.in/getFile/lsscommittee/Energy/17_Energy_27.pdf?source=loksabhadocs/.

[65] "Cabinet approves Viability Gap Funding (VGF) scheme for implementation of Offshore Wind Energy Projects", Press Information Bureau, Ministry of New and Renewable Energy, June 19, 2024, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2026700&reg=3&lang=2.

[66] "Integration Costs of Wind and Solar Power", Economic and Social Commission for Western Asia, https://www.unescwa.org/sites/default/files/event/materials/ESCWA-AUE%20Workshop%20on%20VRE%20Integration%20Costs%20Training%20Materials_1.pdf.

[67] "Report on Accelerating the Development of Hydropower Particularly Pumped Storage for Grid Stability in India", Forum of Regulators, March 2025, https://forumofregulators.gov.in/Data/study/Hydro%20PSP%20Report.pdf.

[68] Integrating Variable Renewable Energy: Challenges and Solutions, National Renewable Energy Laboratory, September 2013, https://www.nrel.gov/docs/fy13osti/60451.pdf.

[69] India Energy Outlook 2021, International Energy Agency, https://iea.blob.core.windows.net/assets/1de6d91e-e23f-4e02-b1fb51fdd6283b22/India_Energy_Outlook_2021.pdf.

[70] "Viability gap funding for battery energy storage systems", Press Information Bureau, Ministry of Power, April 3, 2025, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2118325&reg=3&lang=2.

[71] "Cabinet approves the scheme titled Viability Gap Funding for Development of Battery Energy Storage Systems", Press Information Bureau, Union Cabinet, September 6, 2023, https://pib.gov.in/PressReleasePage.aspx?PRID=1955112.

[72] Unstarred Question No. 1119, Lok Sabha, Ministry of Power, February 5, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU1119_FJPOh4.pdf?source=pqals.

[73] "Cost of Capital for Indian Renewable Energy Projects: A Review of Methodologies, Risk Drivers, and Policy Evolution", Institute for Energy Economics and Financial Analysis, December 2025, https://sustainablefinance.ox.ac.uk/wp-content/uploads/2025/12/DP_Review-Paper_RE-Cost-of-Capital-2025.pdf/

[74] World Energy Investment 2025, International Energy Agency, June, 2025, https://www.iea.org/reports/world-energy-investment-2025.

[75] Renewable Energy Financing Landscape in India, Institute for Energy Economics and Financial Analysis, February 2022, https://ieefa.org/wp-content/uploads/2022/01/Renewable-Energy-Financing-Landscape-in-India_February-2022.pdf.

[76] Unstarred Question No. 2905, Lok Sabha, Ministry of New and Renewable Energy, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2905_YvJJ0B.pdf?source=pqals.

[77] "Bridging the clean energy investment gap: Cost of capital in the transition to net-zero emissions", OEDC Working Paper, July 18, 2024, https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/bridging-the-clean-energy-investment-gap_a524f35e/1ae47659-en.pdf.

[78] "Waiver of inter-state transmission charges on transmission of the electricity generated from solar and wind sources of energy under Para 6.4(6) of the Tariff Policy, 2016", Ministry of Power, November 23, 2021,

https://powermin.gov.in/sites/default/files/uploads/Orders/B.4.3.pdf.

[79] S.O.4421 (E), Ministry of Power, September 27, 2025, https://powermin.gov.in/sites/default/files/Revised_RCO_Gazette_Notification_dated_27th_September_2025.pdf.

[80] Starred Question No. 122, Rajya Sabha, Ministry of Power, August 1, 2023, https://powermin.gov.in/sites/default/files/uploads/RS0108.2023_Eng.pdf.

[81] 17th Report, Standing Committee on Energy, March 2021, https://sansad.in/getFile/lsscommittee/Energy/17_Energy_17.pdf?source=loksabhadocs.

[82] Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, https://cercind.gov.in/regulations/REC-Regulations-2022.pdf.

[83] "MNRE Steps Up Global Collaboration for Advancing Geothermal Energy in India", Ministry of New and Renewable Energy, December 8, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2200435&reg=3&lang=2.

[84] Unstarred Question No. 1911, Rajya Sabha, Ministry of New and Renewable Energy, December 16, 2025, https://sansad.in/getFile/annex/269/AU1911_yHbV09.pdf?source=pqars.

[85] "National Policy on Geothermal Energy", Ministry of New and Renewable Energy, September 15, 2025, https://cdnbbsr.s3waas.gov.in/s3716e1b8c6cd17b771da77391355749f3/uploads/2025/09/2025091521367116 68.pdf.

[86] "Green Energy Corridor", Ministry of Power website, as accessed on December 23, 2025, https://powermin.gov.in/en/content/green-energy-corridor#:~:text=The%20InSTS%20GEC%20scheme%20with,extension%20up%20to%20June%202025.

[87] Draft National Electricity Plan Vol. II – Transmission, Central Electricity Authority, https://cea.nic.in/wpcontent/uploads/psp___a_i/2024/01/Draft_NEP_Vol_II.pdf.

[88] "Union Cabinet approves Production-linked Incentive (PLI) Scheme for Specialty Steel", Press Information Bureau, Cabinet, July 22, 2021, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1737722&reg=3&lang=2.

[89] Unstarred Question No. 331, Lok Sabha, December 2, 2025, https://steel.gov.in/sites/default/files/2025-12/lu%20331.pdf.

[90] Diagnostic Study of the Power Distribution Sector, NITI Aayog, April 2019, https://niti.gov.in/sites/default/files/2019-08/Final%20Report%20of%20the%20Research%20Study%20on%20Diagnostic%20Study%20for%20power%20Distribution_CRISIL_Mumbai.pdf.

[91] Performance Report of Power Utilities 2024-25, Power Finance Corporation, February 2026, https://www.pfcindia.co.in/ensite/DocumentRepository/ckfinder/files/Operations/Performance_Reports_of_State_Power_Utilities/Report%20on%20Performance%20of%20Power%20Utilities%202024-25.pdf.

[92] State Finances: A Study of Budgets of 2019-20, Reserve Bank of India, September 30, 2019, https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/STATEFINANCE201920E15C4A9A916D4F4B8BF01608933FF0BB.PDF.

[93] "National Level AT&C Losses in Power Network down from 22.3% in 2020-21 to 16.4% in 2021-22", Press Information Bureau, Ministry of Power, August 11, 2023, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1947709&reg=3&lang=2.

[94] 12th Annual Integrated Rating and Ranking of Power Distribution Utilities, Ministry of Power, March 2024, https://pfcindia.co.in/ensite/DocumentRepository/ckfinder/files/GoI_Initiatives/Annual_Integrated_Ratings_of_State_DISCOMs/12%20Annual%20Integrated%20Report_Print%20version_EA-I-compressed.pdf.

[95] "Coal 2023", International Energy Agency, December 2023, https://www.iea.org/reports/coal-2023.

[96] "Report on Performance of Power Utilities 2020-21", Power Finance Corporation, https://www.pfcindia.co.in/ensite/DocumentRepository/ckfinder/files/Operations/Performance_Reports_of_State_Power_Utilities/Report%20on%20Performance%20of%20Power%20Utilities%202020-21%20(1).pdf.

[97] Writ Petition (C) 104 OF 2014, Supreme Court of India, August 6, 2025, https://api.sci.gov.in/supremecourt/2015/14553/14553_2015_6_1501_62958_Judgement_06-Aug-2025.pdf.

[98] Reports on the Performance of Power Utilities, Power Finance Corporation, https://pfcindia.com/ensite/Home/VS/29.

[99] Turning Around the Power Distribution Sector, NITI Aayog, August 2021, niti.gov.in/sites/default/files/2021-08/Electricity-Distribution-Report_030821.pdf.

Annexure

Table 5: Installed capacity (in MW) across states as of December 2025

State/UT	Thermal				Renewables			Nuclear
	Coal	Lignite	Gas	Diesel	Large Hydro	Solar	Wind	
Andaman and Nicobar	-	-	-	93	-	32	-	-
Andhra Pradesh	13,890	-	1,739	37	3,290	6,389	4,398	-
Arunachal Pradesh	-	-	-	-	1,365	15	-	-
Assam	750	-	597	-	346	376	-	-
Bihar	10,170	-	-	-	-	435	-	-
Chandigarh	-	-	-	-	-	79	-	-
Chhattisgarh	24,093	-	-	-	120	1,690	-	-
Dadra & Nagar Haveli and Daman & Diu	-	-	-	-	-	129	-	-
Delhi	-	-	2,100	-	-	389	-	-
Goa	-	-	-	-	-	71	-	-
Gujarat	14,692	1,400	6,580	-	1,990	25,529	14,821	1,840
Haryana	5,330	-	432	-	-	2,513	-	-
Himachal Pradesh	-	-	-	-	11,421	346	-	-
Jammu & Kashmir	-	-	-	-	3,360	79	-	-
Jharkhand	7,030	-	-	-	210	236	-	-
Karnataka	9,480	-	370	25	3,689	10,679	8,414	880
Kerala	-	-	360	160	2,008	2,032	72	-
Ladakh	-	-	-	-	89	11	-	-
Lakshadweep	-	-	-	27	-	7	-	-
Madhya Pradesh	21,170	-	-	-	2,235	5,818	3,548	-
Maharashtra	23,316	-	2,819	-	3,047	18,061	5,822	1,400
Manipur	-	-	-	36	105	18	-	-
Meghalaya	-	-	-	-	322	4	-	-
Mizoram	-	-	-	-	60	32	-	-
Nagaland	-	-	-	-	75	3	-	-
Odisha	9,950	-	-	-	2,155	763	-	-
Puducherry	-	-	33	-	-	74	-	-
Punjab	5,680	-	-	-	1,096	1,555	-	-
Rajasthan	9,244	1,580	1,023	-	413	36,658	5,229	1,780
Sikkim	-	-	-	-	2,282	8	-	-
Tamil Nadu	10,523	3,640	845	212	2,203	11,665	12,075	2,440
Telangana	11,043	-	-	-	2,406	5,052	128	-
Tripura	-	-	1,068	-	-	35	-	-
Uttar Pradesh	30,015	-	1,493	-	502	3,823	-	440
Uttarakhand	-	-	664	-	4,785	838	-	-
West Bengal	13,235	-	-	-	1,341	321	-	-
All-India	**2,19,610**	**6,620**	**20,122**	**589**	**50,915**	**1,35,765**	**54,507**	**8,780**

Source: Installed Capacity Reports, National Power Portal; PRS.

Table 6: Smart Metering Status as on Dec 31, 2025

State	Consumer Meters Sanctioned	Installed		Distribution Transformer Meters Sanctioned	Installed		Feeder Meters Sanctioned	Installed	
		In number	In %		In number	In %		In number	In %
Andaman and Nicobar	1,58,773	75,200	47%	1,148	0	0%	114	0	0%
Andhra Pradesh	56,10,846	21,58,269	38%	2,93,140	74,389	25%	17,358	8,192	47%
Arunachal Pradesh	2,87,446	47,941	17%	10,116	311	3%	688	263	38%
Assam	69,21,329	51,98,453	75%	94,547	70,265	74%	2,782	2,879	103%
Bihar	1,72,08,939	83,33,722	48%	2,50,726	1,82,145	73%	6,427	5,775	90%
Chandigarh	29,433	24,214	82%	-	-	-			
Chhattisgarh	59,62,115	32,32,660	54%	2,10,644	66,023	31%	6,720	5,936	88%
Delhi	2,60,000	2,60,000	100%	766	0	0%	2,755	0	0%
Goa	7,41,160	0	0%	8,369	0	0%	827	0	0%
Gujarat	1,65,10,860	34,66,500	21%	3,00,487	1,28,600	43%	-	-	-
Haryana	10,00,000	8,47,467	85%	-	-	-	-	-	-
Himachal Pradesh	29,52,685	8,53,786	29%	39,012	22,054	57%	1,951	1,603	82%
Jammu and Kashmir	21,34,095	11,19,117	52%	1,08,831	28,880	27%	2,608	1,428	55%
Jharkhand	18,64,065	10,43,862	56%	39,936	17,299	43%	2,508	2,073	83%
Kerala	1,32,90,166	1,67,882	1%	87,615	111	0%	6,025	2,904	48%
Ladakh	58,930	55,580	94%	1,931	1,850	96%	54	79	146%
Madhya Pradesh	1,34,44,401	33,64,112	25%	4,24,856	1,30,348	31%	29,708	24,097	81%
Maharashtra	2,35,64,747	80,88,791	34%	4,10,905	2,52,106	61%	29,214	30,709	105%
Manipur	1,54,400	31,962	21%	11,451	589	5%	357	220	62%
Meghalaya	4,60,000	0	0%	11,419	0	0%	1,324	0	0%
Mizoram	2,90,039	26,492	9%	2,300	393	17%	398	295	74%
Nagaland	3,17,210	30,522	10%	6,276	845	13%	392	105	27%
Odisha	4,500	4,500	100%	-	-	-	180	0	0%
Puducherry	4,03,767	5,647	1%	3,105	1	0%	12,563	0	0%
Punjab	1,12,32,507	19,06,036	17%	1,84,044	0	0%	27,128	25,349	93%
Rajasthan	1,49,00,527	25,13,774	17%	4,34,608	23,834	5%	633	471	74%
Sikkim	1,44,680	78,582	54%	3,229	1,469	45%	18,392	9,864	54%
Tamil Nadu	3,01,40,849	1,29,641	0%	4,73,720	1,220	0%	1,951	1,603	82%
Telangana	8,882	8,882	100%	-	-	-	-	-	-
Tripura	4,47,489	1,40,240	31%	14,908	5,494	25%	473	473	100%
Uttar Pradesh	3,09,78,280	71,70,682	23%	15,26,801	2,44,830	3%	20,874	25,362	122%
Uttarakhand	15,87,870	4,11,358	26%	59,212	7,441	74%	2,602	2,486	96%
West Bengal	2,12,08,759	5,55,586	3%	3,05,419	44,589	73%	11,874	9,357	79%
All-India	**22,42,79,749**	**5,13,51,460**	**23%**	**53,19,521**	**13,05,086**	**25%**	**2,08,880**	**1,61,523**	**77%**

Source: All India Smart Metering Status, Website of National Smart Grid Mission of Ministry of Power, as accessed on December 31, 2025; PRS

Table 7: PM Surya Ghar Muft Bijli Yojana Progress across states as on January 10, 2026

State/UT	Applications	Installations		Households covered
		In number	In %	
Andaman and Nicobar	654	183	28%	202
Andhra Pradesh	11,75,634	87,984	7%	90,864
Arunachal Pradesh	88	1	1%	1
Assam	4,84,444	75,177	16%	75,883
Bihar	55,543	14,500	26%	15,148
Chandigarh	1,510	1,001	66%	1,001
Chhattisgarh	1,21,687	23,404	19%	24,825
Dadra & Nagar Haveli and Damand & Diu	1,949	496	25%	496
Delhi	17,149	5,589	33%	9,471
Goa	2,687	1,461	54%	1,814
Gujarat	6,17,917	5,24,808	85%	7,57,016
Haryana	1,04,038	49,473	48%	56,562
Himachal Pradesh	10,719	6,234	58%	6,235
Jammu and Kashmir	90,917	19,459	21%	19,467
Jharkhand	7,886	1,512	19%	1,514
Karnataka	1,55,643	15,292	10%	24,168
Kerala	2,43,706	1,80,783	74%	1,85,462
Ladakh	1,725	1,278	74%	1,278
Lakshadweep	1,144	752	66%	752
Madhya Pradesh	1,39,368	85,955	62%	89,367
Maharashtra	5,89,328	4,03,698	69%	6,50,742
Manipur	1,478	729	49%	729
Meghalaya	1,933	35	2%	35
Mizoram	954	787	82%	789
Nagaland	548	132	24%	132
Odisha	1,61,517	29,396	18%	29,744
Puducherry	3,209	2,286	71%	2,286
Punjab	18,866	10,906	58%	11,016
Rajasthan	2,49,987	1,23,248	49%	1,27,175
Sikkim	261	26	10%	26
Tamil Nadu	65,809	52,224	79%	60,831
Telangana	72,956	26,041	36%	37,155
Tripura	7,871	1,945	25%	1,956
Uttar Pradesh	10,45,349	3,35,182	32%	3,38,861
Uttarakhand	95,316	60,027	63%	60,189
West Bengal	12,112	1,145	9%	1,208
All-India	**55,61,902**	**21,43,149**	**39%**	**26,84,400**

Source: State/UT-wise progress (PMSG: MBY), PMSG: MBY National Portal; PRS.

Table 8: Performance of distribution utilities in 2024-25

State/UT	AT&C Losses	ACS (Rs per unit)	As per subsidy billed		As per actual subsidy received and excluding regulatory income	
			ARR (Rs per unit)	ACS-ARR Gap (Rs per unit)	ARR (Rs per unit)	ACS-ARR Gap (Rs per unit)
State Sector	**15.4%**	**7.12**	**7.07**	**0.05**	**7.02**	**0.11**
Andaman & Nicobar Islands	24.1%	29.06	26.84	2.22	26.84	2.22
Andhra Pradesh	7.9%	8.11	8.13	-0.02	8.26	-0.15
Arunachal Pradesh	46.2%	6.28	6.28	-	6.28	-
Assam	15.4%	7.63	7.89	-0.26	7.89	-0.26
Bihar	15.5%	6.73	7.14	-0.41	7.14	-0.41
Chhattisgarh	14.3%	5.95	5.87	0.09	6.15	-0.19
Delhi	8.4%	10.43	11.29	-0.86	11.29	-0.86
Goa	10.4%	5.62	5.41	0.20	5.41	0.20
Gujarat	8.3%	6.02	6.42	-0.40	6.42	-0.40
Haryana	11.8%	6.23	6.23	0.01	6.13	0.10
Himachal Pradesh	19.4%	5.66	5.87	-0.22	5.43	0.23
Jharkhand	28.2%	7.01	5.94	1.07	6.06	0.95
Karnataka	11.9%	8.84	7.82	1.03	8.16	0.69
Kerala	6.6%	6.44	6.60	-0.17	6.60	-0.17
Ladakh	26.8%	6.87	7.76	0.89	7.76	-0.89
Madhya Pradesh	22.8%	5.87	5.62	0.25	5.91	-0.04
Maharashtra	17.7%	8.09	8.17	-0.07	7.53	0.56
Manipur	12.9%	6.97	7.02	-0.05	7.17	-0.20
Meghalaya	17.5%	8.56	8.43	0.13	8.43	0.13
Mizoram	32.3%	9.09	9.43	-0.34	9.43	-0.34
Nagaland	48.9%	7.46	7.96	-0.50	7.96	-0.50
Puducherry	14.7%	5.55	6.25	-0.70	6.19	-0.64
Punjab	19.2%	5.93	6.71	-0.78	6.23	-0.30
Rajasthan	15.2%	6.56	6.67	-0.11	6.61	-0.04
Sikkim	21.8%	5.73	5.40	0.33	5.40	0.33
Tamil Nadu	11.0%	8.60	8.78	-0.18	8.78	-0.19
Telangana	19.8%	7.37	7.09	0.27	7.09	0.27
Tripura	29.6%	7.66	6.25	1.40	6.25	1.40
Uttar Pradesh	19.5%	7.68	6.95	0.73	6.95	0.73
Uttarakhand	15.1%	6.06	6.03	0.04	6.00	0.06
West Bengal	17.2%	6.54	6.56	-0.02	6.57	-0.03
Private Sector	**10.1%**	**6.78**	**7.96**	**-1.18**	**7.43**	**-0.65**
Dadra & Nagar Haveli and Daman & Diu	-	-	-	-	-	-
Delhi	6.5%	7.17	9.69	-2.52	8.31	-1.13
Gujarat	3.6%	8.36	8.87	-0.50	8.78	-0.42
Maharashtra	5.0%	7.90	8.81	-0.91	9.95	-2.04
Odisha	17.8%	5.48	5.65	-0.16	5.30	0.18
Uttar Pradesh	8.5%	6.52	7.06	-0.54	6.67	-0.15
West Bengal	4.8%	5.04	5.08	-0.04	5.33	-0.30
All-India	**15.0%**	**7.10**	**7.13**	**-0.03**	**7.04**	**0.06**

Note: AT&C losses: Aggregate Technical and Commercial (AT&C) loss is the ratio of power for which the discom did not receive any payment to the total electricity procured by the utility. *ACS: Average Cost of Supply; ARR: Average Revenue Realised.
Source: Report on Performance of Power Utilities 2024-25, Power Finance Corporation; PRS.

Table 9: Profit/Loss of distribution utilities in 2024-25

State/UT	Profit/Loss on subsidy billed basis (Rs crore)	Profit/Loss with tariff subsidy received and excluding regulatory income (Rs crore)
State Sector	**-9,437**	**-17,732**
Andaman & Nicobar Islands	-91	-91
Andhra Pradesh	190	1,180
Arunachal Pradesh	-	--
Assam	308	308
Bihar	2,079	2,096
Chhattisgarh	-407	915
Delhi	170	170
Goa	-119	-119
Gujarat	3,310	3,310
Haryana	-46	-776
Himachal Pradesh	342	-365
Jharkhand	-1,928	-1,722
Karnataka	-8,869	-5,901
Kerala	574	574
Ladakh	26	26
Madhya Pradesh	-2,561	456
Maharashtra	1,292	-9,598
Manipur	5	26
Meghalaya	-36	-36
Mizoram	32	32
Nagaland	56	56
Puducherry	281	256
Punjab	6,216	2,415
Rajasthan	1,262	510
Sikkim	-37	-37
Tamil Nadu	2,073	2,144
Telangana	-2,462	-2,462
Tripura	-373	-373
Uttar Pradesh	-10,976	-10,796
Uttarakhand	-47	-94
West Bengal	120	167
Private Sector	**12,138**	**6,461**
Dadra & Nagar Haveli and Daman & Diu	-	-
Delhi	9,819	4,327
Gujarat	673	560
Maharashtra	1,031	2,317
Odisha	439	-791
Uttar Pradesh	171	11
West Bengal	4	38
All-India	**2,701**	**-11,270**

Source: Report on Performance of Power Utilities 2024-25, Power Finance Corporation; PRS

Table 10: Compliance with Renewable Purchase Obligation in 2022-23

State	Wind		Hydro		Others		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
Andhra Pradesh	0.81%	3.30%	0.35%	0.00%	23.44%	25.10%	24.61%	28.50%
Arunachal Pradesh	0.81%	0.00%	0.35%	3.50%	23.44%	15.30%	24.61%	18.80%
Assam	0.81%	0.00%	0.35%	2.70%	23.44%	20.40%	24.61%	23.20%
Bihar	0.81%	0.10%	0.35%	0.10%	23.44%	15.90%	24.61%	16.00%
Chhattisgarh	0.81%	0.10%	0.35%	1.20%	23.44%	11.90%	24.61%	13.30%
Delhi	0.81%	0.00%	0.35%	0.60%	23.44%	23.80%	24.61%	24.40%
Goa	0.81%	0.80%	0.35%	0.40%	23.44%	16.10%	24.61%	17.30%
Gujarat	0.81%	3.50%	0.35%	0.20%	23.44%	16.50%	24.61%	20.30%
Haryana	0.81%	0.00%	0.35%	0.90%	23.44%	20.80%	24.61%	21.70%
Himachal Pradesh	0.81%	0.00%	0.35%	2.70%	23.44%	76.00%	24.61%	78.70%
Jammu & Kashmir & Ladakh UT	0.81%	0.00%	0.35%	0.00%	23.44%	56.90%	24.61%	56.90%
Jharkhand	0.81%	0.00%	0.35%	0.00%	23.44%	30.00%	24.61%	30.00%
Karnataka	0.81%	6.40%	0.35%	0.00%	23.44%	40.30%	24.61%	46.70%
Kerala	0.81%	0.00%	0.35%	0.00%	23.44%	36.30%	24.61%	36.30%
Madhya Pradesh	0.81%	0.10%	0.35%	0.00%	23.44%	22.30%	24.61%	22.40%
Maharashtra	0.81%	0.00%	0.35%	0.00%	23.44%	17.10%	24.61%	17.10%
Manipur	0.81%	0.00%	0.35%	0.20%	23.44%	33.80%	24.61%	34.00%
Meghalaya	0.81%	0.00%	0.35%	3.20%	23.44%	56.70%	24.61%	59.90%
Mizoram	0.81%	0.30%	0.35%	0.40%	23.44%	42.10%	24.61%	42.70%
Nagaland	0.81%	0.00%	0.35%	5.20%	23.44%	31.30%	24.61%	36.50%
Odisha	0.81%	0.10%	0.35%	0.10%	23.44%	25.30%	24.61%	25.40%
Puducherry	0.81%	0.00%	0.35%	0.00%	23.44%	6.60%	24.61%	6.60%
Punjab	0.81%	0.20%	0.35%	0.00%	23.44%	27.30%	24.61%	27.60%
Rajasthan	0.81%	0.00%	0.35%	0.00%	23.44%	18.30%	24.61%	18.30%
Sikkim	0.81%	0.00%	0.35%	3.70%	23.44%	84.70%	24.61%	88.40%
Tamil Nadu	0.81%	5.80%	0.35%	0.00%	23.44%	19.70%	24.61%	25.50%
Telangana	0.81%	0.00%	0.35%	0.00%	23.44%	20.20%	24.61%	20.20%
Tripura	0.81%	0.00%	0.35%	0.10%	23.44%	13.50%	24.61%	13.60%
Uttar Pradesh	0.81%	0.00%	0.35%	0.40%	23.44%	14.80%	24.61%	15.20%
Uttarakhand	0.81%	0.00%	0.35%	3.00%	23.44%	57.40%	24.61%	60.40%
West Bengal	0.81%	0.10%	0.35%	0.00%	23.44%	15.90%	24.61%	15.90%

Source: Starred Question No. [122], Rajya Sabha, Ministry of Power, August 1, 2023; PRS.

Demand for Grants 2026-27 Analysis

Petroleum and Natural Gas

Highlights

- India imports 85% of its crude oil requirement. Top three suppliers are Russia, Iraq and Saudi Arabia.
- Revenue generated from petroleum accounts for 14% of the central tax revenue and 15% of states' own tax revenue.

Storage capacity of Strategic Petroleum Reserves (SPR) is below global standards.

Access to clean cooking fuel is still poor; refill rates of LPG cylinders under the Ujjwala Yojana are low.

The Ministry of Petroleum and Natural Gas (MoPNG) is concerned with exploration and production of oil and natural gas, refining, distribution and marketing, import and export, and conservation of petroleum products. This note looks at the proposed expenditure of the Ministry for 2026-27, and the trends in spending over the last few years.

