



Union
BUDGET
2026-27

Analysis of Urban Sector Allocations in the Union Budget 2026-27



ANALYSIS OF URBAN SECTOR ALLOCATIONS

KEY HIGHLIGHTS FOR THE URBAN SECTOR FROM THE UNION BUDGET FOR FY 2026-27

Overview

- The total Revised Estimates (RE) of the Ministry of Housing and Urban Affairs (MoHUA) for the current Financial Year (FY), at INR 57,203, have declined by 41% in comparison with the Budget Estimates (BE) of the same year. While Central Sector Schemes saw a 13% reduction, allocations to Centrally Sponsored Schemes (CSS) witnessed the sharpest decline of 65%, with cuts across all CSS.
- Key reductions include the Urban Challenge Fund (UCF) [90%], Pradhan Mantri Awas Yojana-Urban (PMAY-U) [67%], Swachh Bharat Mission-Urban (SBM-U) [60%], and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) [25%].¹
- The budgetary allocation to MoHUA for FY 2026-27 stands at INR 85,522 crore, reflecting a decline of nearly 12% compared to the budget estimates of FY 2025-26. Although this represents a 50% increase over the revised estimates of FY 2025-26, the rise is largely due to the lower RE base, as noted above.
- The highest allocations for MoHUA in FY 2026-27 budget estimates are directed towards CSS (52%), followed by Central Sector Schemes (43%). Establishment Expenditure (5%) and Other Central Sector Expenditure (0.2%) account for a small share of the Ministry's total budget.
- All CSS, except CITIIS (City Investments to Innovate, Integrate, and Sustain) 2.0, are projected to see a notable decline in allocations in the upcoming FY compared to the budget estimates of FY 2025-26:
 - Allocation to Swachh Bharat Mission-Urban (SBM-U) has declined by 50%
 - Allocation to the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) has reduced by 20%
 - Allocation to the Pradhan Mantri Awas Yojana-Urban (PMAY-U) has declined by 7%
 - Allocation to Central Sector Schemes/Projects — namely, the Mass Rapid Transit System (MRTS) and the Metro Rail Project — has witnessed a modest decline of 11%.
- Under the first Kartavya, aimed 'to accelerate and sustain India's economic growth', the development of City Economic Regions (CERs) has been identified as one of six key intervention areas, signalling MoHUA's focus on Tier II and Tier III cities.

[1] Central Sector Schemes (CSSs) are 100% funded and implemented by the Central Government, primarily covering Union List subjects like defense or railways. Conversely, Centrally Sponsored Schemes (CSSs) are jointly funded by the Centre and States (often in a 60:40 or 90:10 ratio) and implemented by state agencies.

Urban Agglomerations & Infrastructure

New announcements

- Echoing the Economic Survey 2025-26 on the need for a broader metropolitan and regional perspective — particularly in areas where economic and mobility linkages extend beyond statutory boundaries — the budget for the upcoming FY seeks to amplify the potential of cities to harness the economic power of agglomerations. The budget proposes to map CERs, with an allocation of INR 5,000 crore per CER over five years, to implement their plans through a challenge mode supported by a reform-cum-results-based financing mechanism. CERs will be mapped based on specific growth drivers such as manufacturing, logistics, services, education, and tourism.
- Infrastructure development will focus on Tier II and Tier III cities with populations of over 5 lakh that have emerged as growth centres and require modern infrastructure and basic amenities.
- To promote environmentally sustainable transportation and inter-city connectivity, seven high-speed rail corridors will be developed as 'growth connectors', linking major urban centres: Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, and Varanasi-Siliguri. These corridors are expected to catalyse urbanisation and economic development in the regions they traverse.

Review of last year's announcements/ initiatives

- Following an allocation of INR 10,000 crore in FY 2025-26 for setting up the Urban Challenge Fund (UCF) to support infrastructure proposals under 'Cities as Growth Hubs', 'Creative Redevelopment of Cities', and 'Water and Sanitation', the revised estimates for the current FY declined to INR 1,000 crore. As reported in the Implementation Budget of FY 2025-26, the Expenditure Finance Committee (EFC) Meeting on the UCF Scheme was held on 10 September 2025, and the Draft Cabinet Note (DCN) is under preparation. Notably, the budget estimates for the upcoming FY have restored the allocation to INR 10,000 crore.
- In FY 2025-26, the budget made a first-time allocation of INR 2,500 crore for industrial housing; however, the revised estimates for the current year declined to INR 100 crore. An allocation of INR 400 crore has been made for the upcoming FY to sustain the focus on providing quality, affordable housing for workers.