Overview of finances

In 2026-27, the Ministry has been allocated Rs 30,443 crore, which is a 2% increase over the revised estimates for 2025-26.[1] This is 0.57% of the total estimated expenditure (Rs 53,47,315 crore) of the government in 2026-27. The revised estimates for 2025-26 are 54% higher than the budgeted estimates for that year.

Table 1: Allocation for the Ministry of Petroleum and Natural Gas (in Rs crore)

	2024-25	2025-26 RE	2026-27 BE	% Change
Total	**16,962**	**29,800**	**30,443**	2%
Of which:				
LPG Subsidy	15,479	15,121	11,085	-27%
Strategic Oil Reserves	130	1,039	200	-81%
IGGL	612	300	700	133%
Mission Anveshan	50	200	200	0%

Note: RE is revised estimates, BE is budget estimates, % change from 2025-26 RE to 2026-27 BE. IGGL is Indradhanush Gas Grid Limited – part of North East Natural Gas Pipeline Grid.
Sources: Union Budget Documents 2026-27; PRS.

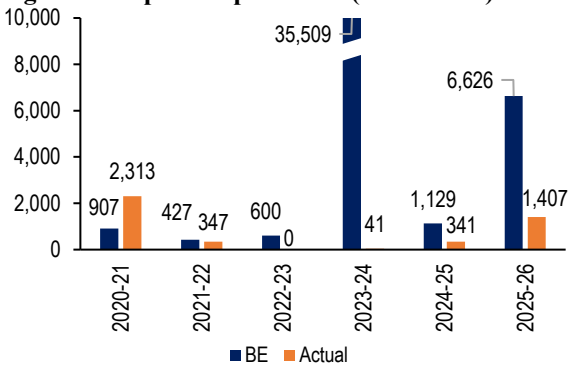
Allocation towards LPG subsidy includes: Rs 9,200 crore for LPG connections to poor households, and Rs 1,500 crore for Direct benefit Transfer payments to consumers under PAHAL.

Union Budget Announcement 2026-27

The central government announced exemption of central excise duty on compressed biogas (CBG) blended with compressed natural gas (CNG).

In 2026-27, Rs 238 crore will be spent on capital expenditure. The Standing Committee on Petroleum and Natural Gas (2025) observed unsatisfactory trends with capital expenditure by the Ministry (see figure 1).[2] The Committee recommended that the Ministry ensure proper utilisation of the allocated capital budget for exploratory purposes. In 2025-26, total capital expenditure at the revised stage is expected to be 79% lower (Rs 1,407 crore) than the budget estimate of Rs 6,626 crore. This is mainly due to reduction in capital expenditure on strategic oil reserves, which was revised down from Rs 5,876 crore to Rs 870 crore.

Figure 1: Capital Expenditure (in Rs crore)



Note: BE is budget estimates. For 2025-26, revised estimates taken as actuals.
Sources: Demands of Ministry of Petroleum and Natural Gas (2020-2026); PRS.

Analysis and key issues

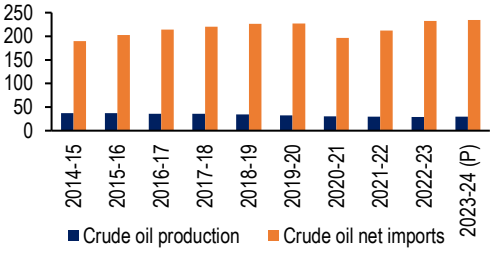
Sources, production and consumption

India's total energy supply reached 903 Million Tonne of Oil Equivalent (MTOE) in 2023-24.[3] The energy mix remains dominated by fossil fuels; major source of energy are coal (60%), followed by crude oil (30%) and natural gas (7%).[3] This also highlights the central role of hydrocarbons in meeting India's energy needs.

Production and import of crude oil and gas

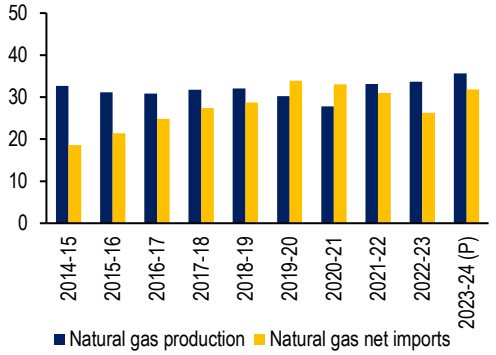
Domestic crude oil production has been steadily declining, recording CAGR of -2.67% over 2014-2023 (see Figure 2).[4] The net imports of crude oil have been rising, with a CAGR of 2.39%, indicating India's continued reliance on foreign sources to meet domestic demand. Domestic natural gas production grew at a CAGR of 0.98% over the same period, and net imports of natural gas recorded a CAGR of 6.13%.[4] (see Figure 2).

Figure 2: Year wise production and net imports of crude oil (Million Tonne)



Note: Provisional figures (P) for 2023-24.
Sources: Petroleum Planning and Analysis Cell; PRS.

Figure 3: Year wise production and net imports of natural gas (Billion Cubic Meter)

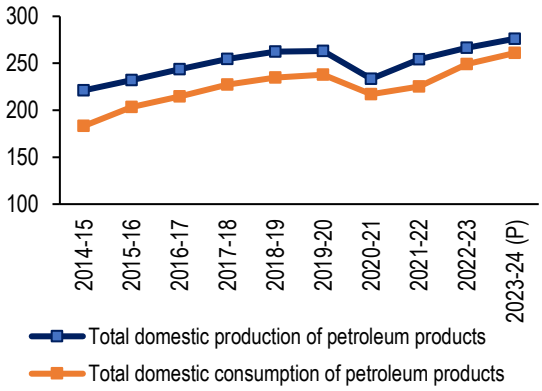


Note: Provisional figures (P) for 2023-24.
Sources: Petroleum Planning and Analysis Cell; PRS.

Production of petroleum products

Domestic production growth of petroleum products has declined in the past decade.[5] Over 2014-2024, the CAGR for production of petroleum products was 2.5%, and for consumption of petroleum products was 4%.[5,6] Despite steady increase in capital expenditure by central public sector undertakings (CPSUs), crude oil production declined from 34.2 Million Metric Tonnes (MMT) in 2018-19 to 28.4 MMT in 2024-25.[7] The Standing Committee on Public Undertakings (2025-26) attributed the decline to: (i) long development periods in exploration, (ii) ageing oil fields, and (iii) decline in natural oil and gas production.

Figure 4: Year wise domestic production and consumption of petroleum products (Million Tonnes)

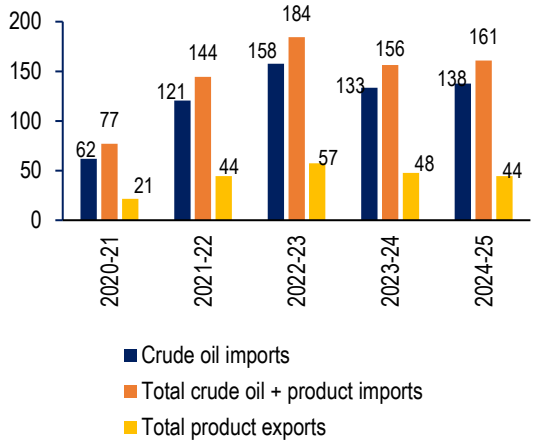


Note: Provisional figures (P) for 2023-24.
Sources: Petroleum Planning and Analysis Cell; PRS.

Refining capacity

India has emerged as the fourth largest refining nation globally, with a total installed refining capacity of 258 million metric tonnes per annum in 2024-25.[7] According to petroleum planning and analysis cell (PPAC) data, crude oil imports account for 85% of total petroleum imports in terms of value.[10] India does not export crude oil.[9] In 2024-25, top four export items in terms of value include: Diesel (43%), Petrol (26%), Aviation turbine fuel (14%), and Naphtha (8%).[10] As of January 2025, India is the seventh largest exporter of petroleum products.[11]

Figure 5: Import/Export of crude oil and petroleum products (Metric Tonne)



Sources: Petroleum Planning and Analysis Cell; PRS.

Energy Security

High import dependence

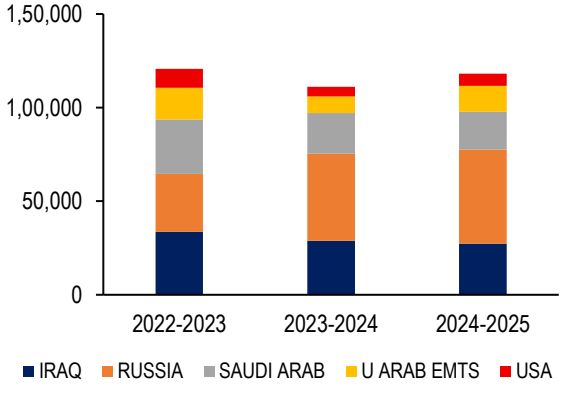
India imports about 85% of its crude oil requirement.[12] In 2023, India ranked second globally in net imports of crude oil at 4.6 million barrels per day, after China at 10.6 million barrels per day.[13] The Middle East accounted for over 60% of India's crude oil imports until Russia's invasion of Ukraine.[13] Following that, Russia's share in India's total crude imports rose from under 3% in 2021 to nearly 40% in 2023, while the Middle East's share declined from about 61% to 45%.[13]

In 2023-24, the top three suppliers of oil to India were Russia, Iraq, and Saudi Arabia.[14] According to news reports, U.S. sanctions on Russian refineries from November 21, 2025 disrupted Russian crude imports. While Russia remained India's largest supplier, its share fell from one-third to less than one-quarter.[15]

2030 Decarbonisation Targets

Key features of India's Nationally Determined Contributions under the Paris Agreement include 2030 targets of: (i) reducing emissions intensity of its GDP by 45% (from 2005 levels), and (ii) ensuring 50% of installed electricity capacity is from non-fossil fuel-based energy resources.[8]

Figure 6: Countries from where India imports crude oil (in USD million)

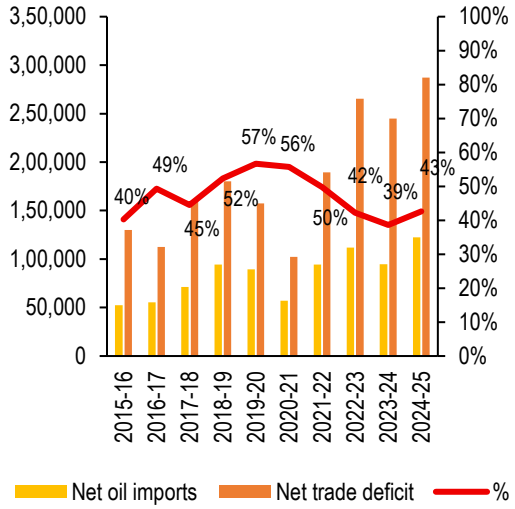


Sources: Department of Commerce Export Import Data Bank (HSN Code 2709); PRS.

The Standing Committee on Petroleum and Natural Gas (2023) had noted that overdependence on any region for crude oil and gas supplies can impact India's energy security.[16] It recommended that the Ministry take steps to diversify the imports of crude oil and gas.

Balance of Payments (BoP)

Figure 7: Net oil imports as % of net trade deficit (Million Dollars)



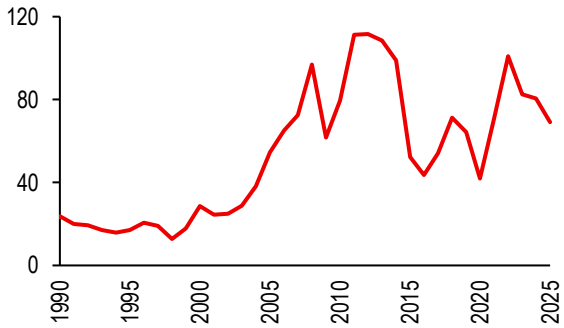
Sources: Reserve Bank of India; PRS.

Oil imports account for about half the trade deficit of India (see figure 7). India's BoP came under stress in 2011-12 due to a sharp increase in oil and gold imports.[17] India's current account deficit rose from 4.2% of GDP (2011-12) to 4.7% of GDP (2012-13), alongside a widening merchandise trade deficit from USD 190 billion to USD 196 billion.[17]

Volatility of International Prices

According to the International Energy Agency (IEA), global oil demand is estimated to rise by 0.83 million barrels per day (mb/d) in 2025 and 0.86 mb/d in 2026.[18] Global oil supply growth is estimated at around 3 mb/d in 2025, and 2.4 mb/d in 2026, sustaining oversupply pressures.[18] Observed global oil inventories rose to around 8,030 million barrels in October, a four-year high.[18] Due to oil demand and supply conditions, Europe brent crude averaged around $63 per barrel in December, 2025 (see figure 8). Sanctions on Russian oil exporters continue to add geopolitical uncertainty and price volatility.

Figure 8: Europe Brent Spot Price (Dollars per Barrel)



Sources: U.S. Energy Information Administration; PRS.

In periods of high global prices, domestic price insulation has historically resulted in under-recoveries for oil marketing companies (OMCs).[19] To offset losses, the government issued oil bonds to OMCs in lieu of cash subsidies from 2002. As of February 2023, the outstanding value of the oil bonds is Rs 92,200 crore (Rs 1,06,933 crore including interest). All the bonds will mature by April 2026 (see Table 7 in annexure).

Under-recoveries rose steadily in the early 2000s and peaked between 2008-14, reaching Rs 1.6 lakh crore (2012-13). It declined sharply after, falling from Rs 72,000 crore (2014-15) to Rs 1,000 crore (2019-20) and zero in 2020-21 and 2021-22.[19] Under-recoveries re-emerged in 2022-23 (Rs 22,000 crore), indicating renewed exposure to oil price shocks.[19] Further, the revised estimates provide Rs 12,500 crore in 2025-26 and Rs 17,500 crore in 2026-27 to PSU OMCs for under recoveries in domestic LPG.

Revenue from petroleum

Contribution of taxes to government revenue

Petroleum serves as a significant source of revenue for both central and state exchequers. As per provisionally available data, in 2024-25, the central government earned Rs 3.4 lakh crore from the petroleum sector, while states earned Rs 3.3 lakh crore.[20] The revenue generated from petroleum accounted for 14% of the central tax revenue and 15% of states own tax revenue.[20]

Table 2: Contribution of petroleum sector to government revenue (2024-25, in Rs Crore)

	Tax revenue from petroleum	Total tax revenue	% of total tax
Centre	3,44,581	25,00,039	14%
States	3,25,505	22,34,604	15%

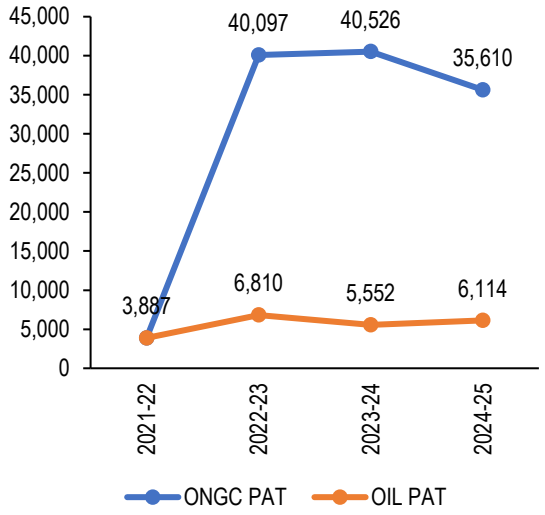
Note: For central government, total tax revenue is net tax revenue and for states it corresponds to own tax revenue.
Sources: PPAC; Union Budget and State Budget Documents; PRS.

Financial performance of CPSUs

Currently, 12 CPSUs operate within the sector (see table 9 in annexure).[7] In 2026-27, investment in public enterprises is Rs 1,33,823 crore. This is expected to be raised entirely through internal and extra budgetary resources. No budget support is provided to public enterprises.

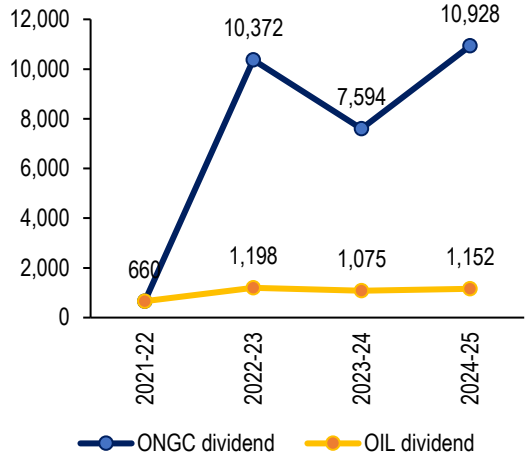
The Standing Committee on Public Undertakings (2025) noted revenue and profitability variations across major CPSUs under the Ministry over the last four years.[7] These variations are linked to: (i) crude oil price movements, (ii) moderate operating margins, and (iii) higher overhead costs in certain entities. Upstream companies such as ONGC and OIL have continued to record substantial profits and contribute significantly to the government revenue through taxes and dividends (see Figure 9, 10).[7]

Figure 9: Profit After Tax (PAT) of upstream companies (in Rs Crore)



Sources: Report no. [21], Standing Committee on Public Undertakings (2025-26), December 11, 2025; PRS.

Figure 10: Dividend paid to government of upstream companies (in Rs Crore)



Sources: Report no. [21], Standing Committee on Public Undertakings (2025-26), December 11, 2025; PRS.

The Committee also observed that operating margins of several CPSUs remain modest when compared to global benchmarks.[7] While ONGC has maintained relatively strong margins, companies such as IOCL and HPCL have reported consistently lower operating margins (see table 3).[7]

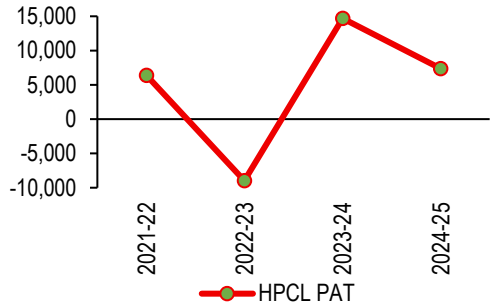
Downstream companies such as HPCL have experienced sharp declines in profitability in some years, reflecting their exposure to crude oil price volatility and market conditions (see Figure 11).[7] The Committee recommended: (i) strengthening risk management and hedging practices to handle price volatility, (ii) diversifying revenue sources (iii) improving efficiency in refining and marketing operations, and (iv) implementation of these measures by the Ministry to ensure the financial stability of CPSUs.[7]

Table 3: Operating margins of ONGC, IOCL, HPCL, BPCL (in %)

Year	2021-22	2022-23	2023-24	2024-25
ONGC	39%	41%	41%	37%
IOCL	4%	1%	6%	2%
HPCL	2%	-3%	4%	2%
BPCL	3%	0.5%	7%	7%

Sources: Report no. [21], Standing Committee on Public Undertakings (2025-26), December 11, 2025; PRS.

Figure 11: Profit After Tax (PAT) HPCL (in Rs Crore)



Sources: Report no. [21], Standing Committee on Public Undertakings (2025-26), December 11, 2025; PRS.

Reserves and overseas assets

India has 26 sedimentary basins covering an area of 3.36 million square kilometres.[21] Indian sedimentary basins have been broadly divided into three categories based on their degree of prospectivity as presently known (see table 4). The Standing Committee on Petroleum and Natural Gas (2025) observed no significant oil discoveries despite increase in exploration efforts.[2] It recommended (i) deep sea exploration in Andaman Basin (2,25,918 sq. km.) and (ii) extended shelf in eastern and western offshore beyond exclusive economic zone.

Table 4: Categories of Indian Sedimentary Basins

Type of Basin	Area (sq. km.)	Hydrocarbon Prospectivity
Category I (7 Basins)	9,98,325	Established commercial production.
Category II (5 Basins)	7,80,974	Discovered accumulation of hydrocarbons, no commercial production yet.
Category III (14 Basins)	1,22,388	No accumulation yet, prospective by analogy.

Sources: Ministry of Petroleum and Natural Gas; PRS.

India has invested in overseas oil and gas assets for ensuring energy security.[22] Till March 31, 2025, Indian Oil and Gas PSUs recorded 45 assets in 21 countries.[22] Out of the 45 assets, 21 are producing, 14 are under exploration, three are pipeline projects, and seven are under various phases of development. In 2024- 25, overseas production of oil and gas was approximately 20.2 million metric tonnes of oil and oil equivalent of gas.[22]

Storage capacity of Strategic Petroleum Reserves (SPR) below global standards

The central government set up Indian Strategic Petroleum Reserve Limited (ISPRL) in 2004 to build SPR facilities. The objective is to ensure energy security in the country in case of supply chain disruptions. The reserves have a total capacity of 5.33 MMT of crude oil at three locations namely (i) Vishakhapatnam (1.33 MMT), (ii) Mangaluru (1.5 MMT), and (iii) Padur (2.5 MMT).[23] Cabinet approved development of additional capacity in Chandikhol (4 MMT) and Padur (2.5 MMT) in 2021.[23] Market conditions determine the quantity of crude stored in the caverns. Low international prices enabled the reserves to be filled to full capacity in April and May, 2020.[25] As of March, 2025, 3.52 MMT of crude oil was stored in the caverns.[25]

Total strategic oil reserves account for 1% (Rs 200 crore) of the Ministry's budgetary allocation.[24] Of this, 90% is allocated for filling of oil caverns and operations and maintenance costs, while 10% is allocated for construction of new caverns. Against this allocation, SPR facilities can act as a buffer for around 9.5 days of crude oil requirements.[25]

As per MoPNG, the current national capacity for crude and petroleum storage equals 74 days of cover. This includes 64.5 days of storage capacity with the Oil Marketing Companies (OMCs).[25]

The Standing Committee on Petroleum and Natural Gas (2025) recommended the following: (i) ensure that caverns are filled with oil since it accounts for a significant share of the budget, (ii) remain proactive in exploring cheaper crude oil storage facilities, and (iii) strive to achieve 90 days of crude oil storage capacity as per global standards.[26]

Energy sources

Emissions

According to the IEA, in 2023, India's CO_2 emissions from fuel combustion amounted to 2,763 million tonnes, ranking third globally.[27] This included: coal (74%), oil (23%), and natural gas (3%).[27] Largest source of CO_2 emissions by sectors in 2023 include: electricity and heat producers (54%), industries (24%), and transport (13%).[27] India's ranking in CO_2 emissions per capita is lower, ranking 98 globally in 2022.[27]

Reducing import dependence and emissions by promoting alternative fuels

In 2020, the transport sector accounted for 13% of the CO_2 emissions from fuel combustion activities.[27] As per MoPNG, shifting towards alternative fuels reduces import dependency and benefits the environment.[28] Focused on this initiative, the central government has introduced a few strategies for increasing use of alternative fuels.[28]

Transport decarbonisation strategies

NITI Aayog (2023) highlighted the need to reduce emissions from the transport sector, a core driver of economic activity across G20 countries.[29] Between 1990 and 2019, India's transport-sector emissions grew 375%.[29] Further, it is projected to increase 65% by 2030 and 197% by 2050, relative to 2020 levels.[29]

Road transport is the main contributor to India's transport-sector emissions, followed by rail transport. In 2020, rail transport accounted for about 7% of emissions.[29] Increasing shift toward heavier vehicles, including electric SUVs, undermines efficiency gains from lighter vehicles.[29] Shifting mobility demand to alternative modes and expanding public transport infrastructure can improve urban quality of life by reducing congestion and air pollution.

Increased investment in energy-efficient passenger and freight transport can steer consumer demand toward lower-carbon options. India achieved 99% electrification of its railways by November 2025, ahead of UK (39%), Russia (52%) & China (82%).[30] In addition, India has set national EV deployment targets, which include: (i) 30% share of EVs in passenger light-duty vehicle sales by 2030, and (ii) installation of 2,877 charging points across 25 states, along with 1,576 charging points on nine expressways and 16 highways. NITI Aayog (2023) recommended closer coordination among experts in information technology, transport systems, and power grids to achieve faster decarbonisation of transport sector.

- **National Policy on Bio-Fuels:** The National Policy on Bio-Fuels, 2018 was formulated to increase biofuel usage in the energy and transportation sectors. India successfully achieved 20% blending of ethanol in petrol in current Ethanol Supply Year (ESY).[31] According to the Ministry, since 2014, ethanol procurement (i) enabled Rs 1.2 lakh crore income to farmers, (ii) reduced crude imports by 239 lakh metric tons, and (iii) saved Rs 1.4 lakh crore in foreign exchange.[31]
- **Pradhan Mantri Jaiv Indhan Vatavaran Anukool Fasal Awashesh Nivaran Yojana (PM JI-VAN):** The scheme was introduced in 2019 to offer financial support for the establishment of bio-ethanol projects utilising biomass and other renewable feedstock.[32] In 2026-27, the scheme has been allocated Rs 197 crore, a 418% increase from the revised estimates of 2025-26 (Rs 38 crore).[1] The Standing Committee (2024) on Petroleum and Natural Gas noted that only 13% of the fund allocated is utilised in last five years.[33] It also observed that till October 2024, one out of 10 plants had been commissioned. Further, the Standing Committee (2025) on Petroleum and Natural Gas observed that three out of 10 projects had been mechanically completed (no timeline specified in the report).[34]
- **Sustainable Alternative Towards Affordable Transportation (SATAT):** SATAT was launched by the Ministry in October 2018 for setting up 5,000 CBG plants for production of 15 million metric tonne (MMT) per annum of CBG by 2023-24.[35] It seeks to promote the use of CBG in transport and domestic sectors. As

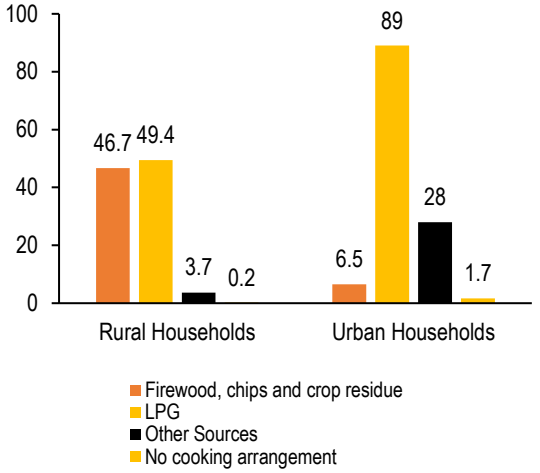
per the ministry, as on November 1, 2025, over 130 Compressed Bio Gas plants have been commissioned under the scheme.[36]

Low access to clean cooking fuel

Clean cooking fuels are fuels that have low level emissions. This includes LPG, biogas, natural gas and electricity. Dirty fuels such as coal, kerosene and biomass have high emission. These emissions have a wider impact on health and socio-economic conditions.

The Ministry of Statistics and Program Implementation (MOSPI) conducted a survey in 2022-23 regarding access to clean cooking fuel in India.[37] The Survey observed that in rural areas less than 30% of households use clean fuel for cooking in some states such as Madhya Pradesh, Rajasthan, Odisha and Chhattisgarh.[37] This figure was less than 50% for states such as Bihar, Tripura, and West Bengal (see Table 8 in annexure).

Figure 12: Percentage of households by primary source of energy used for cooking, 2020-21



Note: Other sources include other natural gas, dung cake, kerosene, coke, coal, gobar gas, other biogas, charcoal, electricity (generated by solar/ wind power generators), solar cooker.
Sources: Multiple Indicator Survey (2020-21), Ministry of Statistics and Programme Implementation; PRS.

According to the World Health Organisation (2022), breathing smoke from cooking with polluting fuels is harmful.[38] It increases the risk of strokes, cancer, heart and lung diseases. Women and children typically labour over household chores such as cooking and collecting firewood. They spend more time exposed to harmful smoke from polluting stoves, and bear a greater health burden. The time spent using and preparing fuel constrains other opportunities for health and development, such studying, leisure time, or productive activities.[39]

Schemes to promote LPG

One way to increase the use of clean cooking fuels is to provide LPG connections and LPG cylinder. The Ministry runs the Pradhan Mantri Ujjwala Yojana (PMUY) which provides LPG connections to poor households.[40] It also implements the PAHAL scheme under which beneficiaries buy LPG cylinders at market rate and subsequently receive subsidies directly in their bank accounts.[41]

Table 5: Number of PMUY beneficiaries who have taken refills

Year	Total PMUY customers	One refill	Two refills	Three refills	More than six refills
2022-23	9,98,59,418	16%	16%	14%	17%
2023-24	10,32,66,007	16%	14%	12%	20%
2024-25	10,33,24,916	13%	11%	10%	27%

Sources: Unstarred question 1966, Lok Sabha, IOCL on behalf of PSU OMC, July 31, 2025; PRS.

The total LPG subsidy in 2026-27 is budgeted at Rs 11,085 crore which includes Rs 9200 crore for LPG connections to poor households, Rs 1103 crore for supply of natural gas to north eastern region, and Rs 1500 crore for direct benefit transfer of LPG subsidy. Allocation to LPG subsidy constitutes 36% of the overall allocation to the Ministry.[1]

Refill rates under Ujjwala Yojana

The Standing Committee on Petroleum and Natural Gas (2025) noted that the refill rate of LPG cylinders under PMUY is about 4 refills per year, compared to an average of about 6.5 refills for non-PMUY consumers.[42] It also observed that the refill rate under PMUY remains below the policy provision of 12 subsidised refills per year for eligible beneficiaries.

Table 6: Refill Consumption rates of PMUY beneficiaries

Year	Per Connection consumption (in terms of 14.2 Kg refills/consumer/Year)
2021-22	3.7
2022-23	3.7
2023-24	4
2024-25	4.5
2025-26 (till August, 2025)	4.8

Sources: Unstarred question 3088, Lok Sabha, IOCL on behalf of PSU OMCs, December 18, 2025; PRS.

The Committee recommended: (i) increasing the subsidy to a level that makes LPG refills affordable for poor households and (ii) encourage issuance of five kg and 10 kg cylinders. This is expected to improve beneficiary coverage under the scheme, and enhance per capita consumption of LPG. As per the Ministry, refill consumption rate was 4.8 till August 25, 2025 (see table 6).

Compensation to OMCs under PAHAL-DBT

In 2026-27, Rs 1500 crore has been allocated to DBT-PAHAL.[1] In 2025-26, the budget allocation for DBT-PAHAL was Rs 1500 crore, which has decreased to Rs 1000 crore in the revised estimates.[43] Note that expenditure on subsidy is dependent on the difference between the subsidised and non-subsidised price for LPG.

As per the ministry, between 2020 and 2023, the international benchmark for LPG pricing rose from $415 per MT to $712 per MT.[44] LPG prices continued to rise post 2024. To protect consumers, costs were not passed through. Instead, OMCs incurred losses, for which the Government provided Rs 22,000 crore in 2022-23, and Rs 30,000 crore in

August 2025 as compensation.[44] In the first batch of supplementary demand for grants 2025-26, Rs 12,500 crore was approved as compensation to OMCs for under recoveries in domestic LPG.[45]

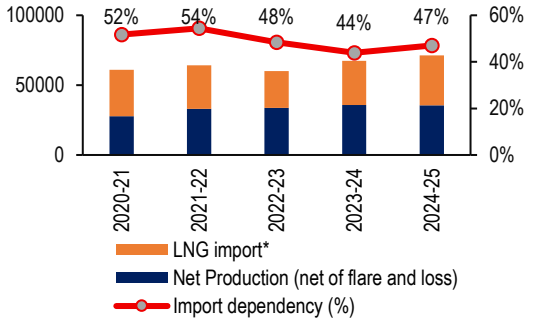
PNG as an alternative to LNG

At present, the share of natural gas in India's energy mix is 6.2%.[46] The central government plans on increasing the share of natural gas in India's primary energy basket from the current 6.2% to 15% by 2030.[46] Import for consumption of natural gas has increased. In 2011-12, 28% of natural gas consumed was imported. This has increased to 46% in 2023-24.[47] The government spent USD 6,832 million on LNG imports in 2011-12 and USD 13,405 million in 2023-24.[48]

Progress of IGGL natural gas pipeline project

The Standing Committee on Petroleum and Natural Gas (2025) noted that the North East gas grid natural gas pipeline project is being implemented by Indradhanush Gas Grid Limited.[49] In 2026-27, Rs 700 crore is allocated for the programme, a 133% increase over the revised estimates for 2025-26 (Rs 300 crore). The Committee was informed of physical progress at 84.08% in February, 2025. It recommended the Ministry to urgently work towards removing the bottlenecks hampering the completion of the projects

Figure 13: Natural gas consumption and import dependency (Million Standard Cubic Meter)



Sources: Petroleum Planning and Analysis Cell; PRS.

[1] Demand No. 76, Ministry of Petroleum and Natural Gas, Notes on Demands for Grants 2026-27, https://www.indiabudget.gov.in/doc/eb/sbe76.pdf.

[2] Report No. 2, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2025-26)', March, 2025, https://eparlib.sansad.in/bitstream/123456789/2989606/1/18_Petroleum_and_Natural_Gas_2.pdf.

[3] Chapter 7, Energy Statistics India 2025, Ministry of Statistics and Programme Implementation, March, 2025, https://www.mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[4]Chapter 5, Energy Statistics India 2025, Ministry of Statistics and Programme Implementation, March, 2025, https://www.mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[5]Table 3.4, Energy Statistics India 2025, Ministry of Statistics and Programme Implementation, March, 2025, https://www.mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[6]Table 6.5, Energy Statistics India 2025, Ministry of Statistics and Programme Implementation, March, 2025, https://www.mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[7] Report no. 21, Standing Committee on Public Undertakings (2025-26): 'Review of Performance of Petroleum and Natural Gas Sector CPSUs', Ministry of Petroleum and Natural Gas, December 11, 2025, https://sansad.in/getFile/lsscommittee/Public%20Undertakings/18_Public_Undertakings_21.pdf?source=loksabhadocs.

[8] India's Updated First Nationally Determined Contribution Under Paris Agreement, Government of India, August, 2022, https://unfccc.int/sites/default/files/NDC/2022-08/India%20Updated%20First%20Nationally%20Determined%20Contrib.pdf.

[9] Chapter 4, Indian oil market report, international energy agency, February, 2024, https://www.iea.org/reports/india-oil-market-report.

[10] PPAC Ready Reckoner, https://ppac.gov.in/#redyreckonr.

[11] "India's Petroleum Industry", Press Information Bureau, Ministry of Petroleum and Natural Gas, January 27, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2096817&reg=3&lang=2.

[12] Report No. 23, Standing Committee on Petroleum & Natural Gas(2023-24); 'Review Of Policy On Import Of Crude Oil', Ministry of Petroleum and Natural Gas, December 2023, https://sansad.in/getFile/lsscommittee/Petroleum%20&%20Natural%20Gas/17_Petroleum_And_Natural_Gas_23.pdf?source=loksabhadocs.

[13] Indian oil market report, international energy agency, February, 2024, https://www.iea.org/reports/india-oil-market-report.

[14] "EIDB, System on India's Export Import", Department of Commerce, Ministry of Commerce and Industry, as accessed on January 15, 2026, https://tradestat.commerce.gov.in/eidb/commodity_wise_import.

[15] "India's Russian crude imports dip in Dec, but trade remains structurally intact, Economic Times, as accessed on January 12, 2026, https://energy.economictimes.indiatimes.com/news/oil-and-gas/indias-russian-crude-imports-decline-amid-sanctions-what-it-means-for-future-trade/126250488.

[16] Report No. 23, Standing Committee on Petroleum and Natural Gas: 'Review of policy on import of crude oil', December, 2023, https://sansad.in/getFile/lsscommittee/Petroleum%20&%20Natural%20Gas/17_Petroleum_And_Natural_Gas_23.pdf?source=loksabhadocs.

[17] Chapter 4, Statistical Year Book, Ministry of Statistics and Programme Implementation, https://mospi.gov.in/sites/default/files/Statistical_year_book_india_chapters/Chapter%20No.4.pdf.

[18] "Oil Market Report – December 2025", International Energy Agency, as accessed on January 18, 2026, https://www.iea.org/reports/oil-market-report-december-2025#overview.

[19] "Subsidies/ Under recoveries to Oil Marketing Companies (OMCs) on Sale of Sensitive Petroleum Products (Rs. Crore)," Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, as accessed on January 15, 2026, https://ppac.gov.in/subsidy/subsidies-under-recoveries-to-oil-marketing-companies-omcs-on-sale-of-sensitive-petroleum-products-rs-crore.

[20] Contribution to Central and State Exchequer, Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, https://ppac.gov.in/prices/contribution-to-central-and-state-exchequer.

[21] Chapter 2, Annual Report: 2024-2025, Ministry of Petroleum and Natural Gas, https://mopng.gov.in/files/TableManagements/annual_report24_25.pdf.

[22] Chapter 1, Annual Report: 2024-2025, Ministry of Petroleum and Natural Gas, https://mopng.gov.in/files/TableManagements/annual_report24_25.pdf.

[23] "Government steps to Strengthen Strategic Petroleum Reserves", Press Information Bureau, Ministry of Petroleum and Natural Gas, March 20, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2113233&reg=3&lang=2.

[24] Demand No. 76 Ministry of Petroleum and Natural Gas, Notes on Demands for Grants 2026-27, link.

[25] Unstarred Question 3275, Lok Sabha, March 20, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU3275_H9sOVf.pdf?source=pqals.

[26] Report No. 2, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2025-26)', March, 2025, https://eparlib.sansad.in/bitstream/123456789/2989606/1/18_Petroleum_and_Natural_Gas_2.pdf .

[27] "Total CO_2 emissions from energy", International Energy Agency, as accessed on January 6, 2025, https://www.iea.org/countries/india/emissions#what-are-the-main-sources-of-co2-emissions-in-india.

[28] Report no. 10, Standing Committee on Petroleum and Natural Gas (2021-22): 'Demand for Grants (2022-23)', Ministry of Petroleum and Natural Gas, March, 2022, https://sansad.in/getFile/lsscommittee/Petroleum%20&%20Natural%20Gas/17_Petroleum_And_Natural_Gas_10.pdf?source=loksabhadocs.

[29] Towards Decarbonising Transport 2023, Niti Aayog, July, 2023, https://niti.gov.in/sites/default/files/2023-07/98_Towards_Decarbonising_Transport_2023_compressed.pdf .

[30] "Indian Railways Nears Full Electrification at 99.2% of Broad Gauge Network, Far Ahead of UK (39%), Russia (52%) & China (82%)", Ministry of Railways, Press Information Bureau, December 17, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2205232&reg=3&lang=1.

[31] "India's Ethanol Journey is Unstoppable: Shri Hardeep Singh Puri," Press Information Bureau, Ministry of Petroleum and Natural Gas, August 8, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2154355&reg=3&lang=2.

[32] "Cabinet approves Pradhan Mantri JI-VAN yojana", Press Information Bureau, Ministry of Petroleum and Natural Gas, February 28, 2019, https://pib.gov.in/Pressreleaseshare.aspx?PRID=1566711#:~:text=The%20Cabinet%20Committee%20on%20Economic,lignocellulosic%20biomass%20and%20other%20renewable.

[33] Report No. 1, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2024-25)', December, 2025, https://sansad.in/getFile/lsscommittee/Petroleum%20&%20Natural%20Gas/18_Petroleum_And_Natural_Gas_1.pdf?source=loksabhadocs.

[34] Report No. 2, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2025-26)', March, 2025, https://eparlib.sansad.in/bitstream/123456789/2989606/1/18_Petroleum_and_Natural_Gas_2.pdf.

[35] Unstarred Question 372, Lok Sabha, Ministry of Petroleum and Natural Gas, December 8, 2022, https://sansad.in/getFile/loksabhaquestions/annex/1710/AU372.pdf?source=pqals.

[36] "Year End Review 2025: Ministry of Petroleum & Natural Gas"' Press Information Bureau, Ministry of Petroleum & Natural Gas, December 26, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2208694&reg=3&lang=1

[37] Comprehensive Annual Modular Survey, 2022-23, Ministry of statistics and programme Implementation, October, 2024, https://www.mospi.gov.in/sites/default/files/publication_reports/CAMS%20Report_October_N.pdf.

[38] "WHO publishes new global data on the use of clean and polluting fuels for cooking by fuel type", World Health Organisation, January 20, 2022, https://www.who.int/news/item/20-01-2022-who-publishes-new-global-data-on-the-use-of-clean-and-polluting-fuels-for-cooking-by-fuel-type#:~:text=As%20of%202022%2C%202.1%20billion,crop%20waste%20and%20kerosene%20i.

[39] "Household air pollution", WHO, as accessed on December 30, 2025, https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health.

[40] "About PMUY", Pradhan Mantri PMUY Yojana, Ministry of Petroleum and Natural Gas, as accessed on Jnauary 8, 2025, https://www.pmuy.gov.in/about.html.

[41] "PAHAL (DBTL) Scheme Delivers Improved Efficiency, Transparency, and Consumer-Centric Reforms", Press Information Bureau, Ministry of Petroleum and Natural Gas, December 1, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2197009&reg=3&lang=2.

[42] Report No. 1, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2024-25)', December, 2025, https://sansad.in/getFile/lsscommittee/Petroleum%20&%20Natural%20Gas/18_Petroleum_And_Natural_Gas_1.pdf?source=loksabhadocs.

[43] Demand No. 76 Ministry of Petroleum and Natural Gas, Notes on Demands for Grants 2023-2024, https://www.indiabudget.gov.in/budget2023-24/doc/eb/sbe76.pdf.

[44] Unstarred Question 704, Lok Sabha, https://sansad.in/getFile/loksabhaquestions/annex/186/AU704_Y2yHs7.pdf?source=pqals

[45] First Supplementary Demands for Grants, 2025, https://dea.gov.in/files/budget_division_documents/First%20Batch%20Supplementary%20Demands%20for%20Grants%202025-26%20%28as%20Passed%20by%20Parliament%20and%20assented%20by%20President%29.pdf.

[46] "Share of natural gas in total energy mix", Press Information Bureau, Ministry of Petroleum & Natural Gas, December 18, 2025, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1987803&reg=3&lang=2.

[47] Natural Gas Consumption, Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, https://ppac.gov.in/natural-gas/consumption.

[48] LNG Imports, Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, https://ppac.gov.in/natural-gas/import.

[49] Report No. 2, Standing Committee On Petroleum & Natural Gas (2024-25): 'Demand for grants (2025-26)', March, 2025, https://eparlib.sansad.in/bitstream/123456789/2989606/1/18_Petroleum_and_Natural_Gas_2.pdf.

Annexure

Table 7: Oil bond dues (in Rs crore)

Year	Repayment	Interest
2023-24	15,586	6,848
2024-25	39,701	5,153
2025-26	36,913	2,732

Sources: Receipts Budget, 2023-24; PRS.

Table 8: Percentage of households using clean fuel for cooking for each State/UT

State	PMUY connections	Rural	Urban	All
Andhra Pradesh	0.94%	84	97	88
Arunachal Pradesh	0.05%	49	93	58
Assam	4.93%	45	90	51
Bihar	11.25%	43	87	48
Chhattisgarh	3.68%	23	89	36
Goa	0.00%	98	100	99
Gujarat	4.17%	51	95	72
Haryana	1.08%	52	94	70
Himachal Pradesh	0.15%	44	95	51
Jharkhand	3.77%	18	78	32
Karnataka	4.01%	88	99	93
Kerala	0.38%	65	81	72
Madhya Pradesh	8.56%	26	91	43
Maharashtra	5.05%	74	99	86
Manipur	0.22%	70	96	79
Meghalaya	0.31%	30	91	41
Mizoram	0.03%	70	99	83
Nagaland	0.12%	32	90	51
Odisha	5.37%	29	78	37
Punjab	1.32%	58	96	74
Rajasthan	7.14%	20	90	40
Sikkim	0.02%	96	100	97
Tamil Nadu	3.97%	76	96	85
Telangana	1.15%	96	100	97
Tripura	0.31%	30	86	43
Uttar Pradesh	17.99%	39	93	51
Uttarakhand	0.51%	61	98	71
West Bengal	11.98%	33	78	46

Note: PMUY Connections-% of total connection as on December 1,2024.

Source: Petroleum and Planning Analysis Cell, Comprehensive Annual Modular Survey 2022-23, MOSPI, October, 2024; PRS.

Table 9: Details of the eight CPSUs examined by the Committee as on 31.03.2025 (in Rs Crore)

Name	Ratna Status	Authorised Capital	Paid up Capital	Net worth	Profit After Tax
ONGC	Maharatna	15,000	97	3,16,283.50	35,610.30
OIL	Maharatna	2000	93	39,530.52	6,114.19
IOCL	Maharatna	30,000	90	1,78,677	12,962
BPCL	Maharatna	11,935	87	81,384	13,337
HPCL	Maharatna	5000	89	45,958	7,365
GAIL	Maharatna	10,000	100	63,241	11,312
EIL	Navratna	400	95	2,620	465.24
Balmer Lawrie	Mini Ratna Category-I	300	94	1,527.95	232.80

Source: Report no. [21], Standing Committee on Public Undertakings (2025-26); PRS.

Demand for Grants 2026-27 Analysis

Electronics and Information Technology

Highlights

- Funds under key schemes such as PLI for IT hardware, Semicon India, and IndiaAI Mission underutilised.
- India's electronics production is currently focused on final assembly. There is limited presence in component manufacturing, which accounts for higher value addition. A dedicated scheme for component manufacturing has been launched to address this gap.
- India's IT sector exports are concentrated in USA and EU. AI-related disruptions and geopolitical tensions pose uncertainties for the sector.

The Ministry of Electronics and Information Technology (MeITY) is responsible for the formulation and implementation of policies related to electronics, internet, and information technology (IT).[1] It promotes e-governance, facilitates the growth of the electronics and IT sectors, and promotes skilling in these sectors. MeITY also plays a role in ensuring a secure cyber space in India.[1]

This note analyses the expenditure by MeITY and the implementation of its key schemes. It also discusses some issues related to the functioning of the Ministry and the sectors it oversees.

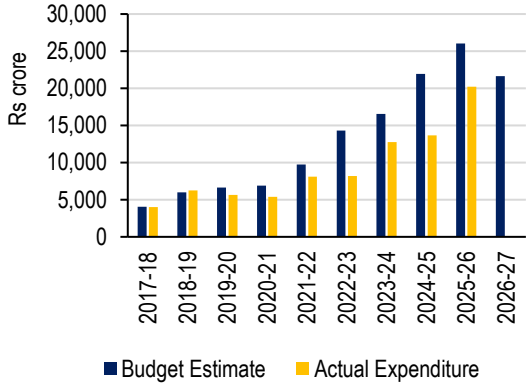
Key Budget Proposals for 2026-27

- All IT services will be clubbed under a single category with a common safe harbour margin of 15.5%. The threshold to avail safe harbour will be increased from Rs 300 crore to Rs 2,000 crore.
- Tax holidays will be provided till 2047 to any foreign company that provides cloud services using data centres from India. However, it must also provide services to Indian customers through an Indian reseller.
- Basic customs duty will be exempted on specified parts used in the manufacture of microwave ovens.
- Safe harbour will be provided to non-residents for electronic component manufacturing.

Overview of Finances

In 2026-27, MeITY has been allocated Rs 21,633 crore, 17% lower than the budget allocation in 2025-26 (Rs 26,026 crore). This has been driven by reduced allocations towards Performance Linked Incentive (PLI) schemes and the IndiaAI Mission. Allocation towards this Ministry has grown at an annual rate of 20% between 2017-18 and 2026-27. The allocation nearly doubled between 2022-23 (Rs 14,300 crore) and 2025-26 (Rs 26,026 crore). This can be attributed to the launch of schemes to incentivise electronics and IT manufacturing. Utilisation of funds allocated to MeITY has varied. It remained above 75% in all years from 2017-18 to 2021-22. Since then, it has ranged from 57% in 2022-23 to an estimated 78% in 2025-26.

Figure 1: Budget allocation towards MeITY increased at 20% annually



Note: Revised estimate taken as actual expenditure for 2025-26.
Source: Union Budget for various years; PRS.

Table 1: Budget allocation towards key schemes implemented by MeITY (in Rs crore)

Scheme	2024-25 Actual	2025-26 RE	2026-27 BE	% change from 25-26 RE to 26-27 BE
Semicon India	638	4,300	8,000	86%
NIC	1,380	1,550	1,595	3%
PLI Schemes	5,756	7,000	1,527	-78%
Of which Large Scale Electronics Manufacturing	*5,739*	*6,960*	*1,345*	*-81%*
ECMC	-	7	1,500	21959%
R&D in IT/ Electronics/ CCBT	1,176	1,250	1,248	-0.1%
IndiaAI Mission	19	800	1,000	25%
ISM 2.0	-	-	1,000	-
Total	**13,661**	**20,233**	**21,633**	**7%**

Note: BE is budget estimate and RE is revised estimate. NIC – National Informatics Centre, ECMC – Electronics Component Manufacturing Scheme, ISM – India Semiconductor Mission.
Source: Demands for Grants 2026-27, MeITY; PRS.

In 2026-27, 37% of MeITY's budget has been allocated towards the Modified Programme for Semiconductor Development (Semicon India). This scheme provides financial support for the design and manufacturing of electronics like semiconductors and display fabs. Other key items of expenditure include the National Informatics Centre (Rs 1,595 crore), and Production Linked Incentives (PLI) schemes (Rs 1,527 crore).

The IndiaAI Mission has been allocated Rs 1,000 crore in 2026-27, as opposed to Rs 2,000 crore in 2025-26. Allocations have also been made towards the Electronics Component Manufacturing Scheme (Rs 1,500 crore) and the India Semiconductor Mission 2.0 (Rs 1,000 crore), which were announced in the 2026-27 Budget.

Overview of Key Expenditure

India Semiconductor Mission (ISM)

India Semiconductor Mission was approved in 2021, with the aim of building infrastructure for semiconductor and display manufacturing.[2,3] It implements the Modified Scheme for the Development of Semiconductors and Display Manufacturing Ecosystem in India (Semicon India), and also determines long-term strategies for the domain.[1] The Semicon India scheme was launched with a proposed outlay of Rs 76,000 crore.[2]

Table 2: Key components of the India Semiconductor Mission

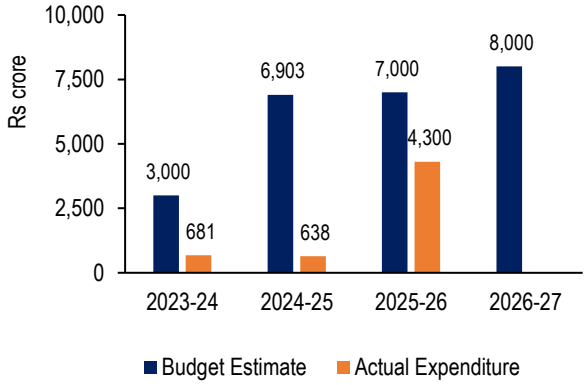
Sub-component	Financial Support	Achievement
Semiconductor Fabs	50% of project cost	Ten semiconductor projects approved, with cumulative investment of Rs 1.6 lakh crore. Includes one foundry, and nine OSAT facilities. Capacity of more than 24 billion units per year expected.
Display Fabs		
Compound Semiconductors and others	50% of capital expenditure	
Design-Linked Incentive Scheme	Linked to product design or net sales	23 companies (with 24 designs) supported

Note: OSAT is outsourced semiconductor assembly and testing. Data is as of December 2025. See Table 12 in Annexure for more details.
Source: Unstarred Question No. [149]7, Rajya Sabha, December 12, 2025; PRS.

The fourth sub-component of Semicon India is the Design-Linked Incentive (DLI) scheme, launched in 2021 for five years.[4] This scheme aims to facilitate the growth of at least 20 domestic semiconductor design companies, to achieve a turnover of more than Rs 1,500 crore. Financial incentives of two types are provided: (i) reimbursement of up to 50% of eligible expenditure capped at Rs 15 crore (Product Design Linked Incentive), and (ii) incentive of 4%-6% of net sales turnover capped at Rs 30 crore (Deployment Linked Incentive). As of December 2025, 23 companies have been provided support to design chips and systems-on-chips.[5] These chips may be applied to areas such as satellite communication, drones, artificial intelligence (AI) devices, and telecom equipment.[5]

Funds under the Semicon India scheme have been underutilised since 2023-24. Fund utilisation was 23% in 2023-24 and 9% in 2024-25. It is estimated that 61% of funds will be spent in 2025-26. This scheme has been allocated Rs 8,000 crore in 2026-27 (including Rs 900 crore for the modernisation of the Semiconductor Laboratory, Mohali). Underutilisation of funds has been attributed to the structure of the scheme.[6] Incentives are disbursed only when companies selected under the scheme meet targets.[6]

Figure 2: Funds under Semicon India underutilised



Note: Revised estimate used as actuals for 2025-26.