Urban Local Fiscal Autonomy and Urban Livelihood

New announcements

- To encourage higher-value municipal bond issuances by large cities, an incentive of INR 100 crore has been proposed for a single bond issuance exceeding INR 1000 crore. The existing scheme under AMRUT, which incentivises issuances up to INR 200 crore, will continue to support smaller and medium towns.

Review of last year's announcements/ initiatives

- Following the announcement in last year's budget regarding the implementation of a scheme for the socio-economic upliftment of the urban poor — aimed at improving incomes, livelihoods, and quality of life — a new scheme, Deendayal Jan Aajevika (Shehari) [DJAY(S)], has been allocated INR 536 crore in the FY 2026-27 budget estimate. As reported in the Implementation Budget for FY 2025-26, the EFC note on the scheme was approved by the Department of Expenditure (DoE) on 11 August 2025, and the draft cabinet note is under preparation. The scheme was also allocated INR 200 crore in the revised estimates of FY 2025-26.

Urban Planning and Reforms

Review of last year's announcements/ initiatives

- To strengthen data-driven urban planning under the National Geospatial Mission announced in the previous budget, MoHUA has partnered with the National Remote Sensing Centre (NRSC) to develop comprehensive geo-spatial databases. This initiative covers 1 lakh sq. km under AMRUT and provides for an additional 67,500 sq. km under AMRUT 2.0, as reported in the Implementation Budget for FY 2025-26.
- The previous budget also announced that urban sector reforms related to governance, municipal services, urban land, and planning will be incentivised. Accordingly, Part-X of the Scheme of Special Assistance to States for Capital Investment (SASCI) for FY 2025-26 focuses on Urban Sector Reforms. Guidelines for the same were issued by the Department of Expenditure on 22 May, 2025. This part of the scheme has two sub-parts: Under Part-A, INR 13,000 crore is earmarked for reforms related to governance, finance, and urban land and planning; under Part-B, INR 5,000 crore is earmarked for Ease of Doing Business (EoDB). The Implementation Budget for FY 2025-26 does not specify the amount released or the reforms undertaken by the states under SASCI.

DETAILED ANALYSIS OF ALLOCATION TO THE MINISTRY OF HOUSING AND URBAN AFFAIRS (MOHUA):

Context

Rapid urbanisation, coupled with existing service delivery gaps, is placing substantial pressure on infrastructure and liveability in cities. According to the 2011 Census, India was 31% urban. The Ministry of Health and Family Welfare's (MoHFW) 2019 technical report on urban projections estimates that the urban population reached 36% in 2026. However, alternative methodologies suggest that the urban share may already be closer to 45%.² The World Bank estimates that nearly three-fourths of the total national population increase during the 25-year period from 2011 to 2036 will occur in urban areas.

The Economic Survey 2025 acknowledges the critical role of cities in driving economic development. A comparison of GDP-to-population ratios of large cities in India, China, the United States of America, and Germany (2023) shows that the top-10 cities account for only around 9% of the population but nearly 28% of GDP, representing a ratio of roughly 3x — significantly higher than that of the United States (~1.5x), Germany (~1.5x), and China (~1.8x). The Survey notes that, given their substantial contribution, any infrastructure breakdown in the cities would have disproportionate effects on national growth.

However, the financing requirements to enable and sustain urban growth are substantial, as is the financing gap. The World Bank estimates that India's cities will require capital investment of about USD 840 billion in urban infrastructure and municipal services over the 15-year period from 2021 to 2036 (in 2020 prices), equivalent to around 1.18% of estimated Gross Domestic Product (GDP) over this period.³ More than half of this investment — nearly USD 450 billion — is required for basic municipal services (water supply, sewerage, municipal solid waste management, stormwater drainage, urban roads, and streetlighting), while around USD 300 billion is needed for mass transit. Private capital mobilisation for urban infrastructure remains at a nascent stage in the country.

MoHUA's Allocations as Share of Union Budget and GDP

In this context, budget allocations⁴ by the Union Government to the Ministry of Housing and Urban Affairs (MoHUA) are critical for anchoring investments and setting policy priorities.