India Semiconductor Mission 2.0 was announced in the Union Budget of 2026-27.[7] Rs 1,000 crore has been allocated towards this. This phase is expected to focus on: (i) producing semiconductor equipment and materials in India, (ii) designing full stack Indian semiconductor intellectual property, and (iii) fortifying domestic and global supply chains.[8]

Production Linked Incentive (PLI) Schemes

Since 2020, MeITY has implemented PLI schemes to promote domestic manufacturing of electronics and IT hardware.[9,10] These schemes incentivise manufacturers based on incremental sales of goods manufactured in India. There are two such PLI schemes, for: (i) large scale electronics manufacturing (LSEM), and (ii) IT hardware.[11,12]

Table 3: Details of the PLI Schemes for Large Scale Electronics Manufacturing (LSEM) and IT Hardware

	LSEM	IT Hardware
Outlay	Rs 40,951 crore from 2020	Rs 7,350 crore for first round, and Rs 17,000 crore for second round from 2023 (scheme 2.0)
Incentive Rate	Begins at 6%, reduces progressively to 4%	Begins at 4% in first year, reduces to 1%-2% in the fourth year
Products covered	Mobile phones and electronics components, eg. printed circuit boards, discrete semi-conductor devices, and passive components	Laptops, tablets, all-in-one PCs, ultra-small form factor PCs and servers
End year	2025-26	2029

Source: Scheme guidelines, Unstarred Question 3308, Lok Sabha, MeITY, March 23, 2022; Annual Report 2024-25 MeITY; PRS.

The PLI scheme has seen significant uptake for LSEM, particularly the manufacturing of mobile phones. The value of smartphones exported from India increased from about 7 billion USD in 2022 to 20 billion USD in 2024 (see Figure 3).[13]

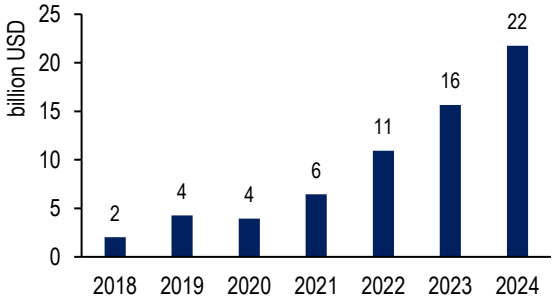
However, the PLI scheme for IT hardware 2.0 has underperformed (see Table 4). About 20% of the investment target, and 3% of the production target have been achieved.

Table 4: Achievements under PLI schemes (as of February 2025, in Rs crore)

	LSEM		IT Hardware	
	Target	Achievement	Target	Achievement
Investment	7,000	10,905	2,430	522
Production	8,12,000	7,15,823	3,35,000	10,365
Exports	4,87,000	3,90,387	-	-
Employment	-	1,39,670	75,000	5,132

Note: Achievement refers to the total investment, production, exports, or employment created by all companies receiving support under the scheme. Employment refers to the number of direct jobs created.
Source: Rajya Sabha Starred Question No. 361, April 4, 2025; Annual Report 2024-25, MeITY; PRS.

Figure 3: Trade value of telephones and related communications equipment exported from India



Source: UN Comtrade Database; PRS.

Funds under the PLI scheme have been underutilised since 2022-23. The Ministry has noted that this is due to fewer claims been made under the scheme.[14] The scheme requires companies to achieve defined investments and sales threshold, without which claims cannot be made and funds cannot be disbursed.[14] The two PLI schemes have been allocated Rs 1,527 crore in 2026-27, 78% less than the revised estimates for 2025-26.

Digital India – Electronics & IT

Scheme for the Promotion of Electronics and IT Hardware Manufacturing

Three schemes have been grouped together under this head. Together, they have been allocated Rs 720 crore for 2026-27, 16% higher than the revised estimates for 2025-26 (Rs 620 crore). They are discussed below:

Modified Special Incentive Package Scheme (M-SIPS): This scheme was launched in 2012 to promote large scale manufacturing in India.[1] It provides a five-year capital subsidy to manufacturers in 44 categories across the electronics value chain.[1] The subsidy rate is 20% for investing in Special Economic Zones (SEZs) and 25% in non-SEZs.[1] As of March 2025, this scheme is estimated to have generated investment of Rs 48,437 crore and employment for more than four lakh individuals.[15]

Electronics Manufacturing Cluster Scheme (EMC): Manufacturing clusters are known to accelerate the development of electronics manufacturing infrastructure.[16] The scheme (first launched in 2012) was modified and re-implemented in 2020.[1,16] Under the modified scheme (EMC 2.0), financial assistance of up to 50% of the cost of a greenfield EMC (capped at Rs 70 crore for every 100 acres) will be provided.[1] 75% of the project cost, with a ceiling of Rs 75 crore, will be provided for developing Common Facility Centres (CFCs).[1]

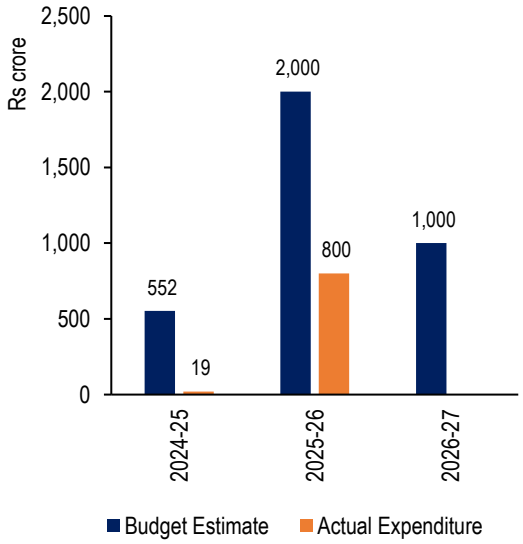
As of December 2025, 11 EMCs and two CFCs have been approved, with a total project cost of Rs 5,226 crore (see Table 14)[16]. Of this, Rs 2,493 crore will be central assistance. Nine units have started production in the EMCs and generated investment of Rs 12,570 crore and created 13,680 jobs.[16]

Electronics Development Fund (EDF): The EDF aims to provide risk capital to the electronics manufacturing industry, and encourage innovation and market-driven R&D.[1] It acts as a 'Fund of Funds', and has invested in several 'daughter' funds, which in turn invest in start-ups and other companies.[17] Ventures supported by the EDF work in robotics, autonomous cars, Internet of Things, cybersecurity, AI, etc.[1] As of September 2025, the EDF has invested Rs 258 crore, and daughter funds have invested Rs 1,336 crore.[17] Together, this investment has funded 128 startups.[17]

IndiaAI Mission

The IndiaAI Mission aims to create a robust AI ecosystem in India, by building strategic partnerships across the public and private sectors.[1] It aims include: (i) democratising access to computing power, (ii) improving data quality, and (iii) developing indigenous AI capabilities.[1] The scheme was launched in March 2024, with an approved outlay of Rs 10,300 crore.[18] While allocation towards the scheme quadrupled between 2024-25 and 2025-26, utilisation has been less than 50% since its launch.

Figure 4: Low fund utilisation under IndiaAI



Note: Revised estimate used as actual for 2025-26.
Source: Budget documents; PRS.

Table 5: Pillars of the IndiaAI Mission

Pillar	Objectives
Compute Capacity	Build a high-end scalable AI computing ecosystem with at least 10,000 GPUs
Datasets Platform	Enhance the quality of, and access to public sector datasets
Applications Development Initiative	Develop and promote the use of AI solutions
Startup Financing	Support AI startups at all stages
Innovation Centre	Develop and deploy indigenous Large Multimodal Models trained on Indian datasets
FutureSkills	Increase the number of persons with a graduate degree (or above) in the AI domain, support students working in this domain through fellowships, and establish Data and AI Labs in Tier 2/3 cities
Safe & Trusted AI	Develop AI governance frameworks

Source: Annual Report 2024-25, MeITY; PRS.

A key pillar of the mission is IndiaAI Compute Capacity.[18] This project aims to create a scalable AI computing infrastructure using over 10,000 Graphics Processing Units (GPUs).[18] GPUs are computer chips that can perform a large number of operations faster, and more efficiently than regular chips.[19] This makes them crucial for training and deploying AI models. As of December 2025, India's national compute capacity had crossed 38,000 GPUs.[19] In February 2026, it was announced that 20,000 GPUs would be added to the existing capacity.[20]

Electronics Component Manufacturing Scheme

The Electronics Component Manufacturing Scheme (ECMS) was notified in April 2025, and aims to incentivise investment into India's electronics component manufacturing ecosystem.[21] Components contribute a significant part of the value of a finished product.[22] Enhancing the domestic component manufacturing ecosystem could improve domestic value addition, and reduce component imports.[22] ECMS provides three types of incentives. These are: (i) turnover linked incentives (as a percentage of incremental turnover/sales), (ii) capex incentive (on eligible capital expenditure for manufacturing), and (iii) hybrid incentive (by combining the previous incentives).[22] Product segments targeted include sub-assemblies, bare components, and capital equipment for electronics manufacturing.[22]

ECMS was approved with a total outlay of Rs 22,919 crore.[23] Its tenure is for six years, with an optional one-year gestation period. As of December 2025, 24 applications have been approved under ECMS.[24] Together, they are projected to generate investment of Rs 12,704 crore, production of Rs 1,09,517 crore, and employment for about 17,000 individuals.[24] The total outlay towards ECMC was proposed to be increased to Rs 40,000 crore in the Union Budget 2026-27. The scheme has been allocated Rs 1,500 crore for 2026-27.

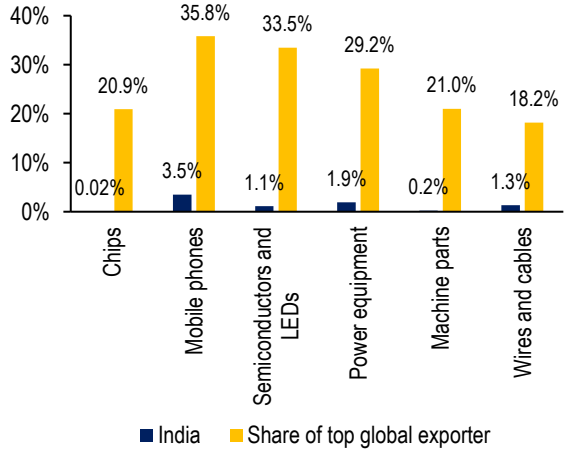
Electronics and IT industry in India

Electronics System Design and Manufacturing

In 2022, global electronics production was worth USD 4.3 trillion.[22] As of 2024, electronics manufacturing had a market size of USD 155 billion in India.[25] The demand for electronics hardware is expected to grow rapidly, crossing USD 400 billion in 2025.[26] This could increase India's import burden. Strengthening India's electronics manufacturing ecosystem could increase domestic production and exports.[26] This sector is also of strategic importance. National security concerns also require India to focus on electronics manufacturing, from the integrated circuit/chip level to the final product.[26] UNCTAD (2025) has also noted that investment in technology and the digital economy acts as a growth engine.[27]

It is estimated that more than two-thirds of world trade occurs through global value chains (GVCs).[28] In GVCs, production, marketing, distribution, and customer service activities are carried out by companies across geographies.[25] The electronics GVC is complex, and controlled by a small group of nations.[25] These include China, Taiwan, USA, South Korea, Vietnam, Japan, Mexico, and Malaysia.[25] As of 2022, India contributed 2% of global electronics production.[25]

Figure 5: India's contribution to global electronics exports low across product segments

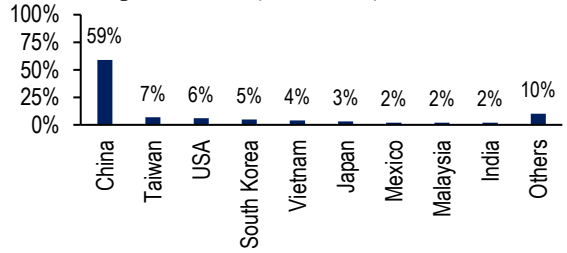


Note: The top global exporter is China, except for chips, where the top exporter is Hong Kong. Mobiles phones also include other telecom equipment. Power equipment includes transformers and converters.
Source: Trade Watch - Q2 FY 2025-26, NITI Aayog; PRS.

Before GVCs, countries could only export final products, which required extensive production capability.[28] GVCs allow countries to specialise in a part of the production process, and increase the exports of goods and services.[28] For labour-rich economies, integrating into GVCs can improve value addition and employment in the medium-term.[29] However, there are also concerns about relying on a few countries for the supply of semiconductors and other electronics components.[29] This raises the question of whether India should

focus on integrating with GVCs, or prioritising end-to-end domestic sourcing.

Figure 6: A small group of countries control global electronics production (as of 2022)



Note: Data includes production of end-devices and components.
Source: NITI Aayog; PRS.

Minimal presence in design and manufacturing

The electronics value chain comprises design, manufacturing, and assembly services.[25] The total electronic design market in India was estimated at Rs 35,000 crore in 2020.[4] However, there are few domestic design companies for electronic products like mobile phones, IT hardware, smart meters, etc.[4]

Original equipment manufacturers (OEMs) have the capacity for end-to-end manufacturing internally.[25] Often, companies focus on a part of the value chain to provide services. OEMs, which own the intellectual property rights (IPR) of products, may also sub-contract other companies in the value chain.[25] Original Design Manufacturers (ODMs) produce chip designs and prototypes.[25] Component makers manufacture components for ODMs/OEMs.[25] Assemblers are sub-contracted by ODMs/OEMs for assembly, testing, and packaging.[25] See Table 15 in the Annexure for India's presence across product segments.

Table 6: India has significant presence in assembly, but little impact in manufacturing or design

Value chain component	India's presence
Design	No major scaled-players, some start-ups exist
Component Manufacturing	Small presence in low-tech and low-complexity components, such as cables, connectors, and electro-mechanicals.
Assembly	Significant presence, including global players like Apple, Foxconn, and Samsung.
OEMs	Presence of major global brands, some local OEMs

Source: NITI Aayog; PRS.

High capital costs and cost disabilities

Electronics manufacturing is capital intensive, requiring both large initial investments and working capital.[25] For example, a modern semiconductor factory requires ten billion USD to set up.[29] Domestic manufacturers also face disabilities due to infrastructure challenges, such as poor supply chain logistics, and inadequate land availability.[30] A stable power supply is also required by this sector. While power supply has improved, it remains unreliable and expensive in many parts of India.[30]

Further, the cost of accessing capital is in India is typically five to six percentage points higher than international rates.[30,25] Other countries, like China, Taiwan, and Vietnam, provide interest subsidies for this sector. These measures have reduced interest rates in those countries to 2%-7%.[25]

Table 7: Breakdown of cost disabilities affecting Indian electronics manufacturers

	Components	Assembly
Tariffs and material costs	4%-5%	5%-6%
Logistics	2%-3%	2%-3%
High finance costs	Up to 4%	1%-2.5%
Cumulative	**14%-18%**	**10%-14%**

Note: Figures compare India with China.
Source: NITI Aayog; PRS.

SPECS: The Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) aimed to offset high upfront costs in electronics manufacturing.[31] It offered incentives of 25% of capital expenditure for the manufacture of listed electronic goods. The scheme ended in March 2024.[1]

As of December 2024, 58 applications were approved under the scheme.[1] Approved applicants invested Rs 9,482 crore, against the initial expectation of Rs 20,000 crore.[1] The scheme was estimated to generate direct and indirect employment for 6,00,000 people. Approved applications employed 39,092 people.[1]

High tariffs and inverted duty structure

India has a relatively high tariff rate as compared to other Asian countries.[25] While this could be effective in reducing imports of finished goods, it could also increase the cost of domestically manufactured products. Currently, a significant proportion of electronics components are imported.[25] The cost of these imports (with tariffs) are passed on to the final product manufactured domestically.[25] This could lead to a situation where it is cheaper to import finished goods than to produce domestically.[29] For example, while manufacturing equipment is imported at zero customs duty, critical parts and sub-parts attract duties from 5% to 25%.[32]

Table 8: India has higher average tariffs (in %) than leading electronics manufacturers across product segments

Product	India	China	Vietnam
Chips	1.5%	2.8%	1.4%
Mobile phones	7.6%	1.7%	1.6%
TVs, monitors, and projectors	14.7%	13.4%	12.1%
Semiconductors and LEDs	8.6%	11.2%	8.4%
Power equipment	13.3%	4.4%	3.8%
Machine parts	8.3%	2.4%	1.4%
Electrical Control Panels and switchboards	11.8%	7.0%	7.4%

Source: Trade Watch - Q2 FY 2025-26, NITI Aayog; PRS.

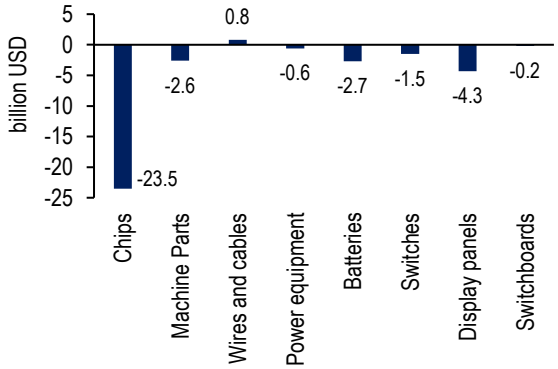
Customs duties were revised in the Union Budgets of 2024-25, 2025-26, and 2026-27, to promote domestic manufacturing of components and final products.[32] These changes have also corrected duty distortions, for example, with display panels and mobile phone components.[32] However, further duty rationalisation may be required to promote long-term competitiveness of the electronics manufacturing ecosystem.[32]

NITI Aayog (2026) noted that the principal beneficiaries of the PLI scheme for large scale electronics manufacturing were contract manufacturers for Apple.[32] This includes companies like Foxconn, Tata Electronics, Pegatron, Samsung, and Dixon Technologies.[32] These companies were able to utilise the five-year timeframe of the scheme to offset initial scale and cost disadvantages.[32]

Underdeveloped component manufacturing ecosystem

Components account for a significant part of the total value of electronics.[22] As of 2022, about 42% of global electronics production went towards electronics components.[22] This proportion was 9% in India in 2023-24.[1] India's component manufacturing ecosystem is underdeveloped across product segments (see Table 15).[22] India remains import-dependent for components such as semiconductors, batteries, and displays.[32] It is a marginal producer in high-value, technology intensive components.[32]

Figure 7: India is a net importer of many electronics components (2024)



Note: Negative values indicate that imports exceed exports.
Source: Trade Watch - Q2 FY 2025-26, NITI Aayog; PRS.

NITI Aayog (2024) noted some reasons for domestic component manufacturing not improving despite several schemes and incentives.[22] Component manufacturing has a low turnover-to-investment ratio.[22] Other issues include those faced by manufacturers of final electronics products, such as high upfront capex and long gestation periods.[22]

Cluster-based model has not created sufficient infrastructure

Clusters are expected to provide electronics manufacturers shared facilities like warehouses, tool rooms, and effluent treatment plants.[25] These help reduce the cost of operations for electronics manufacturers, especially small and medium enterprises.[25] Despite the EMC scheme, India does not have sufficient infrastructure to attract electronics manufacturers.[25] Other nations have supported manufacturing clusters in different ways. In Vietnam, clusters have warehouses of different sizes with lab infrastructure.[25] Taiwan has developed tech clusters, with 0% Value Added Tax, corporate tax capped at 17%, and uninterrupted water and power.[25]

Lack of skilled workforce and low productivity

The lack of a highly skilled workforce is a key challenge in building a competitive ESDM ecosystem in India.[25,29] NITI Aayog (2024) noted that there were insufficient numbers of training institutes dedicated to electronics manufacturing.[25] It also noted a gap between the skilling and training provided to graduates, and industry requirements.[25] The lack of a manufacturing ecosystem also hampers opportunities for internships and hands-on-training.[25] This has resulted in companies incurring additional costs in training employees.[25] This could also involve training in foreign locations, due to inadequate facilities in India. Skill issues persist even after entering the workforce (See Table 9).

Inadequate training, outdated practices, and insufficient investment in workforce development have led to low labour productivity in ESDM.[25] Foreign professionals are brought to India for training and knowledge transfer to the local workforce.[25] However, delays in visa approval hinders this process.[25]

Table 9: Skills gaps exist at all levels of employment

Level	Skill Gaps
Entry-level operators	Lack of technical skills and familiarity with manufacturing equipment/techniques
Mid-level technicians/ supervisors	Lack of access to laboratories; training programmes based on outdated industry practices
High-level engineers/ managers	Lack of talent with technical skills and leadership skills.

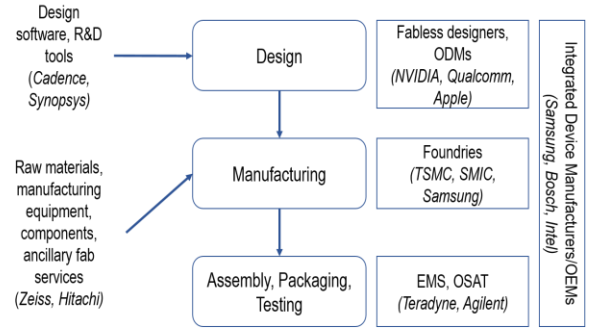
Source: NITI Aayog; PRS.

Semiconductor Manufacturing

Semiconductors (or chips) are crucial components of all electronics.[33] The size of the Indian semiconductor market was about 38 billion USD in 2023, and is expected to grow to 100-110 billion USD in 2030.[33] The global semiconductor supply chain is concentrated in a few countries, including the United States, Taiwan, South Korea, and China.[29] This sector has strategic importance, as supply disruptions in semiconductors can affect economic

activity across various sectors.[29] The semiconductor value chain is visualised in Figure.

Figure 8: Semiconductor Value Chain



Note: TSMC – Taiwan Semiconductor Manufacturing Company, SMIC – Semiconductor Manufacturing International Corporation, OSAT – Outsourced Semiconductor Assembly and Testing.
Source: PRS.

See Table 2 on page 2 for an analysis of India Semiconductor Mission and its achievements.

Underdeveloped domestic design ecosystem

The first step of semiconductor manufacturing, chip design, is a complex process.[29] It requires multidisciplinary research, substantial investments, and a skilled workforce. Japan, South Korea, Taiwan, and USA are leaders in chip design.[29] Together, they account for 80% of global semiconductor design revenue.[29] These countries have invested in R&D over a long period of time, and built on pre-existing intellectual property.[29]

The domestic semiconductor design ecosystem has a cumulative annual revenue less than Rs 150 crore.[4] This is despite 20% of the world's semiconductor design engineers being based in India.[4] Further, only a small fraction of the IPR generated by India's design ecosystem rests with Indian companies.[4] It is mostly held by global companies.

Information Technology/ IT enabled Services

The Information Technology/ Information Technology enabled Services (IT/ ITeS) sector is estimated to generate a revenue of 283 billion USD in 2024-25 (about 7% of India's GDP).[34,35] As per RBI estimates, India exported software services worth 205 billion USD in 2024-25.[36] IT services account for 64% of these exports, and business process outsourcing (BPO) for 27%.[36] The sector also employs 5.8 million individuals.[34] Some of the advantages that the Indian IT/ITeS sector offers are cost-effectiveness, high quality, timeliness, and the use of latest technologies.[34]

Role of Global Capability Centres

As of 2023-24, India has over 1,700 global capability centres (GCCs).[34] These are offshore units of multinational companies, which perform business operations, engineering, and technology development for the company.[34] GCCs have grown in terms of number, revenue, and employment generation in the past few years.[34]

During this time, the nature of services provided by GCCs have also changed. While they previously focused on supporting functions, they now perform core activities.[34] These include product development, engineering, analytics, and cybersecurity. GCCs have also expanded into Tier 2 and Tier 3 cities.[34]

Table 10: GCCs have grown significantly between 2019-20 and 2024-25

	2019-20	2023-24
Number	1,430	1,700
Revenue (in billion USD)	40	65
Headcount (in lakh people)	14	19

Source: Economic Survey 2025-26; PRS.

Speed and ease of doing business

NITI Aayog (2026) noted that the speed and ease of doing business had to be improved to attract global investments into India.[37] It noted issues such as: (i) fragmented and sequential approval processes, (ii) repetition of documentation and clearances, (iii) disconnected repositories like PAN, GSTIN, Aadhaar, etc, and (iv) central, state, and municipal clearances operating through separate portals.[37]

It recommended strengthening the existing National Single Window System to provide a unified approval process across all three levels of government.[37] Additionally, data and form formats should be standardised, and enforceable timelines with accountability mechanisms should be established.[37]

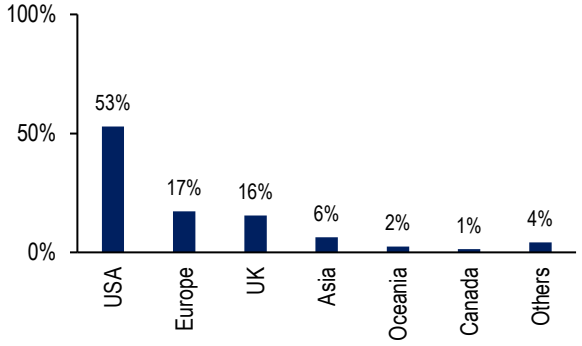
Geopolitical tensions affect IT workers

Geopolitical uncertainties and AI disruptions have led to a slow growth phase for the domestic IT industry.[37] Barriers to the movement of skilled workers have increased, through stricter visa regimes and higher visa costs.[37] There is also growing emphasis in many countries on data localisation and digital sovereignty, which increases the regulatory burden on companies.[37]

Exports concentrated in US, EU

The USA and the EU are the destinations for 70% of India's software exports.[36] Further, multi-national companies originating in the USA are the largest employers in India, especially through GCCs.[37] Changes in the US market could affect the domestic industry's performance. NITI Aayog (2026) recommended that companies prioritise growth hotspots like Japan, the Middle East, and India's domestic market and invest in regional delivery models.[37]

Figure 9: More than half of India's software exports go to the USA



Note: Europe excludes the UK; Oceania includes Australia and New Zealand.
Source: RBI; PRS

Rising demand for data centres

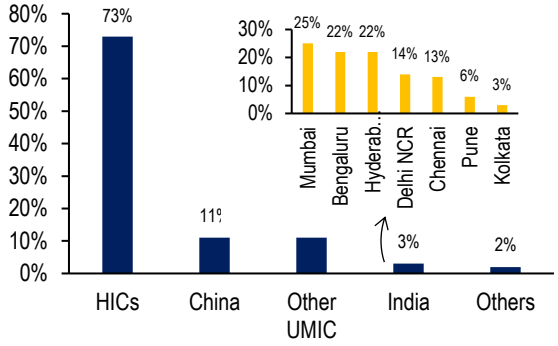
The growth of artificial intelligence and machine learning, and rapid adoption of cloud technologies have led to an increased demand for computational facilities, especially data centres.[34] These are high-performance facilities which are used for computation needs of sophisticated technology operations.[34] About three per cent of global data centres are in India.[34] This is despite India generating about 20% of the world's data. India's data centre capacity is estimated to reach eight GW by 2030, from 1.4 GW in 2025.[34] Japan, Malaysia, and Vietnam have also emerged as competitive data centre hubs.[34]

Data centres are considered energy and water intensive. The Ministry of Power has estimated that the power requirement of data centres will be about 13-14 GW by 2031-32.[38] Structural issues in India, such as energy shortages will have to be addressed for data centre capacity to increase.[34] The power requirements of AI data centres could also strain the grid. In 2024, simultaneous loss of 1,500 MW of power from data centres in Northern Virginia caused significant voltage depression and frequency variation in the power grid.[39]

Data centres use about 7,000 litres of water per megawatt-hour of energy consumed.[40] The International Energy Agency estimated that a 100 MW (0.1 GW) data centre may consume the same amount of water as 2,600 US households.[40]

However, these requirements are dependent on the size of the data centre. Google's data centres located in The Dalles, Oregon accounted for 30% of the city's water consumption in 2023.[40] The water requirement of smaller data centres within office buildings may only be incremental.[40]

Figure 10: Data centres concentrated in high-income countries globally, and in large cities in India



Note: HIC – High income countries; UMIC – Upper middle income countries. Figures may not add up to 100% due to rounding.Source: Economic Survey 2025-26; Press Information Bureau; PRS.

Schemes for the Promotion of IT/ITeS Industries

This head includes two schemes, viz., the India BOP Promotion Scheme (IBPS) and the Northeast BPO Promotion Scheme (NEBPS).[1] These schemes aim to promote the operationalisation of BPO and ITeS companies in smaller cities. The schemes were launched with a total outlay of Rs 543 crore, and their tenures ended in March 2019 (IBPS) and March 2020 (NEBPS).[1] However, disbursement under the scheme may continue for longer.[1]

Table 11: 85% of seats operationalised under BPO/ITeS promotion schemes, and 25% of incentives disbursed

	Target	Achievement
Units Established	-	246
Operational Seats	53,300	45,543
Incentive Disbursed (in Rs crore)	533	134

Note: Incentive target computed as available seats multiplied by maximum available incentive per seat (one lakh rupees).
Source: Unstarred Question No. [230]0, Rajya Sabha, MeITY, December 19, 2025; Annual Report 2024-25, MeITY; PRS.

Under the schemes, companies willing to establish BPO/ITeS operations could apply for seats (a functional work position).[1] 48,300 seats were available under IBPS, and 5,000 under NEBPS.[1] Financial support of up to one lakh rupees per seat was provided.[1] Additional incentives were provided for: (i) operating in non-capital cities, (ii) promoting local entrepreneurs, (iii) providing employment beyond the target, and (iv) employing women and persons with disabilities.[1] As of December 2025, 246 units have been established under this scheme, employing over 53,000 persons.[41]

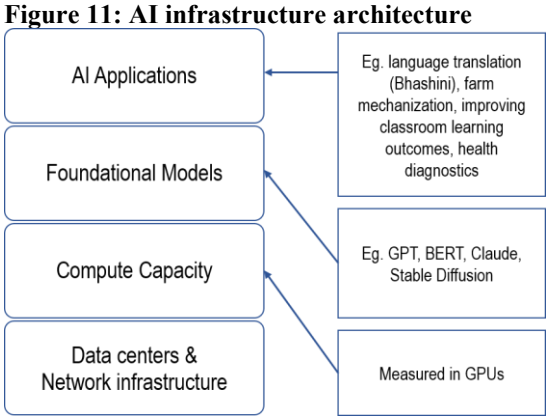
Software Technology Parks of India (STPI)

STPI is an autonomous society under MeITY, with the objective of promoting software exports from India.[1] It provides services such as high-speed data communication, incubation services, information security audits, project management, etc.[1] Between 1991 and 2025, STPI set up 68 software technology parks.[42] Of these, 60 are in Tier 2/Tier 3 cities. In 2024-25, exports worth more than ten lakh crore rupees were made from STPI-registered units.[42] This is estimated to account for 50% of national software exports.[42] STPI has also established 24 centres of entrepreneurship and technology incubators.[42] These focus on technologies like Internet of Things, blockchain, animation, robotics, etc.

Artificial Intelligence (AI)

While there is no standard definition of AI, it broadly refers to the ability of machines to perform tasks that typically require human intelligence.[43,44] AI has applications across sectors, including healthcare, education, agriculture, manufacturing, banking, and governance.[44] It is also being rapidly adopted by organisations across sectors. A survey cited by the Economic Survey noted that globally, about 88% of surveyed organisations reported AI usage in business functions.[39] In India, almost 90% of start-ups launched in 2024-25 used AI in their products or services.[44] While AI deployment is concentrated in high-income countries, its use in middle-income countries has also expanded.[39] This is driven by innovation and continuous improvement in AI capabilities.[39]

Figure 11: AI infrastructure architecture



Source: Economic Survey 2025-26; PIB; PRS.

The Economic Survey (2025-26) and NITI Aayog have highlighted several AI applications built in India.[39,45] These have been deployed in agriculture, education, healthcare, urban development, wastewater management, and other sectors. While a few models have been recently developed, there are no Indian foundational models which are globally recognised and widely deployed. Further, compute capacity and private participation in foundational AI research is also limited in India.[39] Key challenges for the development of AI in India are: (i) availability of quality datasets and computing infrastructure, (ii) insufficient research in foundational technologies, (iii) skilled talent gap, and (iv) vague regulations on privacy, security, and IPR.[46]

AI is a strategic asset

AI applications rest on a base of foundational models and computation capacity (see Figure 11).[44] It has been noted that AI applications can be widely adopted with relative ease.[39] However, developing and training foundational models require increasingly more capital, infrastructure, data, and energy.[39] This causes advanced AI development to be concentrated in a few firms.[39]

AI is increasingly seen as a geostrategic asset.[39] Restrictions on technology transfer and export controls on advanced chips are already in place. Overdependence on foreign systems to build AI applications can create systemic risks.[39]

Open models can be transparent and cost-effective

The AI models that are deployed most widely are proprietary.[39] This means that the data, logic, and other mechanisms used to develop them are confidential and opaque. Users may not know the changes being made to the source code, which may cause the model's behaviour to change.[39]

Open source models, where the source code is publicly available, allow better adaptability.[39] They have lower entry barriers, and fewer restrictions placed by vendors.[39] Previously, open models presented issues related to accuracy and quality control.[39] However, the performance gap between proprietary and open models has narrowed.[39] Further, India has one of the largest communities of open-source software developers.[39] The Economic Survey 2025-26 noted that open-source models and platforms could lower barriers for domestic developers and allow experimentation at lower costs.[39]

Increasing compute capacity could be expensive

Adequate compute capacity is required to develop and train AI models.[39] This requires graphics processing units (GPUs), memory chips, and other hardware. AI development has rapidly increased the demand for GPUs.[39] However, supply has not matched the demand. This is due to shortages in inputs, like semi-conductors and high-bandwidth memory chips, and supply capture by foreign buyers.[39] As a result, prices of these components have increased significantly.[39,47]

Impact of AI on labour markets

The Economic Survey 2024-25 observed that the cost-saving potential of AI could negatively impact the labour market, especially entry-level jobs.[48] It also raised the possibility of AI worsening existing socio-economic divisions.[48]

Later surveys have suggested that AI's impact on labour may be less drastic.[39] AI adoption improves the productivity of labour, especially in service

sectors. This could lead to firms substituting labour for capital (i.e. AI-enabled services) in some tasks, mostly in low-value-added segments.[39] Rapid deployment of AI could boost productivity, but displace the workforce.[39] However, delays in AI adoption could keep productivity low.

Skilling for AI

The National Strategy for AI (2018) noted that inadequate availability of AI expertise was a key challenge for India.[46] It highlighted estimates which suggest that about 80% of engineering graduates are unemployable.[46] Lack of specialised faculty, rigid curricula, and low levels of interdisciplinary research have been identified as reasons for this. It recommended a two-pronged approach to reskilling, focusing on students and the workforce.[46]

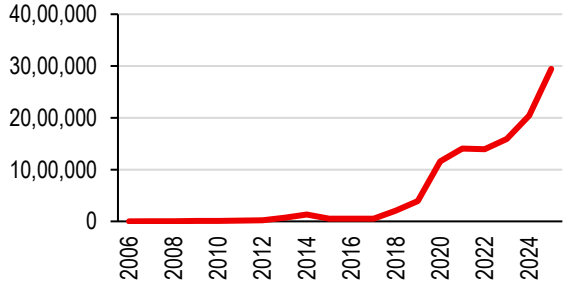
For students, the Strategy recommended: (i) skill-based learning in computer-based subjects in primary and secondary school, (ii) increased industry-academia collaboration in higher education, and (iii) decentralised teaching mechanisms like certifications.[46] However, the Economic Survey 2025-26 also noted that employers emphasised foundational skills over technical skills.[39] These include literacy, numeracy, reasoning, problem-solving, communication, and socio-emotional skills.[39]

For reskilling of the workforce, the National Strategy recommended: (i) recognising and standardising informal training institutions, (ii) creating open learning platforms, and (iii) providing financial incentives to employers for reskilling employees.[46]

Cybersecurity

Cyberspace is virtual, borderless, and completely anonymous.[1] Enhanced adoption of emerging technologies is increasing the size and complexity of cyberspace. As a result, the frequency and diversity of cyberattacks are also increasing.[1]

Figure 12: Security incidents handled by CERT-In have increased rapidly after 2017

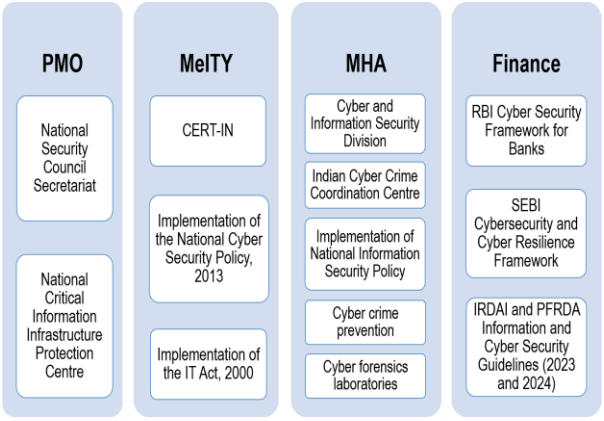


Source: CERT-In; PIB; PRS.

Fragmented legislative and governance framework

In India, cybersecurity is governed by several policies and Acts, implemented by a variety of agencies and entities (see Figure 13). Additionally, state governments also play a role in preventing and mitigating cybercrimes.

Figure 13: The responsibility for governing and monitoring cyberspace is shared between various entities in India



Source: Websites and Annual Reports of various Ministries; PIB; PRS.

Within this landscape, MeITY implements two central legislations, the Information Technology Act, 2000, and the Digital Personal Data Protection Act, 2023.[1] It has also established the Indian Computer Emergency Response Team (CERT-In) for cyber incident response under the IT Act.[1] The Standing Committee on Home Affairs (2025) observed that there were multiple statues dealing with cybercrime in India.[49] This created enforcement and judicial challenges. It recommended creating a single cybercrime legislation, which would also address emerging technologies.[49] In particular, it also recommended reviewing the IT Act, 2000, and introducing changes to penalties and investigation procedures in cybercrime cases.[49]

MeITY released the National Cyber Security Policy in 2013.[1] Key strategies in the policy include: (i) designating a national nodal agency to coordinate all cybersecurity matters, (ii) encouraging all organisations to develop cybersecurity plans, (iii) encouraging the use of open standards for interoperability and data exchange, and (iv) developing a dynamic legal framework with period review to address cybersecurity challenges.[50]

Given recent developments in cyberspace and cyber threats, the Union government formulated the draft National Cyber Security Strategy.[1] It is expected to enhance the implementation of the 2013 Policy. The Strategy had not received approval as of 2025.[1]

CERT-In

The Indian Computer Emergency Response Team (CERT-In) is the national agency for cyber incident response in India.[51] Its responsibilities include the prevention of cyberattacks, real-time cyber threat monitoring, and coordination between stakeholders to mitigate cyber incidents.[51] It also issues guidelines, advisories, vulnerability notes, and white papers related to information security practices, and creates cybersecurity awareness.[1]

See Table 16 in the Annexure for a list of CERT-In's achievements in 2025.

e-Governance

Over the last few decades, governance has become increasingly complex and varied.[52] Citizens' expectations from government have also increased. E-Governance, which utilises technology to carry out governance functions, is expected to speed up governmental processes.[52] It could also increase transparency, enforce accountability, and help take judicious decisions.[52] Providing assistance to government departments in promoting e-governance is one of MeITY's primary functions.[1]

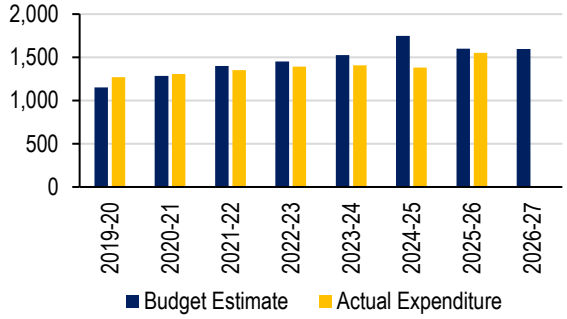
National Informatics Centre (NIC)

NIC is the Government of India's technology partner. It develops IT systems for central and state governments, provides ICT infrastructure to governments, and provides advise on the use of emerging technologies. It has centres in 36 states/Union Territories, and 758 districts.[53] NIC also provides digital platforms for tracking and monitoring government schemes, financial management, and increasing transparency.[54]

Slow increase in expenditure on NIC

Expenditure on NIC has been between Rs 1,300 crore and Rs 1,400 crore since 2020-21. The budget allocation towards NIC has increased at an annual rate of 6% between 2019-20 and 2025-26. However, actual expenditure has grown at a rate of around 3% (considering revised estimates for 2025-26). In 2024-25, the budget allocation reached a high of Rs 1,749 crore. However, expenditure was still capped at around Rs 1,400 crore. The allocation was reduced in 2025-26 and 2026-27. The Standing Committee on Communications and IT requested the Ministry to ensure that decreased allocation towards NIC did not affect its mandates or targets.[55]

Figure 14: Slow increase in spending by NIC



Note: Revised estimate taken as actual for 2025-26.
Source: Budget documents of various years; PRS.

Prolonged vacancies in NIC

The Standing Committee on Communications and Information Technology (2023) had noted the prolonged existence of vacancies in the NIC.[56] It observed that as of March 2022, 20% of sanctioned posts were vacant.[56] The creation of 1,392 posts initiated in 2014 was still pending as of 2023.[56] It recommended that the recruitment process be expedited, given that NIC provides critical IT infrastructure to the country.[56]

National Knowledge Network

The National Knowledge Network (NKN) is a secured network providing high-speed connectivity to educational institutes, research bodies, and government organisations across India.[1] It was to be implemented with a total outlay of Rs 5,990 crore, which has been extended to Rs 7,188 crore.[1,57] The duration of NKN has also been extended multiple times, till March 2026.[1,57] As of July 2025, links to 1,817 institutions were operational under NKN. It has also linked to global research and education networks in Singapore, South Africa, the USA, and Nordic countries.[58] NKN has also been extended to Bangladesh, Bhutan, Maldives, and Sri Lanka.[58] NKN has been allocated Rs 665 crore in 2026-27, with an equivalent expenditure estimated on the scheme in 2025-26.

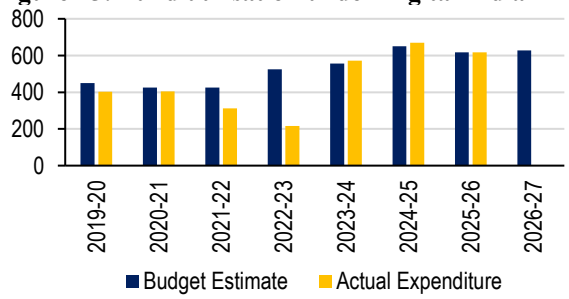
A CAG audit of the NKN scheme found several issues related to project and financial management. There was no clear roadmap to help institutions sustain their connection with NKN beyond the project period.[59] As of March 2023, only 64% of connected institutions had signed Memoranda of Understanding with the implementing agency.[59] This absolved the institution from binding responsibilities to use and maintain the infrastructure safely.[59]

The CAG (2025) also noted wasteful and excess expenditure on the project due to: (i) incorrect rates being applied for service fees, (ii) delays in decommissioning links, and (iii) imprudent contract management.[59] It recommended developing a portal to track and optimise usage and costs under the scheme.[59]

Digital India - eGovernance

The Digital India Mission was launched in 2015, with the overall aim of improving the lives of citizens using digital technologies.[60] It has three broad goals: (i) strengthening digital infrastructure, (ii) digital delivery of government services, and (iii) improving digital literacy.[60] This mission serves as an umbrella scheme, covering several projects implemented at the central and state/UT levels.[61] It has been allocated Rs 14,903 crore for the period from 2021-22 to 2025-26.[1] See Table 13 for some projects implemented under this Mission. Actual expenditure on e-governance components of Digital India exceeded the budget allocation in 2023-24 and 2024-25 (see Figure 15).

Figure 15: Fund utilisation under Digital India



Note: Revised estimate taken as actuals for 2025-26.
Source: Budget documents; PRS.

The Ministry has cited several issues in implementing e-governance initiatives. These

include: (i) poor digital literacy, (ii) lack of insufficient digital connectivity, (iii) lack of access to, and ease in accessing services, and (iv) low readiness among government departments in adopting digital services.[55]

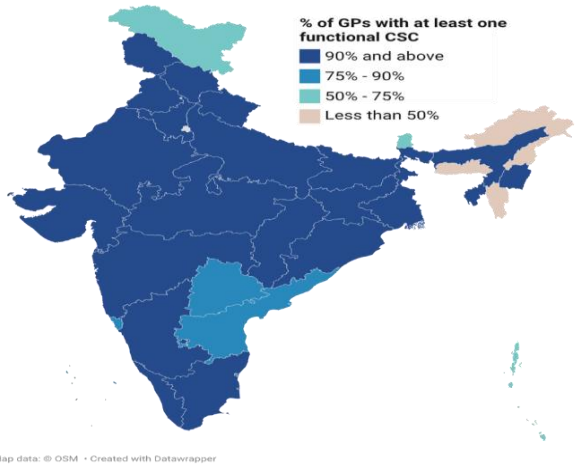
PMGDISHA - 50% of registered candidates trained

The PM Gramin Digital Saksharta Abhiyan (PMGDISHA) was launched in 2017 to increase digital literacy in rural areas.[62] Under the scheme, candidates were trained to operate digital access devices (computers, smart phones, or tablets), use email services, browse the internet, access government services, make digital payments, etc.[62] At the scheme's conclusion in March 2024, 6.39 crore individuals had been trained, against a six crore target.[63] However, this accounts for only 87% of candidates who registered for training.[63] Of the 7.35 crore candidates who registered, 55% were women, of whom 89% received training.[63]

Common Service Centre coverage low in some states

Common Service Centres aim to offer government and business services digitally across India.[64] This scheme was launched in 2006, with the aim of covering six lakh census villages in India, with one lakh CSCs. As of December 2025, there are more than 4.5 lakh CSCs in rural areas, and 1.29 lakh CSCs in urban areas. Across India, 95% gram panchayats have at least one functional CSC.

Figure 16: Some north-eastern and hilly states lag in implementing CSCs



Note: No data for Delhi and Chandigarh as these Union Territories do not have rural areas.
Source: MeITY; PRS.

[1] Annual Report 2024-25, Ministry of Electronics and Information Technology, https://www.meity.gov.in/static/uploads/2024/12/10fcadec462c330211502fed3d24ea83.pdf.

[2] Powering the Future: The Semiconductor and AI Revolution, Press Information Bureau, August 15, 2025, https://www.pib.gov.in/FactsheetDetails.aspx?Id=149242&reg=3&lang=2.

[3] About ISM, India Semiconductor Mission, accessed on January 28,2026, https://ism.gov.in/about-ism.

[4] Notification No. EE-9/5/2021-R&D-E., Design Linked Incentive (DLI) Scheme, Ministry of Electronics and Information Technology, Gazette of India, December 21, 2021, https://d2p5j06zete1i7.cloudfront.net/Cms/2022/May/05/1651757254_notification_dli.pdf.

[5] Unstarred Question No. 269, Rajya Sabha, MeITY, December 12, 2025, https://sansad.in/getFile/annex/269/AU1497_02pC5k.pdf?source=pqars.

[6] Report No. 17: Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninth Report (Eighteenth Lok Sabha) on 'Demands for Grants (2025-26)', Standing Committee on Communications and Information Technology, August 19, 2025, https://sansad.in/getFile/lsscommittee/Communications%20and%20Information%20Technology/18_Communications_and_Information_Technology_17.pdf?source=loksabhadocs.

[7] Union Budget 2026-27, February 1, 2026, https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

[8] 'India Semiconductor Mission 2.0', Press Information Bureau, PIB Headquarters, February 7, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2224839&reg=3&lang=1.

[9] Introduction, Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing, Ministry of Electronics and Information Technology, accessed on January 27, 2026, https://www.meity.gov.in/offerings/schemes-and-services/details/production-linked-incentive-scheme-pli-for-large-scale-electronics-manufacturing-gNyMDOtQWa.

[10] Introduction, Production Linked Incentive Scheme (PLI) for IT Hardware, Ministry of Electronics and Information Technology, accessed on January 27, 2026, https://www.meity.gov.in/offerings/schemes-and-services/details/production-linked-incentive-scheme-pli-for-it-hardware-QjNyETMtQWa.

[11] Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing, Gazette of India, April 1, 2020, https://www.meity.gov.in/static/uploads/2024/02/854bea0fa5bf3c3eca352e4968ac1a72.pdf.

[12] File No. W-18/28/2020-IPHW-Part (1)-MeitY, Guidelines for the Operation of Production Linked Incentive Scheme (PLI) for IT Hardware, Ministry of Electronics and Information Technology, April 15, 2021, https://www.meity.gov.in/static/uploads/2026/01/6cd916e208315e98cfbbe9006aabb4a7.pdf.

[13] UN Comtrade Database, Department of Economic and Social Affairs, United Nations, accessed on January 28, 2026, https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=8517&Partners=0&Reporters=699&period=2024&AggregateBy=none&BreakdownMode=plus.

[14] Report No. 4: Demands for Grants 2024-25, Standing Committee on Communications and Information Technology, December 18, 2024, https://sansad.in/getFile/app/lsscommittee/Communications and Information Technology/18_Communications_and_Information_Technology_4.pdf?source=app

[15] Unstarred Question No. 2464, Rajya Sabha, MeITY, March 21, 2025, https://sansad.in/getFile/annex/267/AU2464_RQYyiH.pdf?source=pqars.

[16] Unstarred Question No. 2788, Lok Sabha, MeITY, December 17, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2788_ycuQgX.pdf?source=pqals.

[17] Electronics Development Fund, Press Information Bureau, PIB Headquarters, November 15, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2190256&reg=3&lang=2.

[18] 'Cabinet Approves Over Rs 10,300 crore for IndiaAI Mission, will Empower AI Startups and Expand Compute Infrastructure Access', Press Information Bureau, MeITY, March 7, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2012375&reg=3&lang=2.

[19] 'Transforming India with AI', Press Information Bureau, December 30, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=156786&ModuleId=3&reg=3&lang=2.

[20] 'India's AI Moment', Press Information Bureau, February 17, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2229397&reg=3&lang=2.

[21] Introduction, Electronics Component Manufacturing Scheme, MeITY, accessed on January 30, 2026, https://www.meity.gov.in/offerings/schemes-and-services/details/electronics-component-manufacturing-scheme-UTM1IjMtQWa.

[22] Notification, Electronics Component Manufacturing Scheme, MeITY, IPHW Division, Gazette of India, April 8, 2025, https://www.meity.gov.in/static/uploads/2025/04/e31d6fbd4044f8794f58157ba685e1ad.pdf.

[23] 'Driving India's Electronics Future', Press Information Bureau, PIB Headquarters, October 27, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2183028&reg=3&lang=2.

[24] Unstarred Question No. 1702, Lok Sabha, MeITY, December 10, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU1702_14j9nn.pdf?source=pqals.

[25] Electronics: Powering India's Participation in Global Value Chains, NITI Aayog, July 2024, https://www.niti.gov.in/sites/default/files/2024-07/GVC%20Report_Updated_Final_11zon_0.pdf.

[26] National Electronics Policy 2019, MeITY, Gazette of India, February 25, 2019, https://www.meity.gov.in/static/uploads/2024/02/23rpr.pdf.

[27] World Investment Report 2025, United Nations Conference on Trade and Development, accessed on February 9, 2026, https://unctad.org/system/files/official-document/wir2025_en.pdf.

[28] Global Value Chain Development Report 2019: Technological Innovation, Supply Chain Trade, and Workers in a Globalized World, World Trade Organisation (with Institute of Developing Economies, OECD, the World Bank group, and the China Development Research Foundation), accessed on February 3, 2025, https://documents1.worldbank.org/curated/en/384161555079173489/pdf/Global-Value-Chain-Development-Report-2019-Technological-Innovation-Supply-Chain-Trade-and-Workers-in-a-Globalized-World.pdf.

[29] Chapter 8: Industry's Next Leap: Structural Transformation and Global Integration, Economic Survey 2025-26, January 29, 2026, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap08.pdf.

[30] Unstarred Question No. 2628, Rajya Sabha, MeITY, March 18, 2021, https://sansad.in/getFile/annex/253/AU2628.pdf?source=pqars.

[31] Notification, Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (SPECS), MeITY, IPHW Division, Gazette of India, April 1, 2020, https://www.meity.gov.in/static/uploads/2024/02/scheme_for_promotion_of_manufacturing_of_electronic_components_and_semiconductors.pdf

[32] Trade Watch Quarterly, July-Sept 2025 (Q2 FY 2025-26), NITI Aayog, February 2026, https://niti.gov.in/sites/default/files/2026-02/Trade-Watch-Quarterly-July-September-Q2-FY-2025-26.pdf.

[33] 'India Semiconductor Mission 2.0', Press Information Bureau, PIB Headquarters, February 7, 2026, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2224839&reg=3&lang=1.

[34] Chapter 7: Services: From Stability to New Frontiers, Economic Survey 2025-26, January 29, 2026, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap07.pdf.

[35] Software Industry Promotion, MeITY, accessed on February 11, 2026, https://www.meity.gov.in/ministry/our-groups/details/software-industry-promotion-gN1EDOtQWa.

[36] Survey on Computer Software and Information Technology Enabled Services Exports: 2024-25, Reserve Bank of India, November 4, 2025, https://docs.publicnow.com/viewDoc?filename=8151%5CEXT%5C84AD82B632502DC73215084B39071D0078C57BEF_5F63B485EBC7F3345CC6E48D2A1697D5B65F8DB5.PDF.