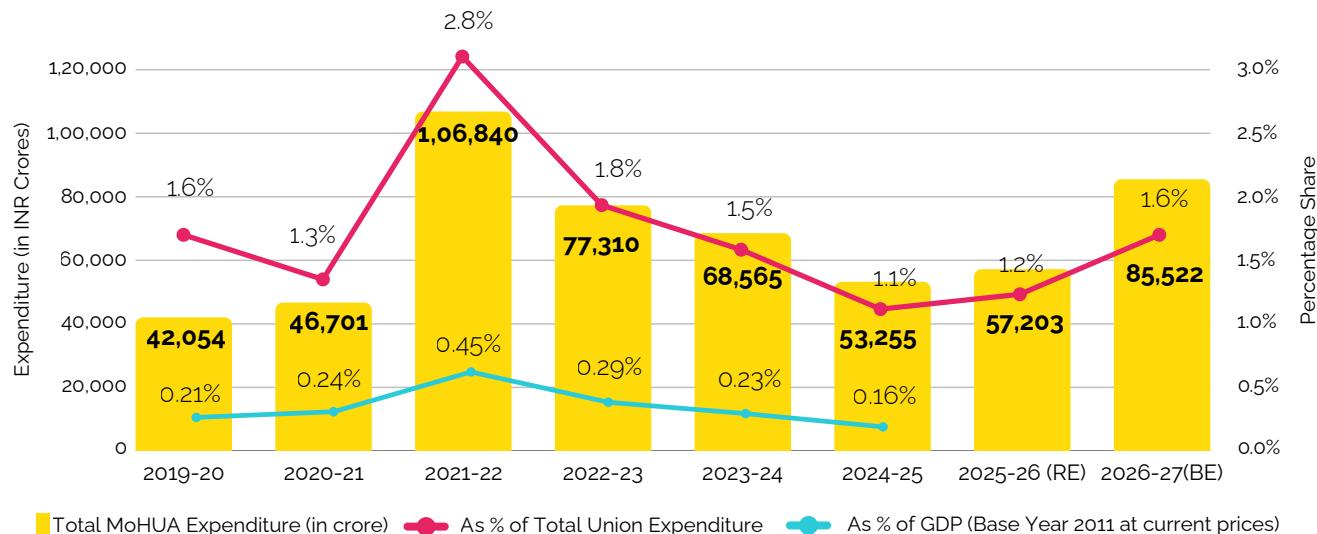
- MoHUA's share of total Union budget allocations is proposed to increase from 1.2% in FY 2025-26 (RE) to about 1.6% in FY 2026-27 (BE).
- Since FY 2019-20, MoHUA's expenditure has grown at a compound annual growth rate (CAGR) of 11%.

[2] United Nations, Department of Economic and Social Affairs, Population Division (2015). World Urbanisation Prospects: The 2014 Revision.

[3] World Bank. (2022). Financing India's urban infrastructure needs

[4] 'Allocations' and 'Expenditure' have been used inter-changeably.

Figure 1: MoHUA's Expenditure (INR crore) and Share in Total Union Expenditure and GDP from FY 2019-20 till FY 2026-27



Source: Expenditure Profile, Union Budget from FY 2019-20 till FY 2026-27; GDP figures from Table 4, RBI Handbook of Statistics of Indian Economy

Note: From FY 2019-20 to FY 2024-25, actuals are provided.

Compared with other Union ministries, the Ministry of Housing and Urban Affairs (MoHUA) has received the 14th highest budget allocation in FY 2026-27 (BE), similar to its position in FY 2025-26 (BE).

- Among ministries with the largest allocations, the Ministries of Road Transport and Highways, Railways, and Jal Shakti have recorded a CAGR exceeding 20% from FY 2019-20 (A) to FY 2026-27 (BE), while MoHUA has recorded a CAGR of 11%.
- Further, while the shares of infrastructure-heavy Ministries such as Road Transport and Highways and Railways (as a percentage of the total Union Budget) have nearly doubled from FY 2019-2020 to FY 2026-27, MoHUA's corresponding share has averaged around 1.6% over the same period — dipping to 1.1% and 1.2% in FY 2024-25 (A) and FY 2025-26 (RE), respectively.
- MoHUA and the Ministry of Jal Shakti are among the few major ministries whose budget estimates for the upcoming FY are about 1.5 times and 2 times, respectively, their Revised Estimates for the current FY. Given the sharp reductions in revised estimates relative to budget estimates in the current year (41% for MoHUA and 58% for Jal Shakti), achieving these higher allocations in the upcoming FY over its revised estimates will require significantly improved budget execution.