[37] India's Technology Services – Reimagination Ahead, NITI Aayog, February 2026, https://niti.gov.in/sites/default/files/2026-02/Technology-Services-Reimagination-Ahead.pdf.

[38] Unstarred Question No. 1753, Rajya Sabha, Ministry of Power, December 15, 2025, https://sansad.in/getFile/annex/269/AU1753_OkjHmF.pdf?source=pqars.

[39] Chapter 14: Evolution of the AI Ecosystem in India: The Way Forwards, Economic Survey 2025-26, January 29, 2026, https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap14.pdf.

[40] Data Centres and Their Energy Consumption: Frequently Asked Questions, R48646, Congressional Research Service, January 23, 2026, https://www.congress.gov/crs-product/R48646.

[41] Unstarred Question No. 2300, Rajya Sabha, MeITY, December 19, 2025, https://sansad.in/getFile/annex/269/AU2300_7dZL1y.pdf?source=pqars.

[42] About Software Technology Parks of India (STPI), Software Technology Parks of India, MeITY, accessed on February 12, 2026, https://stpi.in/en/about-stpi.

[43] Russell, S., & Norvig, P. (2020). Artificial Intelligence: A Modern Approach (4th ed.). Prentice Hall.

[44] 'Transforming India with AI', Press Information Bureau, December 30, 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=156786&ModuleId=3&reg=3&lang=1.

[45] Frontier Tech Hub, NITI Aayog, accessed on March 3, 2026, https://niti.gov.in/frontier-tech-hub.

[46] National Strategy for Artificial Intelligence, NITI Aayog, June 2018, https://www.niti.gov.in/sites/default/files/2023-03/National-Strategy-for-Artificial-Intelligence.pdf.

[47] 'The AI frenzy is driving a memory chip supply crisis', Jun Hynjoo, Fanny Potkin, Wen-Yee Lee, Anton Bridge, Max A. Cherney, Reuters, December 3, 2025, https://www.reuters.com/world/china/ai-frenzy-is-driving-new-global-supply-chain-crisis-2025-12-03/.

[48] Chapter 13: Labour in the AI Era: Crisis or Catalyst?, Economic Survey 2024-25, https://www.indiabudget.gov.in/budget2025-26/economicsurvey/doc/eschapter/echap13.pdf.

[49] 'Cyber Crime: Ramifications, Protection and Prevention', Standing Committee on Home Affairs, August 20, 2025.

[50] National Cyber Security Policy, 2013, MeITY, https://www.meity.gov.in/static/uploads/2024/02/National_cyber_security_policy-2013_0.pdf.

[51] 'CERT-In: India's Frontline Defender against Cyber Threats', Press Information Bureau, January 23, 2026, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=157049&ModuleId=3&reg=3&lang=2.

[52] Eleventh Report: Promoting e-Governance, Second Administrative Reforms Commission, December 2008, https://darpg.gov.in/sites/default/files/promoting_egov11.pdf

[53] District Centres, National Informatics Centre, accessed on February 24, 2026, https://www.nic.gov.in/district-centres/.

[54] Products and Platform Centre, National Informatics Centre, accessed on February 24, 2026, https://www.nic.gov.in/products-platform-centre/page/2/.

[55] Report No 9: Demands for Grants (2025-26), Standing Committee on Communications and Information Technology, March 21, 2025, https://sansad.in/getFile/app/lsscommittee/Communications%20and%20Information%20Technology/18_Communications_and_Information_Technology_9.pdf?source=app.

[56] Report No. 52, 'Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Forty-Fifth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2023-24)'', Standing Committee on Communications and Information Technology, December 19, 2023, https://sansad.in/38e52fe4-af04-4b14-8ae9-6b9c92831907.

[57] Unstarred Question No. 196, Lok Sabha, MeITY, July 21, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU196_FNEQVR.pdf?source=pqals.

[58] National Knowledge Network, National Informatics Centre, accessed on February 24, 2026, https://www.nic.gov.in/service/nkn/.

[59] Report No. 1 of 2025, Compliance Audit, Union Government Finance and Communication, Comptroller and Auditor General of India, https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-1-of-2025_Compliance_English-digitized-067eccde49e51a7.62680152.pdf.

[60] Starred Question No. 71, Rajya Sabha, MeITY, December 5, 2025, Rajya Sabha, https://sansad.in/getFile/annex/269/AS71_Cmx7Kd.pdf?source=pqars

[61] Budget Allocation and Expenditure under Digital India Programme, Digital India, accessed on January 29, 2026, https://cdn.digitalindiacorporation.in/wp-content/uploads/2025/12/DIP-Budgetary-Allocation-and-Actual-expenditure-Revised_4-Dec-2025.pdf.

[62] Unstarred Question No. 2298, Rajya Sabha, MeITY, August 8, 2025, https://sansad.in/getFile/annex/268/AU2298_Bd9CV4.pdf?source=pqars.

[63] Unstarred Question No. 872, Lok Sabha, MeITY, February 4, 2026, https://sansad.in/getFile/loksabhaquestions/annex/187/AU872_0glsE3.pdf?source=pqals.

[64] Welcome to Common Service Centres, Digital India, MeITY, accessed on February 24, 2026, https://www.csc.gov.in/.

Annexure

Table 12: Projects approved under the Semicon India Programme

Organisation	Project Type	Location	Technology Partner	Investment (in crore)	Capacity (in million units per year)
Micron Semiconductor Technology	ATMP	Sanand, Gujarat	In-house (USA)	22,516	1,352
Tata Semiconductor Manufacturing	Semiconductor Fab	Dholera, Gujarat	PSMC (Taiwan)	91,526	50,000 wafer starts per month
Tata Semiconductor Assembly and Test	OSAT	Morigaon, Assam	In House (India)	27,120	15,600
CG Power and Industrial Solutions	OSAT	Sanand, Gujarat	Renesas (Japan), and Stars Microelectronics (Thailand)	7,584	4,044
Kaynes Semicon	ATMP Project	Sanand, Gujarat	Globetronics, Malaysia & AOI (Japan)	3,307	2,310
India Chip (HCL-Foxconn JV)	OSAT	Yeida, Uttar Pradesh	Hon Hai Technology (Foxconn) (Taiwan)	3,706	432
Advanced System in Package Technologies	OSAT	Andhra Pradesh	APACT (South Korea)	469	96
SICSEM	Compound fab and ATMP	Bhubaneswar, Odisha	Clas-SiC (UK) & CDIL (India)	2,067	96
3D Glass	Advance Packaging	Bhubaneswar, Odisha	In-house (USA)	1,944	120
Continental Device India	OSAT	Mohali, Punjab	In-house (India)	118	158

Source: India Semiconductor Mission; PRS.

Table 13: Selected schemes under Digital India Mission

Goal	Scheme	Description
Digital Infrastructure	Unified Payments Interface	Platform for digital financial transactions.
	Government e-Marketplace	Platform to enable online procurement of goods and services required by government departments/organisations.
	National Knowledge Network	High-speed communication network that connects educational institutions, and carries the digital traffic of various government services.
	Bharat Net	Provides broadband services to villages
e-Governance	Aadhaar	Provides a unique digital identity linked to biometrics to every individual.
	DigiLocker	Platform to store authenticated digital versions of important documents.
	Common Service Centres	Provide government and business services in rural areas
	Direct Benefit Transfer	Technology that uses Aadhaar to deliver welfare payments directly to beneficiaries
	National Scholarship Portal	Uses DBT to disburse scholarship funds
	e-Transport Mission Mode Project	Centralised digital platform linking applications such as VAHAN, Sarathi, and e-Challan
	e-Sanjeevani	Provides tele-medicine services
Literacy and Skilling	PM Gramin Digital Saksharata Abhiyan	Provides training to improve digital literacy to one member of every rural households

	FutureSkills PRIME	Reskilling/upskilling of workforce in emerging technologies
	National Institute of Electronics and Information Technology	Provides digital literacy training

Source: Starred Question No. [71], Rajya Sabha, December 5, 2025; PRS.

Table 14: Projects approved under EMC 2.0 Scheme

State	Type	Location	Area (in acres)	Project Cost (in Rs crore)
Andhra Pradesh	EMC	Kopparthy Kadapa, YSR District	540	749
Haryana	EMC	IMT Sohna, Nuh District	500	662
Tamil Nadu	EMC	Manallur, Tiruvalluvar District	474	587
Gujarat	EMC	TP 2A, Activation Area, Dholera SIR	1027	574
Telangana	EMC	Divtipally Village, Mahabubnagar	378	570
Maharashtra	EMC	Ranjangaon, Pune	297	493
Tamil Nadu	EMC	Pillaipakkam, Sriperumbudur, Kancheepuram	379	425
Uttar Pradesh	EMC	Sector 10, Gautam Buddha Nagar	206	417
Karnataka	EMC	Kochanahalli Village, Mysuru	236	222
Karnataka	EMC	Kotur-Belur Industrial Area, Dharwad	225	179
Uttarakhand	EMC	Kashipur Integrated Industrial Estate, Udham Singh Nagar District	134	136
Chhattisgarh	CFC	Sector 22, Naya Raipur	3	108
Telangana	CFC	Knowledge City, Raidurg Village, Ranga Reddy District	1	105

Source: Unstarred Question No. [2788], Lok Sabha, December 17, 2025; PRS.

Table 15: India's presence in electronic value chain by product segment

Product Segment	Design	Component Manufacturing	Assembly
Mobile Phones	Minimal to low	Production of mechanical components and composites, such as phone casings, cables, etc.	India is the world's second largest mobile assembler. Sub-components, like battery packs, chargers, camera modules also localised
Consumer Electronics	Some design capabilities through OEMs like Blue Star and Godrej for air conditioners (ACs) and refrigerators	Manufacturing of electro-mechanical and through-hole components for ACs and refrigerators.	Finished products and sub-components (like TV displays) assembled by OEMs and other companies (eg. Samsung, Dixon)
IT Hardware	Minimal	Primarily imported	Limited presence
Telecom	Minimal, some efforts ongoing	Primarily imported	Limited presence. Most imports from China
Automobiles	Product design and engineering capabilities established through OEMs like Tata Motors, Mahindra & Mahindra. Limited capabilities in electronics	Manufacturing of low-tech components like wire harness and connectors	Limited presence
Hearables/ Wearables	Minimal to low	Primarily imported	Limited presence

Source: Electronics: Powering India's Participation in Global Value Chains, NITI Aayog; Economic Survey 2025-26; PRS.

Table 16: CERT-In achievements in 2025

Area of Work	Achievement(s) in 2025
Cyber Incident Response	▪ Over 29 lakh cyber incidents handled
Threat Intelligence	▪ More than 1,500 alerts, 390 vulnerability notes, and 65 advisories published.
Cybersecurity Audit	▪ Empanelled 231 certified security audit organisations, largely in financial, power, and transport sectors
Capacity Building	▪ More than 20,000 officers trained across government, public sector undertakings, and industry ▪ 32 specialised technical training programmes held
Cybersecurity Preparedness	▪ 122 cybersecurity drills conducted with participation from about 1,500 organisations
Awareness Initiatives	▪ Conducted 95 awareness sessions covering more than 91,000 participants

Source: PIB; PRS.

Demand for Grants 2026-27 Analysis

Environment, Forests and Climate Change

Highlights

- Budget utilisation was low for several schemes, including the Control of Pollution scheme and Mission for Green India.
- Under Integrated Development of Wildlife Habitats scheme, 72% of the budget has been allocated for Project Tiger and Elephant.
- As of March 2023, CPCB had 33% vacancies.
- India reduced the emission intensity of GDP from 2005 levels by 36% in 2020 and reached renewable capacity of 51% as of December 2025.
- The number of polluted rivers stretches declined from 351 in 2017–18 to 296 in 2022–23, but in 2024, biochemical oxygen demand exceeded prescribed limits at 146 river monitoring stations.

The Ministry of Environment, Forest and Climate Change (MoEFCC) is responsible for environmental protection, conservation of forests and wildlife, and addressing climate change concerns. It oversees the implementation of laws such as the Environment (Protection) Act, 1986 (EPA), the Forest (Conservation) Act, 1980, the Wild Life (Protection) Act, 1972, the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974.

MoEFCC also supports state pollution control boards by providing them technical and financial assistance. It promotes environmental conservation through schemes related to afforestation, biodiversity protection, and climate action. It also plays a key role in implementing India's commitments under international environmental agreements such as the Paris Agreement and the Convention on Biological Diversity.

This note analyses the budget of the Ministry; examines the programmes it is implementing and the issues and challenges prevalent in the sector.

Overview of Finances

In 2026-27, the Ministry of Environment, Forests and Climate Change has been allocated Rs 3,759 crore, a 7% increase over 2025-26 revised estimates. This includes revenue expenditure of Rs 3,537 crore (94% of total expenditure) and capital expenditure of Rs 233 crore (6% of total).

Key allocations under the Ministry in 2026-27 include: (i) Rs 1,308 crore to the Control of Pollution Scheme (35%), (ii) Rs 651 crore to Environment, Forestry and Wildlife (17%), and (iii) Rs 637 crore towards Autonomous, Statutory and Regulatory bodies (17%).

Table 1: 2026-27 budgetary allocation for the Ministry (in Rs crore)

	2023-24 Actual	2025-26 Revised	2026-27 Budget	% Change
Revenue	2,131	3,307	3,537	7%
Capital	89	174	223	22%
Total	**2,220**	**3,482**	**3,759**	**7%**

Note: % change from 2025-26 Revised to 2026-27 Budget.
Sources: Demand for Grants 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

Table 2: Key expenditure items under the Ministry, 2026-27 (in Rs crore)

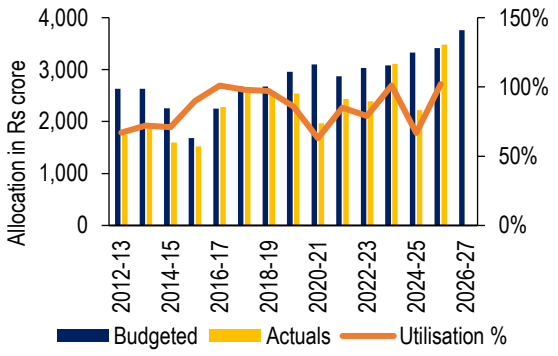
	2023-24	2025-26 RE	2026-27 BE	% change
Control of Pollution scheme	191	1,452	1,308	-11%
Environment, Forestry and Wildlife	606	392	651	40%
Autonomous Bodies	439	391	416	6%
Statutory and Regulatory Bodies	194	195	221	11%
Environmental Knowledge and Capacity Building	100	69	103	33%
National Coastal Mission	8	8	10	24%

Note: BE is Budget Estimates; RE is Revised Estimates; % change from 2025-26 RE to 2026-27 BE.
Sources: Demand for Grants 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

Utilisation of funds

Between 2017-18 to 2022-23, the Ministry did not fully utilise its budget. In 2024-25, the Ministry only utilised 67% of the allocated budget. This may be on account of 2% utilisation of budget under the Control of Pollution scheme. In 2024-25, the scheme's budget was estimated at Rs 859 crore, and the actual expenditure was Rs 16 crore.

Figure 1: Budgetary allocation and utilisation for the Ministry (in Rs crore)



Sources: Demand for Grants, 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

Issues to Consider

Climate Change and Energy Transition

The NITI Aayog (2022), citing a World Bank report noted that rising temperatures and shifting monsoon rainfall patterns, which are a result of climate change may cost India 2.8% of its GDP.[1]

This may also lower the living standards of almost half of the country's population by 2050.[1] Adaptation measures in vulnerable sectors like agriculture, fisheries, forestries, water resources and ecosystems are estimated to cost India around USD 206 billion between 2015 and 2030.[1]

The National Action Plan on Climate Change (2008) provides the overarching framework for all climate actions in India.[2] The Plan has eight missions, of which MoEFCC is implementing the National Mission for a Green India.[2] MoEFCC has also implemented the Green Credit Programme which incentivises voluntary environmental actions by organisations through tradable credits for activities like ecosystem restoration, tree plantation and sustainable practices.[3] These credits are obtained under the Green Credit Rules, 2023 which were notified under the EPA, 1986.

India's Climate Factsheet

As per the Assessment of Climate Change over the Indian Region report (2023), by the end of the 21st century, India's average temperature is projected to rise by 4.4°C (relative to 1976–2005 levels) without significant actions.

The frequency of summer heat waves is expected to increase 3-4 times by the end of the century. Summer monsoon rainfall has declined by 6% from 1951 to 2015, while there has been an increase in extreme rainfall events between 1950 and 2015. Monsoon variability is projected to increase, with more intense wet and dry spells expected. The area affected by drought has increased by 1.3% per decade between 1951 and 2016.

The Indian Ocean has warmed by 1°C (1951–2015), which is higher than the global average of 0.7°C.

The Hindu Kush Himalayas region is projected to experience a 5.2°C rise in average temperature and decreased snowfall. Glacier retreat and reduced snowfall have been observed across many areas, except in the Karakoram Himalayas, where winter snowfall has increased.

Source: Assessment of Climate Change over the Indian Region, Ministry of Earth Sciences, 2023.

India's emissions profile

In 2024, India's total green-house gases (GHG) emissions were at 4,371 million tonnes CO_2 equivalent ($mtCO_2eq$) which was 8.2% of world total.[4] Per capita GHG emissions was 3 tonne CO2eq. In 2024, India's total CO_2 emissions were at 3,154 MT (7.96% of world total).[4] India's per capita emissions were at 2.1 tonnes.[5] This excludes the Land Use, Land Use Change and Forestry (LULUCF) sector which acts as a carbon sink.

The International Energy Agency (IEA) reported that in 2024, India was the third largest source of global emissions. [5] However, India has contributed only about 4% of the global cumulative greenhouse gas emissions between 1850 and 2019.[6] Similarly, in 2024, India's CO_2 emissions per capita were 2.1 tonnes, lower than countries such as United States (13.4 tonnes) and China. (8.9 tonnes).[5] (Table 3)

Table 3: Total and per capita CO2 emission of select countries, 2024

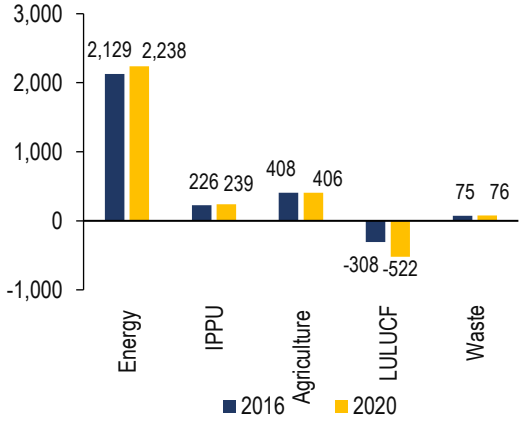
Country	Total CO_2 emissions, in gigatonnes	Per capita CO_2 emission (in tonnes)
United States	4.5	13.4
China	12.6	8.9
India	3.0	2.1
European Union	2.4	5.4
Japan	1.0	7.7

Sources: IEA Global Energy Review, 2025; PRS.

Energy transition

In 2020, the energy sector was the largest contributor to India's CO_2 emissions (Figure 2).[7] In 2024-25, 95% of India's energy supply was sourced from fossil fuels, such as coal, crude oil, and natural gas.[8] Fossil fuels are the largest contributor of greenhouse gas emissions (about 75% globally), leading to global warming.[9,10] Hence, transition to cleaner energy is at the centre of climate change mitigation.[11]

Figure 2: Energy generation contributes the most to emissions (equivalent to MT CO2 emissions)



Note: IPPU is Industrial Processes and Product Use, LULUCF is Land Use, Land Use Change and Forestry.
Sources: India's Biannual Update to UNFCCC, 2024; PRS.

By 2030, India aims to achieve: (i) 500 GW of non-fossil generation capacity, (ii) meeting at least 50% of its electricity requirement from renewable sources.[12] India's updated Nationally Determined Contributions include: (i) reduction of emission intensity of GDP by 45% by 2030 from the 2005 level, and (ii) achieving about 50% cumulative electric power installed capacity from non-fossil fuel-based sources by 2030.[13]

Emission intensity of GDP measures greenhouse gas emissions per unit of economic output (GDP). India reduced the emission intensity of GDP from 2005 levels by 36% in 2020.[7]

As of December 2025, India's renewable capacity stood at 259 GW (51%).[14] Its contribution in generation is around 28% as of October 2025.[14] This comprises sources such as solar, wind, hydro,

and waste-to-energy projects. However, solar and wind energy are intermittent in nature and have lower capacity utilisation than sources such as thermal and hydro power.

Table 4: Source-wise installed capacity and share

	Installed Capacity as of November 2025		Generation as % in 2024-25
Source	**In GW**	**% share**	
Coal	220	43%	73%
Solar	136	27%	8%
Hydro	51	10%	8%
Wind	55	11%	5%
Oil & Gas	21	4%	2%
Bio Power	12	2%	1%
Nuclear	9	2%	3%
Small Hydro	5	1%	1%
Total	**509**	**100%**	**100%**

Sources: Central Electricity Authority; India's Climate and Energy Dashboard, Accessed on December 29, 2025; PRS.

The IEA (2025) noted that intense heatwaves in May and June in India triggered a sharp rise in electricity demand for cooling.[15] To meet this surge in demand, higher fossil fuel usage led to an additional 50 Mt of CO_2 emissions, making up one-third of India's total emissions increase in 2024.[15]

A key challenge to energy transition is financial constraints in the renewable energy sector. The Standing Committee on Energy (2023) has noted that there is a huge gap between the required and actual investment for renewable capacity addition.[16] The Ministry of New and Renewable Energy (2025) noted that India requires around Rs 30.5 lakh crore between 2023-24 and 2029-30 to achieve 50 GW of non-fossil fuel-based power capacity.[17] In 2024-25, Rs 2.7 lakh crore was invested in renewable energy sector.[17]

To facilitate credit, the Ministry of New and Renewable Energy has requested banks to treat renewable energy as a separate category in their sectoral credit allocation.[16] The Reserve Bank of India has included small renewable energy projects costing up to Rs 30 crore under priority sector lending.[18] The Standing Committee on Energy (2023) has made several suggestions to enhance investment in the sector. These include: (i) prescribing renewable finance obligations for banks along the line of renewable purchase obligations, and (ii) ensuring alternate financing mechanisms such as Infrastructure Investment Funds.[16]

Climate Change in Centrally Sponsored Schemes

Responses to climate change focus on both mitigation and adaptation. Under mitigation measures, countries can take actions to reduce CO2 emissions to limit the rise in global temperature.[19] For adaptation, they can work to minimise the effects of climate change such as damages from extreme weather events.[20]

NITI Aayog (2022) evaluated 28 umbrella Centrally Sponsored Schemes (CSS) on various themes.[1] Under the assessment for climate change, it reviewed aspects of sustainability, mitigation and adaptation to climate change present in these schemes. Key observations include:

- Of the 104 CSS, only 26% explicitly include climate change or sustainability in their design objectives, even though many schemes affect emissions in practice. Several schemes contribute to mitigation or adaptation by coincidence, not by design (e.g., Ujjwala reducing black carbon, MGNREGS creating carbon sinks). MGNREGS generated an estimated 102 million tonnes of CO_2 sequestration in a 2017–18 through plantations and soil improvement.
- Jobs and skills schemes have little climate integration, despite climate risks to livelihoods and future employment transitions.
- Agriculture is the second-largest source of India's GHG emissions, mainly from enteric fermentation (natural digestive process in ruminant animals) and rice cultivation. Only 40% of agriculture related schemes include climate components, largely focused on adaptation rather than mitigation.
- Heat stress, floods, vector-borne diseases, and mental health impacts due to climate change are rising, but climate risks are not mainstreamed into health planning. Only 60% of health schemes consider climate change, through climate sensitive disease control, heat stress management and natural disaster related health responses.

Urbanisation and climate change

According to the Intergovernmental Panel on Climate Change, cities in India are particularly vulnerable to extreme weather events such as heatwaves, flooding, and cyclones, which are intensifying due to climate change.[21] Moreover, urban areas are increasingly affected by the urban heat island effect, where urban surfaces absorb and retain more heat than natural landscapes.[21] This leads to higher temperatures and increased energy demand for cooling, further intensifying the urban climate crisis.[21] Urbanisation also contributes significantly to warming in Indian cities through reduced vegetation, heat-retaining construction materials, and increased energy demands.[22]

Forests

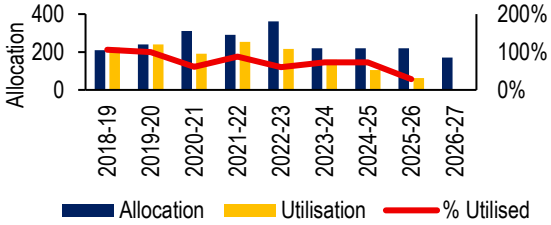
Green India Mission

The National Mission for a Green India (GIM) is one of the eight Missions outlined under the National Action Plan on Climate Change. It aims to protect, restore, and enhance India's forest cover

and tackle climate change by undertaking plantation activities in the forest and non-forest areas in selected degraded, vulnerable landscapes.[23]

In 2026-27, the Mission has been allocated Rs 170 crore, an increase of 63% over the revised estimates of 2025-26. However, the Mission has consistently seen underutilisation of funds since 2020-21 (Figure 3). As per the revised estimates of 2025-26, only 28% of the allocated budget has been utilised.

Figure 3: Fund utilisation under the Green India Mission (in Rs crore)



Sources: Demand for Grants, 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

The Mision aims to increase forest/tree cover on 5 million hectares (mha) of forest/non-forest land and improve the quality of forest cover on another 5 mha area.[23] As of December 2025, only 0.17 mha plantation activities have been undertaken since 2015-16.[23]

NITI Aayog (2022) noted that activities under Green India Mission are meant to address climate change by carbon sequestration from the increased forest/green cover.[1] However, most states were not monitoring the level of carbon sequestered.[1] The issue of climate change is not well covered in the scheme design at present.[1]

India's Forest Cover

The National Forest Policy, 1988 envisions having a minimum of one third of the total land area of the country under forest or tree cover.[24] As per the India State of Forest Report (ISFR) 2023, India has a forest and tree cover of 25.2% (forest cover of 21.8%, and tree cover of 3.4%).[25]

Between 2021 and 2023, forest cover has increased by 156 km^2 and total forest and tree cover has increased by 1,446 km^2.[25]

Table 5: Forest cover as % of geographical area

Category	2013	2017	2023
Forest Cover	21.2	21.5	21.8
Very Dense Forest	2.5	3.0	3.1
Moderately Dense Forest	9.7	9.4	9.4
Open Forest	9.0	9.2	9.3
Tree Cover*	2.8	-	3.4
Scrub	1.3	1.4	1.3
Non-Forest	77.5	77.1	73.5

*Tree cover included in forest cover for 2017. Sources: State of the Forest Reports of the respective years; PRS.

Higher forest density is associated with richer biodiversity, better wildlife habitat, and greater provision of ecosystem services.[25] These include support for forest-dependent livelihoods through non-timber forest produce, fuelwood, and other resources, as well as soil and water conservation benefits.[25] The density of forest cover also affects the level of carbon stock that a forest can hold. According to the India Forest Report (2017), open forests can hold carbon stock of 48 tonne per hectare, while moderately dense forests can hold carbon stock of 135 tonne per hectare.[26] The report had noted that to achieve the Nationally Determined Contribution targets, forests falling under the Open Forest category need to be improved to moderately dense forests.[26] This would increase their capacity for carbon storage.

Forest cover has been a criterion for tax devolution to states by the Finance Commission since the 14th Finance Commission (2015-2020).[27] The 15th Finance Commission assigned certain weightage to dense and moderately dense forests and overall forest area in recommending division of central taxes.[28] The 16th Finance Commission has assigned weightage to both the share of a state in the overall forest area, and its share in the increase in overall forest area between 2015 and 2023.[29]

National Green Tribunal

The National Green Tribunal (NGT) adjudicates cases relating to environmental protection, conservation of forests and natural resources, and enforcement of environmental laws, with the objective of providing speedy environmental justice. Currently, there are five benches of the NGT in Delhi, Pune, Bhopal, Chennai and Kolkata.

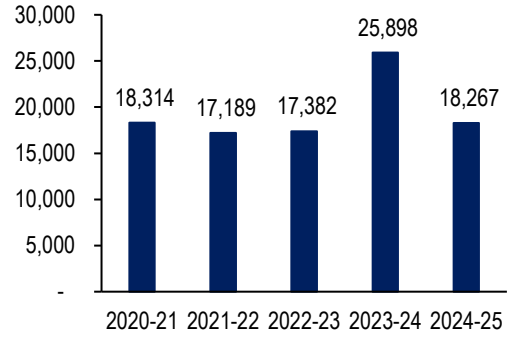
As of November 2025, data furnished to Parliament shows that the NGT's five benches collectively have over 5,400 pending cases, with significant backlogs at several benches.[30] The principal bench in New Delhi reported 1,939 pending cases, while Pune had 1,933 pending cases.[30] The NGT's statutory composition provides for at least ten judicial members and ten expert members. As of 2025, there were six vacant posts of judicial members and four vacant posts of expert members.[30]

Compensatory Afforestation

The Compensatory Afforestation Fund Management and Planning Authority (CAMPA) collects and distributes funds from organisations that divert forest land for non-forest use, to make up for the loss of forests and ecosystem services.[31] The National CAMPA also approves the Annual Plans of Operation (APOs) for of the various state CAMPAs. Rules for compensatory afforestation dictate that for diversion of forest land, afforestation should be taken up on suitable non-forest land equivalent to the area proposed for diversion.[32] This non-forest land should preferably be close to a reserve or protected forest. If such land is not available, afforestation may be carried out over degraded forest land twice the size of the

area being diverted.[32] A High Level Committee (2024) recommended double compensatory afforestation area in revenue land and three times the area in degraded forest land.[33]

Figure 4: Forest land approved for non-forestry use, 2021-2025 (in Hectares)

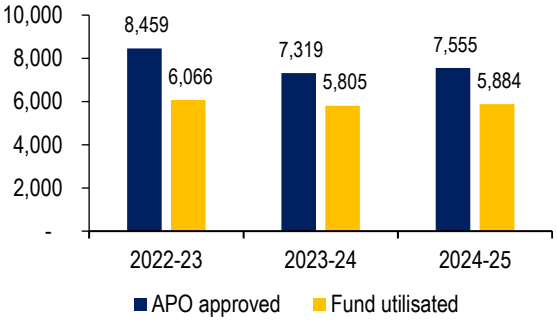


Sources: Unstarred Question No 703, Rajya Sabha, February 5, 2026; PRS.

In Himachal Pradesh, a CAG (2025) audit of 22 compensatory afforestation sites revealed that 83% of afforestation was outside open degraded forests, and 47% occurred in already dense forests.[34] Sites selection lacked scientific basis, and several sites showed encroachments and agricultural activity.[34] MoEFCC (2024) has noted that the sites used for afforestation are mostly degraded in nature, therefore it takes a long time on such lands for trees to evolve into forest like vegetation.[35]

According to an audit by the Supreme Court-appointed Central Empowered Committee (CEC) (2025), the National CAMPA approved Annual Plans of Operation (APOs) of states amounting to Rs 50,264 crore between 2018-19 and 2024-25. Of this, Rs 36,745 crore (73%) was released by states, while Rs 26,276 crore (52%) was utilised by state forest departments till December 2024.[36]

Figure 5: Annual Plan of Operation approved and fund utilised by State Forest Departments (in Rs crore)



Sources: Starred Question No 202, Rajya Sabha, Ministry of Environment, Forest and Climate Change, December 18, 2025; PRS.

The Central Empowered Committee (2025) also observed several institutional and governance gaps in the implementation of CAMPA Act, 2016.[36] It noted that meetings of State CAMPA bodies are not held regularly, and many states lack dedicated CAMPA offices.[36] Where such offices exist, they are often under-staffed and lack adequate professional capacity, and weak monitoring.[36]

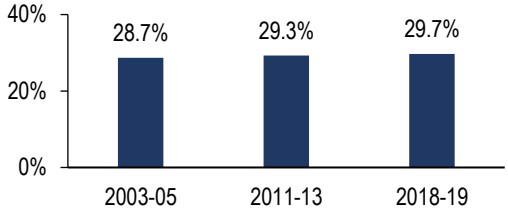
Comptroller and Auditor General (CAG) reports have also noted poor survival rate of afforested plants under the programme across states.[37,38] A CAG audit (2023) in Madhya Pradesh found the survival rate of plants across five sites to range between 6% to 62%.[37] Madhya Pradesh also incurred expenditure of Rs 53 crore on ineligible activities which could not be linked to any of the compensatory afforestation activities.

Desertification and Land Degradation

Land degradation is decline in productivity of land in terms of bio-diversity and economy, leading to loss of ecosystem.[39] The term desertification refers to land degradation occurring in dryland regions. The Land Degradation and Desertification Atlas of India, 2021 estimated that 98 million hectares (mha) area of the country is undergoing land degradation (29.7% of the total geographic area) during 2018-19.[39] A study estimated that the economic losses from land degradation and change of land use in 2014-15 stood at 2.5% of India's GDP or Rs 3,17,739 crore for that year.[40] Land degradation accounted for 82% of those costs.[40]

With a population of over 1.4 billion people, India holds 18% of the world's population on 2.4% of the world's total land.[41] It also holds 15% of the world's livestock population.[41] Given the pressure of sustenance, land resources in India are prone to unsustainable use and inappropriate management practices, deforestation, grazing and other anthropogenic impacts.[41]

Figure 6: Land area under degradation in India



Sources: National Action Plan to Combat Desertification and Land Degradation Through Forestry Interventions, 2023; PRS.

In 2001, India developed its National Action Plan to Combat Desertification, which was revised in 2022.[42] The Plan states the country's commitment to restore 26 mha of degraded land through forestry by 2030.[42]

Land degradation, particularly soil erosion, combined with climate change, is estimated to reduce global crop yields by about 10% by 2050.[43] UNEP (2025) noted that the greatest impacts are expected in India, China and Sub-Saharan Africa, where land degradation could halve crop production, mainly due to the prevalence of monoculture farming systems.[43]

Environmental Clearances

Environmental Clearances (EC) are issued under the Environment Protection Act, 1986, and Environmental Impact Assessment (EIA) Notification, 2006.[44,45] EIA provides that certain projects or activities shall require prior EC from the concerned regulatory authorities.

In March 2017, the Union Ministry of Environment, Forest, and Climate Change issued a notification to provide retrospective clearance for projects or activities that had started work on site, expanded the production beyond the limit of the EC, or changed production mix without obtaining EC. In May 2025, the Supreme Court ruled that the concept of granting retrospective EC under the 2017 notification was illegal.[46] The Court had held that the grant of retrospective EC is against the environmental laws and the EIA Notification. In response to a review petition, in November, 2025, the Supreme Court held that retrospective EC can be granted in exceptional circumstances.[47]

A CAG (2016) audit had noted several issues with ECs. It noted that out of 216 projects, only 14% received Terms of Reference within the prescribed time limits, and only 11% of projects were granted environmental clearance within stipulated timelines.[48] The audit also highlighted irregularities in public consultations, inconsistencies in databases, weak post-clearance monitoring, and absence of a national regulator despite Supreme Court directions.[48]

Wildlife and Biodiversity

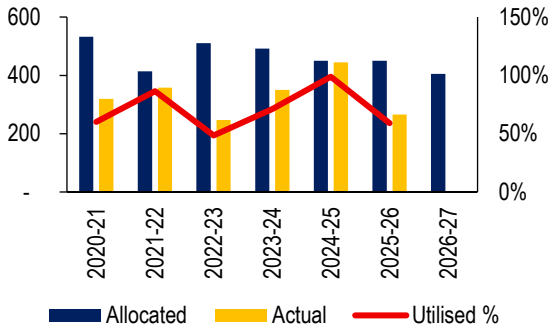
India is one of the world's 17 megadiverse nations, hosting 7-8% of all recorded species.[49] However, rapid urbanisation, deforestation, habitat destruction, pollution, and climate change are a serious threat to India's wildlife and ecosystems.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (2019) noted that India is experiencing a rapid decline in pollinators, soil biodiversity, and freshwater species, which are essential for food security and ecosystem stability.[50] Deforestation and loss of biodiversity are also linked to some zoonotic diseases which can be transmitted from animals to people.[51] Healthy ecosystems can help control diseases by supporting a variety of species, making it harder for a single germ to spread, multiply, or take over.[51]

The Wild Life (Protection) Act, 1972 provides for establishment of sanctuaries, national parks, conservation reserves and community reserves for the protection to wildlife and its habitats. The number of Protected Areas has increased from 745 in 2014 to 1,134 in February 2025.[52]

The Integrated Development of Wildlife Habitats scheme was launched in 1973 for the protection and management of wildlife habitats across India.[53] The scheme has several subcomponents, including Project Tiger and Elephant and Development of Wildlife Habitat.[53] Development of Wildlife Habitat subcomponent further includes a recovery programme for saving 24 critically endangered species, Project Dolphin and Project Lion.[53]

Figure 7: Allocation (Rs crore) and utilisation (%) of budget under Integrated Development of Wildlife Habitats



Sources: Demand for Grants, 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

The central government provides financial support to states and union territories for management of wildlife and their habitats. In 2026-27, Rs 405 crore has been allocated for the Integrated Development of Wildlife Habitats. In 2026-27, Rs 290 crore (72%) has been allocated for Project Tiger and Elephant.

The Development of Wildlife Habitats scheme and Project Tiger and Elephant also provide for payment of ex gratia relief to the victims of human-wildlife conflicts. The Ministry has enhanced the amount of ex-gratia relief in case of death or permanent incapacitation due to wild animal attacks in December 2023 from five lakh rupees to ten lakh rupees.[54]

Table 6: 72% of allocation under IDWH is towards Project Tiger and Elephant, in Rs crore

Scheme	2024-25	2025-26	2026-27
Development of Wildlife Habitat	155	113	115
Project Tiger and Elephant	290	153	290
Total	**445**	**266**	**405**

Sources: Demand for Grants, 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

The National Biodiversity Authority is a Statutory body that performs regulatory and advisory function for conservation and sustainable use of biological resources. The Authority has been allocated Rs 18 crore in 2026-27.

Coasts and Wetlands

Wetlands and coastal ecosystems in India are critical for biodiversity, climate regulation, and livelihoods. India's total wetland area is estimated at 16 million hectares, which is around 4.9% of the total geographic area of the country.[55]

The Ramsar Convention is an intergovernmental treaty that provides for national action and international cooperation for the conservation and use of wetlands and their resources.[56] India ratified the Convention in 1982. India had 96 Ramsar sites

in 2025 as compared to 26 in 2014.[57] Indore and Udaipur became India's first Ramsar Wetland Cities in January 2025.[57] The Amrit Harihar scheme was launched in June 2023 to promote conservation of Ramsar sites.[57]

Between 1990 and 2018, of the 6,907 km of coast line in India, 33% has experienced coastal erosion.[58] Of this, more than 40% erosion is noticed in three states/UTs - West Bengal (60%), Tamil Nadu (42%), Kerala (46%) and Pondicherry (56%).[58] Of the rest, 40% is stable and 27% is undergoing accretion.[58] A 2018 study by the National Centre for Coastal Research noted that the receding coastline will cause loss of land/habitat and the livelihood of fishermen in terms of losing the space for parking boats, mending nets and fishing operations.[59]

The **National Coastal Mission** was launched in 2014 to address the impact of climate change on coastal and marine ecosystems.[60] For 2026-27, the Mission has been allocated Rs 10 crore. The Ministry has noted that allocation has been low due to withdrawal of the World Bank from supporting the Mission. The World Bank withdrew the loan offer because the Government of India did not complete the signing of the Loan Agreement by the final deadline of October 31, 2022.[61] The loan signing deadline had already been extended several times before withdrawal.

Figure 8: Allocation and utilisation under the National Coastal Mission (in Rs crore)

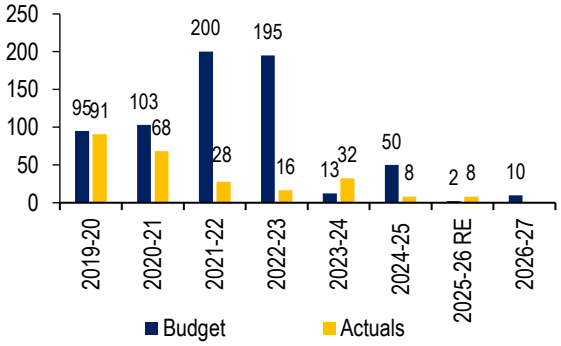


Table 7: Shoreline change between 1990 and 2018 (km)

Coast	1990	2018		
		Erosion	Stable	Accretion
West Coast	3,763	1,113	1,959	691
East Coast	3,145	1,205	775	1,165
Total	**6,907**	**2,318**	**2,734**	**1,855**
% Change		33.6%	39.6%	26.9%

Note: Erosion implies loss above 0.5 meter per year; Stable is a shift below 0.5 meters per year, Accretion means gain over 0.5 meter per year.
Sources: National Centre for Coastal Research, 2022; PRS.

The Mangrove Initiative for Shoreline Habitats and Tangible Incomes (MISHTI) was launched in June 2023 to promote and restore mangroves and to enhance the resilience of the coastal ecosystem.[62] The MISHTI program includes plantation and restoration, and the support activities, which include livelihood diversification and promotion of ecotourism through Self-Help Groups. Funding for the scheme is provided through CAMPA funds.

As of 2023, India has 4,992 sq. km of mangrove cover.[63] This is a reduction of 0.15% from 2021, when mangrove cover was 4,999 sq. km. As of 2024-25, 22,560 hectares of mangrove plantation and restoration has been undertaken.[64]

Pollution Control

Central Pollution Control Board

The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 provide for establishment of the Central Pollution Control Board (CPCB).[65] CPCB advises the central government on pollution control, sets national standards for air and water quality, emissions, and effluents, undertakes research, and monitors compliance with environmental laws at the national level.[66]

As of March 2023, CPCB had 603 sanctioned posts, of which 200 were vacant (33%).[67] CPCB (2020) also noted that the existing network of air and water quality monitoring stations has limited coverage, largely focused on select urban areas and water bodies.[68] Smaller towns, stagnant water bodies, and coastal waters remain inadequately monitored, and gaps in quality assurance affect the reliability of environmental data used for policy and action plans.[68]

The Ministry of Environment, Forest & Climate Change is implementing the Control of Pollution scheme.[69] The scheme has four components: (i) Assistance for Abatement of Pollution to weaker State Pollution Control Boards, (ii) National Clean Air Programme, (iii) Environmental Monitoring Network Programme, and (iv) Research and Outreach Programmes.[69]

In 2026-27, Rs 1,091 crore has been allocated to the Control of Pollution scheme, which is 16% lower than the revised estimates of 2025-26 (Rs 1,300 crore).

Table 8: Allocation and Utilisation under the Control of Pollution scheme (in Rs crore)

Year	Allocated	Utilised	% Utilised
2022-23	460	600	130%
2023-24	756	845	112%
2024-25	859	16	2%
2025-26	854	1,300	152%
2026-27	1,091	-	-

Note: Revised estimates taken as actuals for 2025-26.
Sources: Demand for Grants, 2026-27, Ministry of Environment, Forests and Climate Change; PRS.

The Standing Committee on Science and Technology, Environment, Forests and Climate

Change (2025) noted that the utilisation under the Control of Pollution scheme in 2024-25 was extremely low.[69] The Ministry responded that this was due to ongoing revision of the National Clean Air Program, which has now been approved up to 2025-26.[70] The Ministry further provided that the unspent amount from 2024-25 will be spent in 2025-26. In 2025-26, as per the revised figures, the Ministry estimates to spend 52% more than the budget originally allocated to the scheme.

Air pollution

Air pollution is the presence of solid, liquid, or gaseous substances in concentrations harmful to human health and the environment.[71] Common pollutants include Nitrogen Dioxide (NO_2), Sulphur Dioxide (SO_2), and particulate matter (PM) such as dust, soot, and smoke.[71] PM is a mixture of fine solid particles and liquid droplets suspended in air.

Particles smaller than 10 micrometres (PM_{10}) can lodge deep in the lungs and cause respiratory diseases, and $PM_{2.5}$ (less than 2.5 micrometres) is one of the most harmful pollutants.[72] These pollutants are emitted from burning fossil fuels and crop residues, as well as from construction, roads, and industries. According to the World Bank (2024), most of India's population is exposed to unsafe $PM_{2.5}$ levels, contributing to 17 lakh deaths in 2019 and economic losses of USD 36 billion (1.4% of GDP).[73] According to the UNEP (2025), the highest number of annual stillbirths attributable to $PM_{2.5}$ exposure was recorded in India at 2,17,000.[43]

Air pollution crosses administrative boundaries, requiring coordinated regional action. A TERI (2018) study found that 33% of Delhi's PM2.5 originates outside India, highlighting limits of local measures.[74] The World Bank (2024) notes that secondary $PM_{2.5}$ from multiple sectors forms through atmospheric reactions and spreads across cities and states.[73] This may complicate regulation, as authorities cannot act against polluters outside their jurisdiction.

Monitoring air quality

In 2009, the Central Pollution Control Board issued National Ambient Air Quality Standards (NAAQS).[75] These standards state ideal limits for 12 air pollutants in residential and ecologically sensitive areas. The Standing Committee on Environment (2025) noted that NAAQS, last revised in 2009, is under revision and recommended expediting the process.[76] It observed that while WHO updated its air quality guidelines in 2021, these are indicative and non-enforceable, and countries must set standards based on their own geographic and socio-economic contexts.[76]

As of 2025, air quality is monitored in 583 of 7,935 cities and towns through 1,035 manual stations and 562 Continuous Ambient Air Quality Monitoring Stations. Manual stations do not provide real-time data.[77] The National Clean Air Programme plans to increase monitoring stations to 1,500.[78]

Power sector

The power sector is a major source of air pollution in India, with coal accounting for 95% of power-related $PM_{2.5}$ emissions and 80% of NO2 emissions in 2021.[79] Thermal power plants generate about half of India's SO_2 emissions, with industry contributing another third.[79] While coal's share in installed capacity is declining, most electricity generation still depends on coal.

In July 2025, MoEFCC revised the Flue Gas Desulfurization Exemption Policy.[80] The new policy relaxed compliance requirements for installing flue gas desulphurisation systems in thermal power plants.[80] These are pollution control technologies used to remove harmful sulphur dioxide from exhaust gases in power plants.

Transport sector

Road transport contributes about 12% of India's energy-related CO_2 emissions and 20–30% of urban air pollution; in Delhi, vehicles account for 47% of $PM_{2.5}$.[81] Non-exhaust sources such as road dust and tyre and brake wear further add to pollution.[81] The IEA (2024) recommended stricter fuel economy norms and stronger incentives for zero-emission vehicles. It also recommended strengthening EV adoption policies, including extending Faster Adoption and Manufacturing of Electric Vehicles incentives beyond 2024 and maintaining favourable taxation.[81]

The Standing Committee on Environment (2025) noted that India is encouraging ethanol-blended petroleum products which require a cautious approach in implementation.[76] While this may provide a potential reduction in certain regulated pollutants such as Carbon Monoxide, trade-offs include rise in NO_x emissions, and increased evaporative emissions which are precursor to Ozone formation.[76] It observed that India's regulatory standards for evaporative emissions are not adequately stringent.[76]

To reduce vehicular emissions, the Standing Committee (2025) recommended: (i) accelerating transition to cleaner vehicles, including phasing out end-of-life and diesel vehicles, (ii) expanding electric and CNG-based public transport, and (iii) strengthening last-mile connectivity.[76] PM Electric Drive Revolution in Innovative Vehicle Enhancement (E-DRIVE) scheme and PM e-Bus Sewa-Payment Security Mechanism Scheme are being implemented to deploy electric buses.[82,83]

National Clean Air Programme

The National Clean Air Programme (NCAP) was launched by the centre in 2019. It aims to reduce PM_{10} levels by up to 40% by 2025-26 in 130 cities, compared to 2017 levels, or to meet NAAQS. Cities receive central funding to implement City

Action Plans. In 2024-25, only 22 cities out of 130 conformed to NAAQS in terms of PM_{10} concentration.[84] 64 cities achieved reduction of 20% and above in PM_{10} levels in 2024-25 with respect to the levels of 2017-18. The Standing Committee on Environment (2023) had observed that though these cities are reporting improvement in air quality, experience of the people differs from the data collected by the agencies.[85] It also suggested making public experience a part of the air quality monitoring framework.[85]

Rs 13,415 crore has been released to the identified cities from 2019-20 till 2025-26 (till December) under NCAP, out of which Rs 10,003 crore has been utilised.[86] Utilisation ranged from 86% in Rajasthan to 17% in Delhi. Punjab (67%) and Haryana (47%) also underutilised funds. See Table 15 in annexure for details.[86]

Air Quality Management in Delhi-NCR

In November 2025, air quality in the NCR remained in the 'severe' and 'severe plus categories for several days, leading to the imposition of emergency restrictions.[87] In 2024, Delhi recorded the highest number of 'severe' AQI days (17) since 2022.[88] Pollution in the region arises from multiple sources, including vehicular and industrial emissions, construction and road dust, waste and biomass burning, and landfill fires.[89] Winter meteorological conditions with low temperatures, weak winds, and temperature inversions, trap pollutants, while episodic events such as stubble burning and firecrackers worsen air quality.[89] Studies indicate that vehicles, fuel combustion, biomass, and waste burning are major contributors to particulate pollution in Delhi.[76]

To address air pollution, the NCR has mechanisms such as the Commission for Air Quality Management (CAQM), the Graded Response Action Plan, and the Air Quality Early Warning System. The CAQM was constituted in 2021 to coordinate actions among NCR areas, plan and execute air pollution control measures in the NCR and prepare plans to reduce stubble burning.[90]

Paddy stubble burning in Punjab, Haryana, and other districts of the National Capital Region also contributes to deteriorating air quality between October and November.[76] Measures to curb stubble burning include satellite monitoring, crop residue management, bio-decomposers, and alternative uses like biomass co-firing. While incidents have declined, the Committee flagged gaps in machinery availability during peak periods, high costs for small farmers, and limitations of satellite-based monitoring.[79]

Water pollution

MoEFCC formulates and administers laws such as the Water (Prevention and Control of Pollution) Act, 1974 and the Environment (Protection) Act, 1986.[91] Further, it prescribes effluent discharge standards, water quality criteria and environmental norms for industries, municipal bodies and other polluters.[91] The Ministry also supports water quality monitoring.[91]

Rivers

The Central Pollution Control Board, with State Pollution Control Boards and Pollution Control Committees, implements the National Water Quality Monitoring Programme to assess river water quality.[92] Two or more polluted locations identified on a river in a continuous sequence are considered as a stretch and identified as Polluted River Stretches. The number of polluted river stretches has declined from 351 in 2017-18 to 296 in 2022 and 2023.[92]

Biochemical Oxygen Demand (BOD) is a key indicator of river water quality and is used to assess the extent of organic pollution in water bodies.[93] Higher BOD levels indicate increased pollution, often associated with untreated sewage and industrial effluents. In 2024, BOD levels exceeding the prescribed limit were recorded at 146 out of 768 water quality monitoring stations (WQMS) located on 70 rivers.[93] In the pre-monsoon season of 2024, total coliform levels exceeded at 227 WQMS across 101 rivers in 16 states. In 2023, such levels were recorded at 199 stations on 97 rivers.[93]

Table 9: Number of polluted rivers stretches as monitored by CPCB

Monitoring period	Polluted stretches	Polluted rivers
2002-08	150	121
2009-12	302	275
2016-27	351	323
2019 and 2021	311	279
2022 and 2023	296	271

Sources: Polluted River Stretches for Restoration of Water Quality 2025, CPCB; PRS.

Major factors leading to pollution in rivers are: (i) discharge of untreated or partially treated sewage from cities/towns and industrial effluents, (ii) improper solid waste management, (iii) problems in operation and maintenance of sewage/effluent treatment plants, and (iv) lack of dilution and other nonpoint sources of pollution.[94]

Groundwater

As per the National Compilation on Dynamic Ground Water Resources of India, 2025, total annual groundwater recharge in India is assessed at 449 billion cubic meters (BCM), of which 408 BCM is extractable.[95] Annual groundwater extraction in 2025 stood at 247 BCM, a national average stage of extraction of 61%.[95] Out of 6,762 assessment units, 11% are over-exploited, 3% critical, and 11% semi-critical.[95]

The Central Ground Water Board (CGWB) monitors and collects data on occurrence of contaminants in ground water. In 2024, nearly 20% of groundwater samples analysed across the country exceeded the permissible limit for nitrate.[96]

Further, 9% of samples recorded fluoride concentrations above the prescribed limit, while arsenic contamination beyond permissible levels was observed in 3.6% of samples.[96] 6.6% of samples exceeded the Bureau of Indian Standards safe limit for Uranium.[96]

Table 10: Percentage of industries complying with environmental standards

Year	2018	2019	2020	2021	2022	2023
Compliant Industries	86%	92%	92%	91%	89%	90%

Sources: Progress on SDGs, MoSPI, 2025; PRS.