Table 1: Top 14 Union Ministries as per Budget Estimates in FY 2026-27 (INR crore)

	Name of the Union Ministry	2019-20 (A)	2020-21 (A)	2021-22 (A)	2022-23 (A)	2023-24 (A)	2024-25 (A)	2025-26 (RE)	2026-27 (BE)	CAGR
1	Ministry of Finance	10,03,202 (37.3%)	11,41,649 (32.5%)	13,83,611 (36.5%)	14,94,247 (35.6%)	17,73,337 (37.1%)	17,73,337 (38.1%)	19,38,865 (39.1%)	19,72,509-36.9%	10%
2	Ministry of Defence	4,52,996 (16.9%)	4,85,681 (13.8%)	5,00,681 (13.2%)	5,73,098 (13.7%)	6,09,504 (13.7%)	6,36,003 (13.7%)	7,32,512 (14.8%)	7,84,678 (14.7%)	8%
3	Ministry of Road Transport and Highways	78,249 (2.9%)	99,159 (2.8%)	1,23,551 (3.3%)	2,17,089 (5.2%)	2,75,986 (6.2%)	299,460 (6.4%)	287,142 (5.8%)	309,875 (5.8%)	22%
4	Ministry of Railways	69,972 (2.6%)	1,12,159 (3.2%)	1,35,242 (3.6%)	1,62,410 (3.9%)	2,45,791 (5.5%)	255,263 (5.5%)	255,466 (5.1%)	281,377 (5.3%)	22%
5	Ministry of Home Affairs	1,34,978 (5%)	1,44,258 (4.1%)	1,68,791 (4.4%)	1,86,839 (4.5%)	1,96,872 (4.4%)	224,585 (4.8%)	241,485 (4.9%)	255,233 (4.8%)	10%
6	Ministry of Consumer Affairs, Food and Public Distribution	1,17,096 (4.4%)	5,66,797 (16.1%)	3,06,571 (8.1%)	2,83,954 (6.8%)	2,32,496 (5.2%)	215,009 (4.6%)	238,410 (4.8%)	239,521 (4.5%)	11%
7	Ministry of Rural Development	1,23,622 (4.6%)	1,97,593 (5.6%)	1,61,643 (4.3%)	1,77,840 (4.2%)	1,63,642 (3.7%)	179,308 (3.9%)	188,753 (3.8%)	197,023 (3.7%)	7%
8	Ministry of Chemicals and Fertilisers	82,063 (3.1%)	1,29,510 (3.7%)	1,54,789 (4.1%)	2,53,563 (6%)	1,91,165 (4.3%)	182,019 (3.9%)	186,817 (3.8%)	177,061 (3.3%)	12%
9	Ministry of Agriculture and Farmers' Welfare	1,01,775 (3.8%)	1,15,827 (3.3%)	1,22,836 (3.2%)	1,08,277 (2.6%)	1,18,147 (2.7%)	139,743 (3%)	133,370 (2.7%)	140,529 (2.6%)	5%
10	Ministry of Education	89,437 (3.3%)	84,219 (2.4%)	80,352 (2.1%)	97,196 (2.3%)	1,23,365 (2.8%)	110,735 (2.4%)	121,949 (2.5%)	139,289 (2.6%)	7%
11	Ministry of Communications	43,939 (1.6%)	60,903 (1.7%)	51,545 (1.4%)	1,40,976 (3.4%)	1,11,339 (2.5%)	90,684 (1.9%)	96,854 (2%)	106,530 (2%)	7%
12	Ministry of Health & Family Welfare	64,258 (2.4%)	80,694 (2.3%)	84,470 (2.2%)	75,731 (1.8%)	83,149 (1.9%)	147,832 (3.2%)	79,768 (1.6%)	102,267 (1.9%)	13%
13	Ministry of Jal Shakti	25,683 (1%)	23,199 (0.7%)	83,467 (2.2%)	71,618 (1.7%)	95,109 (2.1%)	46,720 (1%)	41,437 (0.8%)	94,808 (1.8%)	21%
14	Ministry of Housing and Urban Affairs	42,054 (1.6%)	46,701 (1.3%)	1,06,840 (2.8%)	77,310 (1.8%)	68,565 (1.5%)	53,255 (1.1%)	57,203 (1.2%)	85,522 (1.6%)	11%

Source: Expenditure Profile & Demands for Grants in Expenditure Budget, Union Budget from FY 2019-20 till FY 2026-27.

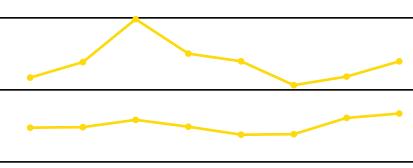
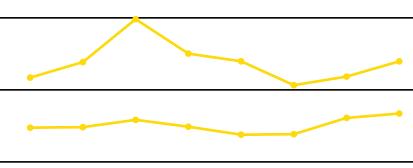
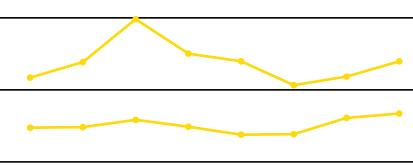
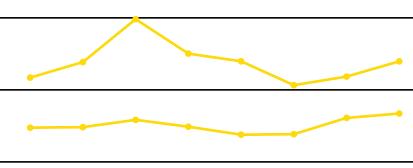
Note: Parenthesis in the table indicate allocations as a % of the total union budget.

Overview of Allocations across Urban Schemes in FY 2026-27 (BE)

In FY 2026-27 (BE), the Ministry of Housing and Urban Affairs has allocated a majority of its funds towards CSS (52%), followed by Central Sector Schemes (43%). However, the single largest allocation is to the Mass Rapid Transit System (MRTS) and Metro Rail Project, a Central Sector initiative, accounting for about 36% of total allocations.

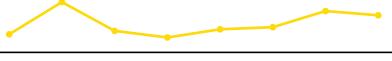
- Four schemes/projects together constitute over 80% of MOHUA's budget for FY 2026-27: MRTS and the Metro Rail Project (36%); PMAY-U, including PMAY-U 2.0⁵ (25%), Urban Challenge Fund (12%); AMRUT (9%). (See Table 2 below for overall scheme composition)
- Among the top 10 Centrally Sponsored Schemes of the Union Budget for FY 2026-27 (BE), PMAY-U ranks 10th, with a 3% share of the total Union CSS allocation.
- In the upcoming FY, a new Central Sector project — Municipal Bonds, has been introduced with an allocation of INR 100 crore. The initiative aims to encourage higher-value municipal bond issuances by large cities by offering an incentive of INR 100 crore for single bond issuances exceeding INR 1,000 crore.
- In line with last year's budget announcement to improve incomes, livelihoods, and quality of life for the urban poor, the Deendayal Jan Aajevika (Shehari) [DJAY(S)], has been introduced. The scheme has been allocated INR 536 crore in FY 2026-27 (BE), following an allocation of INR 200 crore provided in FY 2025-26 (RE).

Table 2: Composition of MoHUA's Budget for FY 2026-27 (INR crore)

List of Schemes – Expenditure	Budget Estimates 2026-27	Trend (2019-20 to 2026-27)
Centrally Sponsored Schemes		
PMAY-Urban	21,625 (25.05%)	
AMRUT	8000 (9.27%)	
SBM-Urban	2,500 (2.90%)	
Scheme for Industrial Housing	400 (0.46%)	Scheme introduced in FY 2025-26
CITIIS 2.0	300 (0.35%)	Scheme introduced in FY 2025-26
Urban Challenge Fund	10,000 (11.58%)	Scheme introduced in FY 2025-26
NUDM	300 (0.35%)	Scheme introduced in FY 2024-25
Deendayal Jan Aajevika Yojana-(Shehri) - [DAY(S)]	537 (0.63%)	BE allocated for FY 2026-27
PM e-Bus Sewa	500 (0.58%)	Scheme introduced in FY 2024-25
NULM	0 (0.00%)	

⁵All reference to PMAY in this note includes allocation (or expenditure) to PMAY-U and PMAY-U 2.0.