High concentrations of fluoride in drinking water are known to cause dental and skeletal fluorosis, while consuming water with high arsenic levels is associated with cancer and skin lesions.[97]

MoEFCC (2025) also noted presence of microplastics in rivers, lakes and coastal zones.[98]

Waste Management

MoEFCC frames and notifies waste management rules under the Environment (Protection) Act, 1986, covering solid waste, plastic waste, e-waste, biomedical waste, hazardous wastes, construction and demolition waste, and battery waste.[91] The Ministry also prescribes standards for segregation, collection, treatment, recycling and disposal of different waste streams, including extended producer responsibility frameworks.[91]

In 2023-24, the total solid waste generated in the country was 1,85,195 tonnes per day (TPD), waste collected was 1,79,479 TPD, waste processed was 1,14,110 TPD and waste landfilled was 39,629 TPD.[99] In 2022-23, there were 379 landfills operational in the country.[100] Of these, 182 landfills were in Karnataka.[100]

The Solid Waste Management Rules 2016 mandate local bodies to investigate all old open dumpsites and existing operational dumpsites for their potential of bio-mining and bio-remediation and wherever feasible, take necessary actions to bio-mine or bio-remediate the site.[101] Out of 25 crore tonnes of legacy waste in 2,478 dumpsites during 2021, a total of 15 crore tonnes of legacy waste (61%) has been remediated.[102]

The Ministry of Housing and Urban Affairs is implementing the Swachh Bharat Mission-Urban (SBMU). to achieve universal sanitation coverage and scientific solid waste management in urban areas. As of 2024-25, 80% of waste generated was processed/ disposed under the mission (Table 11).

Table 11: Waste generated and processed under SBMU, in tonnes per day

Year	Waste generated	Waste processed	% processed
2022-23	1,46,167	1,06,655	73%
2023-24	1,54,093	1,17,868	76%
2024-25	1,61,157	1,29,708	80%

Sources: Starred Question No 82, Rajya Sabha, MoEFCC, December 8, 2025; PRS.

Table 12: Hazardous waste generated and treated annually (2017-18 to 2022-23)

Year	Hazardous waste generated per capita (MT/ per year)	Proportion of hazardous waste treated (%)
2017-18	7.2%	0.5%
2018-19	6.5%	0.6%
2019-20	6.5%	0.6%
2020-21	6.8%	0.6%
2021-22	9%	3.8%
2022-23	9.3%	3.6%

Sources: Progress on SDGs, MoSPI, 2024; PRS.

In 2022-23, about 15.7 MT of hazardous waste was generated, out of which about 8.6 MT (55%) was either recycled or utilised.[91] Of the 8.6 MT, about 2.4 MT was recycled, 2.3 MT was co-processed and about 4 MT of hazardous waste was utilised.[91]

Under the E-Waste (Management) Rules, 2022, producers of electrical and electronic equipment (EEE) are obligated for environmentally sound management of e-waste.[103] Producers are required to meet annual recycling targets, linked to the quantity of EEE placed on the market, by purchasing EPR certificates from registered recyclers for the quantity of e-waste recycled.[103] As of March 2025, there are 322 authorised e-waste recyclers with processing capacity of 22 lakh tonnes.[104]

Table 13: E-waste generated and recycled (in tonnes per annum)

Year	Generation	Recycled	% recycled
2020-21	13,46,496	3,54,541	26%
2021-22	16,01,155	5,27,132	33%
2022-23	16,09,117	5,39,256	34%
2023-24	12,54,287	7,78,205	62%
2024-25	13,97,956	11,59,228	83%

Sources: Unstarred Question No 525, Rajya Sabha, MoEFCC, December 4, 2025; PRS.

To reduce pollution caused by littered and unmanaged plastic waste, since 2022, the MoEFCC has prohibited certain single use plastic items which have low utility and high littering potential.[105] Producers of plastic packaging are also mandated to recycle plastic packaging waste, use of recycled content in plastic packaging and reuse of rigid plastic packaging. Since 2022,

plastic packaging waste worth 178 lakh tonnes have been recycled.[106]

MoEFCC also provides guidelines on utilisation of ash by coal or lignite based Thermal Power Plants.[107] Fly ash generated by Thermal Power Plants (TPPs) is mainly utilised in cement plants, brick manufacturing units, road and flyover embankments, reclamation of low-lying areas and back filling of abandoned mines.[91] Utilisation of fly ash has increased from 59.8% in 2015-16 to 94.8% in 2023-24.[91]

Table 14: Plastic waste generated in country, in tonnes per annum

Year	Plastic waste generated
2020-21	41,26,808
2021-22	39,01,802
2022-23	41,36,188
2023-24	26,81,840
2024-25	17,63,291

Sources: Unstarred Question No 525, Rajya Sabha, MoEFCC, December 4, 2025; PRS.

[1] Climate Change in Governance, NITI Aayog, September 2022, https://dmeo.gov.in/sites/default/files/2022-10/Thematic-report-Climate-change-and-Sustainability_15-09-2022.pdf.

[2] National Action Plan on Climate Change, Prime Minister's Council on Climate Change, 2008, https://moef.gov.in/uploads/2018/04/NAP_E.pdf.

[3] Green Credit Programme website, as accessed on January 15, 2026, https://www.moefcc-gcp.in/about/aboutGCP.

[4] "GHG emissions of all world countries" Emissions Database for Global Atmospheric Research. European Union, 2025, https://edgar.jrc.ec.europa.eu/report_2025#emissions_table

[5] Global Energy Outlook, IEA, 2025, https://www.iea.org/reports/global-energy-review-2025/co2-emissions.

[6] "India's historical cumulative emissions and per capita emissions are very low despite being home to more than 17% of the global population" Ministry of Environment, Forest and Climate Change, Press Information Bureau, July 18, 2022 https://pib.gov.in/PressReleasePage.aspx?PRID=1842619.

[7] India's Fourth Biennial Update Report to the UNFCCC, December 2024, https://unfccc.int/sites/default/files/resource/India%20BUR-4.pdf.

[8] Energy Statistics India, 2025, Ministry of Statistics and Programme Implementation, https://mospi.gov.in/sites/default/files/publication_reports/Energy_Statistics_2025/Energy%20Statistics%20India%202025_27032025.pdf.

[9] "Climate Action", Website of United Nations Organisation, as accessed on July 15, 2023, https://www.un.org/en/climatechange/science/causes-effects-climate-change.

[10] Synthesis Report of the Sixth Assessment Report, Intergovernmental Panel on Climate Change, March 2023, https://www.ipcc.ch/assessment-report/ar6.

[11] "Cabinet approves India's Updated Nationally Determined Contribution to be communicated to the United Nations Framework Convention on Climate Change", Press Information Bureau, Union Cabinet, August 3, 2022, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1847812.

[12] National Statement by Prime Minister Shri Narendra Modi at COP26 Summit in Glasgow, Ministry of External Affairs, November 21, 2021, https://www.mea.gov.in/Speeches-Statements.htm?dtl/34466/National+Statement+by+Prime+Minister+Shri+Narendra+Modi+at+COP26+Summit+in+Glasgow.

[13] Unstarred Question No 1,285, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 8, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU1285_t38BKS.pdf?source=pqals.

[14] India Energy Climate Dashboard, NITI Aayog, as accessed on December 15, 2025, https://iced.niti.gov.in/energy/electricity/generation/capacity.

[15] India, Country profile, International Energy Agency, as accessed on January 9, 2026, https://www.iea.org/countries/india.

[16] Thirty Seventh Report, Ministry of New and Renewable Energy, Standing Committee on Energy, July 2023, https://sansad.in/getFile/lsscommittee/Energy/17_Energy_37.pdf?source=loksabhadocs

[17] Unstarred Question No 2905, Ministry of New and Renewable Energy, Lok Sabha, December 17, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2905_YvJJ0B.pdf?source=pqals.

[18] "Government efforts to avail easy financing to renewable energy generating companies" Ministry of New and Renewable Energy, Press Information Bureau, February 7, 2023 https://pib.gov.in/PressReleasePage.aspx?PRID=1897041.

[19] Adaptation and Resilience, UNFCC, https://unfccc.int/topics/adaptation-and-resilience/the-big-picture/introduction.

[20] Introduction to mitigation, UNFCC, https://unfccc.int/topics/introduction-to-mitigation

[21] "Climate Change 2023: Synthesis Report," Intergovernmental Panel on Climate Change, 2023 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf.

[22] Unstarred Question No 2284, "Urban Heat Island Effect on Top Cities" Ministry of Housing and Urban Affairs, Rajya Sabha, December 16, 2024, https://sansad.in/getFile/annex/266/AU2284_i7JkYV.pdf?source=pqars.

[23] Unstarred, Question No 37, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU37_FI9xnj.pdf?source=pqals.

[24] National Forest Policy 1988, Ministry of Environment, Forest and Climate Change, https://nagaland.gov.in/storage/PostFiles/NATIONAL_FOREST_POLICY_1988.pdf.

[25] India State of Forest Report 2023, Forest Survey of India, 2024, https://fsi.nic.in/forest-report-2023.

[26] Carbon stock in India's forests, India Forest Report, 2017, https://fsi.nic.in/isfr2017/isfr-carbon-stock-in-india-forest-2017.pdf.

[27] Report of the Fourteenth Finance Commission for 2015-2020, https://fincomindia.nic.in/asset/doc/commission-reports/14th-FC/14thFCReport.pdf.

[28] Report of the Fifteenth Finance Commission for 2021-26, https://fincomindia.nic.in/commission-reports-fifteenth.

[29] Report of the Sixteenth Finance Commission for 2026-27, https://fincomindia.nic.in/commission-reports-sixteenth.

[30] Unstarred Question No 2432, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 15, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2432_2avNso.pdf?source=pqals.

[31] "Parliament Question: CAMPA Funds" Press Information Bureau, Ministry of Environment, Forests and Climate Change, July 31, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2150776&reg=3&lang=2.

[32] Compensatory Afforestation Guidelines, Paresh portal, Ministry of Environment, Forest and Climate Change,

https://forestsclearance.nic.in/writereaddata/Addinfo/0_0_6111512271291CAguidelines.pdf.

[33] High Level Committee, "Report to Review Various Acts Administered by Ministry of Environment, Forest & Climate Change," November 2014 https://www.naredco.in/notification/pdfs/Final_Report_of_HLC.pdf.

[34] Report of the Comptroller and Auditor General of India on Compensatory Afforestation in Himachal Pradesh, 2024, https://cag.gov.in/webroot/uploads/download_audit_report/2024/Report-No.-3-of-2024_PA-on-Afforestation-HP_English-068ad54eeafc563.77352774.pdf.

[35] "Creation of land banks" Press Information Bureau, Ministry of Environment, Forests and Climate Change, February 8, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2004019#.

[36] Report 34 of 2025, Central Empowered Committee, July 11, 2025, https://cecindia.in/view-media/78f491f9-c270-4d6d-89b4-f7b44bb18e7c.

[37] Compliance Audit Report (Environment, Public Works, etc. Departments) for the year ended 31 March 2021, Madhya Pradesh, CAG, https://cag.gov.in/uploads/download_audit_report/2023/Chapter-5-Forest-Department-065ca02ca3c19e5.92573127.pdf

[38] Chapter III: Economic Sector, Audit Report for the year 2021-22, Government of Tripura, CAG, https://cag.gov.in/uploads/download_audit_report/2022/7-Chapter-3_ES-065c0944ae2f016.53963658.pdf

[39] Desertification and Land Degradation Atlas of India, 2021, Space Applications Centre, 2023, https://vedas.sac.gov.in/content/vcms/atlas/dsm/DLD_Atlas_SAC_2021.pdf.

[40] Economics of Desertification, Land Degradation an Draught in India, TERI, prepared for the Ministry of Environment, Forest and Climate Change, 2018, https://www.teriin.org/sites/default/files/2018-04/Vol%20I%20-%20Macroeconomic%20assessment%20of%20the%20costs%20of%20land%20degradation%20in%20India_0.pdf.

[41] Technical Information Series Vol. 1 No. 3, Forest Survey of India, June 16, 2019, https://fsi.nic.in/uploads/documents/technicalinformation-series-vol1-no3-16-06-2019.pdf.

[42] National Adaptation Plan, 2023," Ministry of Environment, Forest and Climate Change, July 2023, https://moef.gov.in/uploads/2023/07/NAP%20final-2023.pdf.

[43] Global Environment Outlook 7, UNEP, 2025, https://www.unep.org/resources/global-environment-outlook-7.

[44] Environment Protection Act, Ministry of Environment, Forest, and Climate Change, May 23, 1986, https://www.indiacode.nic.in/bitstream/123456789/4316/1/ep_act_1986.pdf.

[45] Environmental Impact Assessment (EIA) Notification, Ministry of Environment, Forest, and Climate Change, September 14, 2006, https://environmentclearance.nic.in/writereaddata/EIA_notifications/2006_09_14_EIA.pdf.

[46] Vanashakti v. Union of India, Supreme Court of India, May 16, 2025, https://api.sci.gov.in/supremecourt/2023/50009/50009_2023_3_1502_61809_Judgement_16-May-2025.pdf.

[47] Confederation of Real Estate Developers of India v Vanashakti, Supreme Court of India, November 2025, https://api.sci.gov.in/supremecourt/2025/41929/41929_2025_1_1501_66095_Judgement_18-Nov-2025.pdf.

[48] Report of the Comptroller and Auditor General of India on Environmental Clearance and Post Clearance Monitoring, 2016, https://cag.gov.in/en/audit-report/download/27540.

[49] "India: A Megadiverse Country," International Union for Conservation of Nature (IUCN), 2018 https://iucn.org/our-work/region/asia/countries/india#:~:text=India%2C%20a%20megadiverse%20country%20with,and%2091%2C000%20species%20of%20animals.

[50] "Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services" IPBES, 2019 https://zenodo.org/records/6417333.

[51] "EnviStats India 2020: Volume II – Environment Accounts," Ministry of Statistics and Programme Implementation, https://mospi.gov.in/sites/default/files/reports_and_publication/statistical_publication/EnviStats2/b5_ES2_2020.pdf

[52] Unstarred Question NO 2481, Lok Sabha, Ministry of Environment, Forest and Climate Change, August 4, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU2481_AiZYoA.pdf?source=pqals.

[53] Starred Question No 301, Lok Sabha, Ministry of Environment, Forest and Climate Change, August 11, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AS301_Cgv9r1.pdf?source=pqals.

[54] "Parliament Question:- Census on tigers, elephants and lions" Press Information Bureau, Ministry of Environment, Forest and Climate Change, July 24, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2147750&reg=3&lang=2

[55] Wetland Atlas, Ministry of Environment, Forest And Climate Change, 2022, https://moef.gov.in/uploads/2022/02/wetland_atlas_LISS3_final-SAC.pdf.

[56] National Plan for Conservation of Aquatic Ecosystems guidelines, Ministry of Environment, Forest And Climate Change, February 2024, https://moef.gov.in/uploads/2024/04/NPCA-guidelines-2024-Wetlands.pdf.

[57] "Year-end Review 2025" Press Information Bureau, Ministry of Environment, Forest and Climate Change, December 31, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2210100.

[58] "National Shoreline Assessment System" National Centre for Coastal Research, Ministry of Earth Sciences, 2022 https://www.nccr.gov.in/sites/default/files/NSASEast%20Coast_optimize.pdf.

[59] National Assessment of Shoreline Changes along Indian Coast, National Centre for Coastal Research, July 2018, https://www.nccr.gov.in/sites/default/files/schangenew.pdf.

[60] "National Coastal Mission Scheme" Press Information Bureau, Ministry of Environment, Forest and Climate Change, August 5, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2041455.

[61] Implementation Status & Results Report , Enhancing Coastal and Ocean Resource Efficiency, World Bank, https://documents1.worldbank.org/curated/en/099550012152227823/pdf/P1678040bea1120ac098c30fcd00d0c7edf.pdf.

[62] Starred Question No 119, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 8, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AS119_F0Gid2.pdf?source=pqals

[63] "MISHTI Programme" Unstarred Question No 201, Ministry of Environment, Forest and Climate Change, Lok Sabha, February 3, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU201_3oxiLW.pdf?source=pqals.

[64] Unstarred Question No 4037, Lok Sabha, Ministry of Environment, Forest and Climate Change, August 18, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU4037_7z65IW.pdf?source=pqals

[65] "About Us", Website of Central Pollution Control Board as accessed on January 8, 2026, https://cpcb.nic.in/Introduction/.

[66] "Functions" Website of Central Pollution Control Board as accessed on January 8, 2026, https://cpcb.nic.in/functions/.

[67] Annual Report 2022-23, CPCB, https://cpcb.nic.in/openpdffile.php?id=UmVwb3J0RmlsZXMvMTY2OV8xNzI3NDE0NTc1X21lZGlhcGhvdG8yOTAyNy5wZGY=.

[68] "Report of the Performance Audit of State Pollution Control Boards", Central Pollution Control Board, September 2020, https://cpcb.nic.in/pcp/report-performance-audit.pdf.

[69] Three Hundred Ninety Second Report' on Demands for Grants (2025-26) of the Ministry of Environment, Forest and Climate Change, March 19, 2025,

https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/19/201/392_2025_7_12.pdf?source=rajyasabha.

[70] Report No 399, Standing Committee on Science and Technology, Environment, Forests and Climate Change on the Demands for Grants (2025-26) of the Ministry of Environment, Forest and Climate, August 2025, Changehttps://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/19/201/399_2025_8_14.pdf?source=rajyasabha.

[71] World Health Organisation (WHO) (2005) Air Quality Guidelines.

https://www.who.int/news-room/feature-stories/detail/what-are-the-who-air-quality-guidelines.

[72] [72] U.S. Environmental Protection Agency (EPA). Health and Environmental Effects of Particulate Matter (PM). https://www.epa.gov/pm-pollution/health-and-environmental-effects-particulate-matter-pm.

[73] World Bank (2024) "Catalysing Clean Air in India." https://www.worldbank.org/en/country/india/publication/catalyzing-clean-air-in-india.

[74] Air Quality Management in Delhi-NCR: Need for a Paradigm Shift, TERI, 2018, https://www.teriin.org/sites/default/files/2018-08/Report_SA_AQM-Delhi-NCR_0.pdf

[75] Central Pollution Control Board (CPCB). (2019) National Ambient Air Quality Standards (NAAQS). https://cpcb.nic.in/upload/NAAQS_2019.pdf .

[76] 401st Report: Air Pollution in Delhi NCR and steps taken by various agencies for its mitigation, Standing Committee on Science and Technology, Environment, Forests and Climate Change, December 2025, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/19/217/401_2025_12_17.pdf?source=rajyasabha.

[77] Unstarred Question No 2339, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 15, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2339_gAD27r.pdf?source=pqals&utm.

[78] National Clean Air Programme, Ministry of Environment and Climate Change, https://mpcb.gov.in/sites/default/files/air-quality/National_Clean_Air_Programme09122019.pdf.

[79] IEA (2021) Air Quality and Climate Policy Integration in India, https://www.iea.org/reports/air-quality-and-climate-policy-integration-in-india.

[80] Unstarred Question No 4601, Lok Sabha, Ministry of Power, August 21, 2025, https://powermin.gov.in/sites/default/files/uploads/LS21082025_Eng.pdf.

[81] Transitioning India's Road Transport Sector, International Energy Agency (IEA), 2024, https://www.iea.org/reports/transitioning-indias-road-transport-sector.

[82] "Implementation of e-buses scheme" Press Information Bureau, Ministry of Heavy Industries, December 6, 2024, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2081560&utm_source=chatgpt.com&reg=3&lang=2.

[83] PM e-Bus Sewa-Payment Security Mechanism (PSM) Scheme, Ministry of Heavy Industries website, as accessed on January 7, 2025, https://heavyindustries.gov.in/en/pm-e-bus-sewa-payment-security-mechanism-psm-scheme.

[84] Unstarred Question No 49, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU49_2UGOC6.pdf?source=pqals.

[85] Three Hundred Seventy Eighth Report of the Department-related Parliamentary Standing Committee on Science and Technology, Environment, Forests and Climate Change, March 2023, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/19/172/378_2023_3_14.pdf?source=rajyasabha.

[86] Unstarred Question No. 2339, Lok Sabha, Ministry of Environment, Forest, and Climate Change, https://sansad.in/getFile/loksabhaquestions/annex/186/AU2339_gAD27r.pdf?source=pqals.

[87] Central Control Room for Air Quality Control CPCB https://airquality.cpcb.gov.in/.

[88] "Delhi air quality deteriorates, records most 'severe' AQI days since 2022" Business Standard, January 1, 2025, https://www.business-standard.com/india-news/delhi-air-quality-deteriorates-records-most-severe-aqi-days-since-2022-124123100946_1.html.

[89] Rajya Sabha Unstarred Question No. 1180, Answered on October 1, 2024, https://sansad.in/getFile/annex/265/AU1180_8dB1NZ.pdf?source=pqars.

[90] Commission for Air Quality Management (CAQM) (2021) The Commission for Air Quality Management in NCR & Adjoining Areas Act, 2021, https://caqm.nic.in/WriteReadData/LINKS/The%20Commission%20for%20Air%20Quality%20Management%20in%20NCR%20&%20Adjoining%20Areas%20Act,%20202176b7d650-cba2-4414-b357-520732cc119f.pdf .

[91] Annual report, 2024-25, Ministry of Environment, Forest and Climate Change, https://moef.gov.in/uploads/pdf-uploads/English_Annual_Report_2024-25.pdf.

[92] Polluted River Stretches for Restoration of Water Quality, Central Pollution control Board, Ministry of Environment, Forest and Climate Change , October 2025, https://cpcb.nic.in/openpdffile.php?id=UmVwb3J0RmlsZXMvMTc3N18xNzYwNjgxNDA4X21lZGlhcGhvdG80MzkyLnBkZg==

[93] Report on Water Quality Hot Spots in Rivers of India, January to December 2024, Ministry of Jal Shakti, May 2025, https://cwc.gov.in/sites/default/files/wq-hot-spot-report-2024-final-1.pdf.

[94] Unstarred Question No. 293, "River Pollution," Ministry of Environment, Forest and Climate Change, Lok Sabha, December 14, 2023, https://sansad.in/getFile/loksabhaquestions/annex/183/AS293_bIsLhM.pdf?source=pqals

[95] National Compilation on Dynamic Groundwater Resources of India, 2025, Central Pollution Control Board, Ministry of Jal shakti, November 2025, https://cgwb.gov.in/cgwbpnm/download/1741#page=171.

[96] Annual Ground Water Quality Report, 2024, Central Ground Water Board, Ministry of Jal Shakti, https://cgwb.gov.in/cgwbpnm/public/uploads/documents/17363272771910393216file.pdf.

[97] Global Outlook, United Nation Environment Program, 2025, https://wedocs.unep.org/items/bba44efd-7715-4054-8432-92b270ee9d67.

[98] Unstarred Question No 99, Ministry of Environment, Forest and Climate Change, Lok Sabha, December 12, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU99_jmSt0t.pdf?source=pqals.

[99] Unstarred Question No 50, Lok Sabha, Ministry of Environment, Forest and Climate Change, December 1, 2025, https://sansad.in/getFile/loksabhaquestions/annex/186/AU50_IQkGYW.pdf?source=pqals.

[100] Unstarred Question No 3966, Lok Sabha, Ministry of Environment, Forest and Climate Change, August 18, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU3966_K7ILWU.pdf?source=pqals.

[101] Unstarred Question No 3966, Lok Sabha, Ministry of Environment, Forest and Climate Change, August 8, 2025, https://sansad.in/getFile/loksabhaquestions/annex/185/AU3966_K7ILWU.pdf?source=pqals.

[102] Starred Question No 82, Rajya Sabha, Ministry of Housing and Urban Affairs, December 8, 2025, https://sansad.in/getFile/annex/269/AS82_d8keTU.pdf?source=pqars.

[103] E-Waste Management Rules, 2022, Ministry of Environment, Forest and Climate Change, https://cpcb.nic.in/uploads/Projects/E-Waste/e-waste_rules_2022.pdf.

[104] Unstarred Question No 3684, Lok Sabha, Ministry of Environment, Forest and Climate Change, March 24, 2025, https://sansad.in/getFile/loksabhaquestions/annex/184/AU3684_MX4rjJ.pdf?source=pqals.

[105] Unstarred Question No 544, Rajya Sabha, Ministry of Environment, Forest and Climate Change, December 12, 2025, https://sansad.in/getFile/annex/269/AU544_lpcjKG.pdf?source=pqars.
[106] Unstarred Question No 1342 Rajya Sabha, Ministry of Environment, Forest and Climate Change, December 11, 2025, https://sansad.in/getFile/annex/269/AU1342_xUB3mT.pdf?source=pqars.
[107] Notification of the Ministry of Environment, Forest and Climate Change, December 31, 2021, https://cpcb.nic.in/uploads/flyash/Ash_Notification_dated_31.12.2021.pdf.

Annexure

Table 15: Fund allocation and utilisation under the National Clean Air Programme between 2019-20 and 2025-26 (as of December 15, 2025, amounts in Rs crore)

State	Allocation	Released	Utilisation	Utilisation as % of Released Funds
Andhra Pradesh	735	407	216	53%
Assam	157	109	64	59%
Bihar	870	380	292	77%
Chandigarh	55	43	31	72%
Chhattisgarh	428	303	201	66%
Delhi	103	81	14	17%
Gujarat	1,533	1,283	1,065	83%
Haryana	182	107	50	47%
Himachal Pradesh	29	23	17	74%
Jammu & Kashmir	278	188	59	31%
Jharkhand	604	279	185	66%
Karnataka	1,211	626	472	75%
Madhya Pradesh	1,235	835	659	79%
Maharashtra	3,334	1,795	1,440	80%
Meghalaya	12	12	6	53%
Nagaland	31	31	18	59%
Odisha	196	108	77	72%
Punjab	543	352	235	67%
Rajasthan	1,151	687	589	86%
Tamil Nadu	904	655	550	84%
Telangana	906	740	530	72%
Uttar Pradesh	3,799	2,941	2,246	76%
Uttarakhand	148	103	65	63%
West Bengal	1,685	1,327	921	69%
Total	**20,129**	**13,415**	**10,003**	**75%**

Source: Unstarred Question No. [233]9, Lok Sabha, Ministry of Environment, Forest, and Climate Change, December 15, 2025

PRS Legislative Research

Institute for Policy Research Studies
3rd Floor, Gandharva Mahavidyalaya,
212, Deen Dayal Upadhyaya Marg, New Delhi-110002
Tel: (011) 2323 4801, 4343 4035
www.prsindia.org