Table 2: Composition of MoHUA's Budget for FY 2026-27 (INR crore)

List of Schemes – Expenditure	Budget Estimates 2026-27	Trend (2019–20 to 2026–27)
Central Sector Schemes		
MRTS & Metro	30996 (35.91%)	
General pool accommodation	5150 (6.02%)	
PM SVANIDHI	900 (1.00%)	
Municipal Bonds	100 (0.12%)	New Scheme for FY 2026-27
Other Central Sector Schemes	3 (0.00%)	
Establishment and Other Sectoral Expenditure		
Establishment expenses of the Centre	4056 (4.70%)	
Other Central Sector Expenditure	156 (0.18%)	

Source: Expenditure Budget & Demands for Grants in Expenditure Budget, Union Budget from FY 2019-20 till FY 2026-27

Note:

1. Parenthesis in the table indicate allocations as a % of MoHUA's total budget.
2. The trend provides actuals for FY 2019-20 to FY 2024-25, RE and BE for FY 2025-26 and FY 2026-27, respectively.
3. For last year PMAY-U 2.0 was taken for FY 2024-25 (RE), but for this year's analysis we have taken Actuals FY 2024-25 which combine both PMAY-U & PMAY-U 2.0.
4. General Pool Accommodation includes provision for construction and maintenance of government residential buildings and non-residential office buildings, including the Rashtrapati Bhavan, the Parliament, and the Supreme Court of India.
5. Other Central Sector Scheme for 2026-27 (BE) include Public Health Engineering (PHE) Sector Development Scheme. Deendayal Jan Aajevika (Shehari) - (DJAY)(S) recorded INR 200 crore for FY 2025-26 (RE) & INR 536 crore for FY 2026-27 (BE). The scheme also had INR 180 crore as FY 2024-25 (RE).

Change in Allocations across Urban Schemes: RE-BE and Inter-Year Comparison

The revised estimates for the current FY across all CSS have declined significantly compared to their budget estimates. Further, the budget estimates for the upcoming FY also show substantial reductions across most CSS, except for CITIIS 2.0. The Central Sector Project — MRTS and Metro Rail — has registered a relatively modest decline in both instances. Given the significant investment needs, this may indicate constraints in fund absorption capacity.

Figure 2: MoHUA's Expenditure (INR crore) and Share in Total Union Expenditure and GDP from FY 2019-20 till FY 2026-27

Year ● 2025-26 BE ● 2025-26 RE ● 2026-27 BE



Source: Demands for Grants in Expenditure Budget, Union Budget FY 2025-26 & FY 2026-27

Note:

1. PMAY- Urban, AMRUT, SBM-Urban, Scheme for Industrial housing, CITIIS 2.0, Urban Challenge Fund, NUDM, Deendayal Jan AAajevika Yojana- Shehary -DJAY(S), PM E-Bus Sewa, NULM are Centrally Sponsored Schemes.
2. MRTS & Metro, General pool accommodation, PM SVANIDHI, Municipal Bonds are Central Sector Schemes.
3. For some schemes, the dots in the figure are overlapping due to similarity in values of estimates.

- In the current FY, revised estimates for all CSS declined significantly compared to their budget estimates, indicating lower expenditure relative to budgeted allocations. This trend spans both legacy CSS such as — PMAY-U, SBM-U — and schemes introduced in recent years, including National Urban Digital Mission (NUDM), the Urban Challenge Fund, and the Scheme for Industrial Housing.

However, among Central Sector Schemes, two programmes — PM-SVANIDHI and General Pool Residential Accommodation — recorded increased allocations, while the MTRS and Metro Rail registered a modest decline of 15%.

Table 3: MoHUA's Expenditure (INR crore) and Share in Total Union Expenditure and GDP from FY 2019-20 to FY 2026-27

Key Items / Schemes	2025-26 (BE)	2025-26 (RE)	% Change (BE vs RE)
PMAY-Urban	23,294	7,800	 -67%
Urban Challenge Fund	10,000	1,000	 -90%
AMRUT	10,000	7,500	 -25%
SBM-Urban	5,000	2,000	 -60%
PM E-Bus Seva	1,310	300	 -77%
Scheme for Industrial Housing	2,500	100	 -96%
CITIIS 2.0	250	50	 -80%
NUDM	1,250	0	 -100%
MRTS & Metro	34,807	29,550	 -15%
General Pool Accommodation	3,957	4,023	 2%
PM SVANIDHI	373	572	 53%
Other Central Sector Schemes	2	2	 0%

Source: Demands for Grants in Expenditure Budget, Union Budget FY 2025-26 & FY 2026-27

Note:

1. The schemes in pink are Centrally Sponsored Schemes and the schemes in blue are Central Sector Schemes.

2. Other Central Sector Schemes include Public Health Engineering (PHE) Sector Development Scheme.

- In addition, the budget estimate for FY 2026-27 across all CSS — except CITIIS 2.0 — has declined compared to their budget estimate in the current FY. However, allocations to PM-SVANIDHI, a Central Sector Scheme, have recorded a notable increase of 141%, while the MRTS & Metro Rail project has seen a modest decline of 11%.

Table 4: Comparison between FY 2025-26 BE and FY 2026-27 BE across Urban Schemes

Key Items / Schemes	FY 2025-26 (BE)	FY 2026-27 (BE)	% Change (2026-27 vs 2025-26)
PMAY-Urban	23,294	21,625	 -7%
Urban Challenge Fund	10,000	10,000	0%
AMRUT	10,000	8,000	 -20%
SBM-Urban	5,000	2,500	 -50%
Deendayal Jan Aajevika Yojana-Shehri-DAY(S)	0	537	BE allocated in FY 2026-27
PM E-Bus Seva	1,310	500	 -62%
Scheme for Industrial Housing	2,500	400	 -84%
CITIIS 2.0	250	300	 20%
NUDM	1,250	300	 -76%
MRTS & Metro	34,807	30,996	 -11%
General Pool Accommodation	3,957	5,150	 30%
PM SVANIDHI	373	900	 141%
Municipal Bonds	0	100	Scheme introduced in FY 2026-27
Other Central Sector Schemes	2	3	 50%

Source: Demands for Grants in Expenditure Budget, Union Budget FY 2025-26 & FY 2026-27

Note:

1. The schemes in pink are Centrally Sponsored Schemes and the schemes in blue are Central Sector Schemes.

2. Other Central Sector Schemes include Public Health Engineering (PHE) Sector Development Scheme.

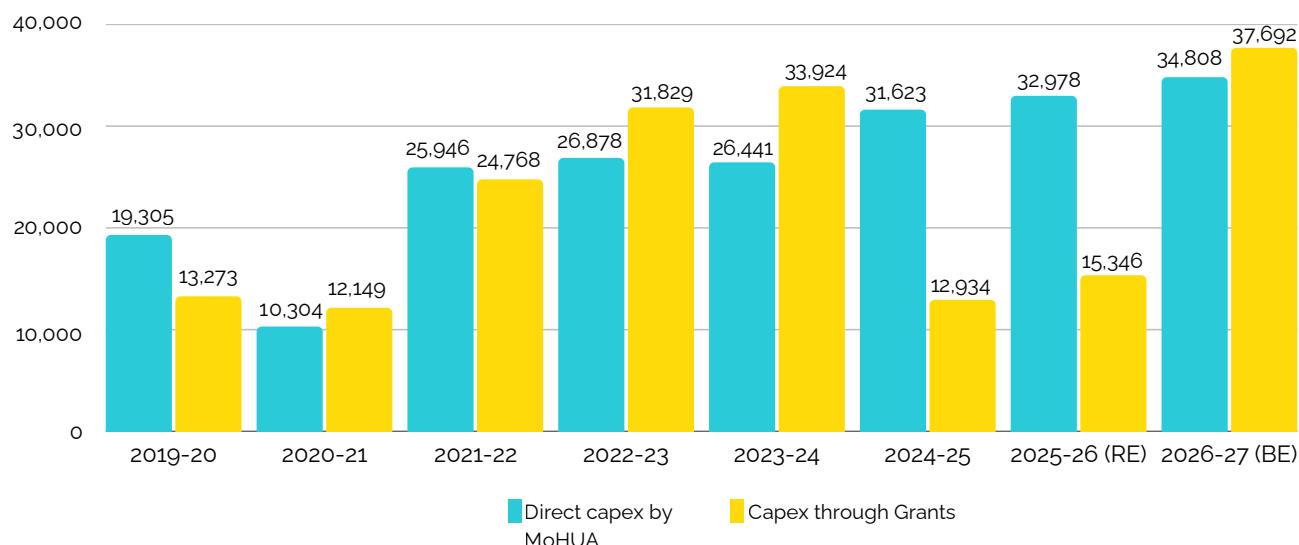
Capital Investment in Urban

The effective scale of capital investment under MoHUA is larger than what is reflected in the Union Budget's capital account, given the role of revenue grants provided by MoHUA to States and Urban Local Governments (ULGs) for the creation of capital assets.

While direct capex by MoHUA comprises capital outlays recorded in the capital section of the Demand for Grants, Grants for Creation of Capital Assets (GCCA) are transferred by MoHUA to States and ULGs to finance asset creation but are classified as revenue expenditure in MOHUA's budget.

- Between FY 2019-20 and FY 2026-27 (BE), direct capex by MoHUA has grown steadily (9% CAGR), while GCCA — capex financed through grants to States and ULGs — has expanded at a faster pace (16% CAGR), albeit with notable year-to-year variation.
- Taken together, direct capex by MoHUA and capex financed through grants have consistently accounted for over 75% of MoHUA's voted budget since FY 2022-23.

Figure 3: Composition of allocations towards capital investment under MoHUA from FY 2019-20 till FY 2026-27 (BE) (INR crore)



Source: Expenditure Budget & Statement 6 in Expenditure Profile, Union Budget from FY 2019-20 till FY 2026-27

Understanding Fund Utilisation under the Single Nodal Agency (SNA) model⁶

High scheme utilisation, as reflected in 'Actuals' in budget documents, coexists with large unspent balances revealed through Single Nodal Agency reporting.

The table below presents fund utilisation (Actuals/RE) across select CSS and Central Sector schemes under MoHUA. Within CSS, it covers four schemes — PMAY-U, SBM-U, Smart Cities, and AMRUT — which together account for 35% of MoHUA's total budget for FY 2026-27 (BE). Within Central Sector Schemes, it includes two programmes — MRTS and General Pool Residential Accommodation — which together constitute about 42% of the total MoHUA budget for FY 2026-27 (BE).

[6] Since FY 2021-22, the Union government implements CSS funding through the Single Nodal Agency (SNA) model, which aims at enhancing visibility and transparency in fund flows to states. Statement 4AA in Expenditure Profile on SNA Accounts was first published in FY 2025-26 Union budget documents. It reveals the total funds released for select CSSs and the unspent balances with designated SNAs or state treasuries as of 31st December of the ongoing FY preceding the Budget year (for instance, balances as on 31st December 2025 in the Union budget for FY 2026-27). This disclosure applies to programs with annual budget estimates of over INR 500 crore.

Table 5: Composition of allocations towards capital investment under MoHUA from FY 2019-20 till FY 2026-27 (BE) (INR crore)

Year	Funds Utilised	PMAY - U	SBM	Smart Cities	AMRUT	MRTS & Metro	General Pool Accommodation
2019-20	RE	6,853	1,300	3,450	6,392	18,890	2,761
	Actuals	6,848	1,256	3,207	6,392	18,908	2,849.12
	% of Fund Utilised	99.92%	96.62%	92.96%	100.00%	100.09%	103.21%
2020-21	RE	21,000	1,000	3,400	6,448	9,000	1,590
	Actuals	20,991	995	3,305	6,450	8,998	3,355
	% of Fund Utilised	99.96%	99.50%	97.21%	100.03%	99.98%	211.02%
2021-22	RE	27,000	2,000	6,600	7,300	23,480	2,590
	Actuals	59,963	1,952	6,588	7,280	23,473	4,897
	% of Fund Utilised	222.09%	97.58%	99.81%	99.73%	99.97%	189.09%
2022-23	RE	28,708	2,000	8,800	6,500	20,401	3,374
	Actuals	28,653	1,926	8,653	6,500	23,603	5,577
	% of Fund Utilised	99.81%	96.32%	98.33%	100.00%	115.70%	165.29%
2023-24	RE	22,103	2,550	8,000	5,200	23,104	3,500
	Actuals	21,684	2,392	7,982	5,591	23,102	3,423
	% of Fund Utilised	98.11%	93.81%	99.78%	107.52%	99.99%	97.80%
2024-25	RE	15,170	2,159	2,000	6,000	28,613	3,351
	Actuals	5,865.43	1,893.22	2,125.62	5,646.62	28,611	3,266
	% of Fund Utilised	38.66%	87.67%	106.28%	94.11%	99.99%	97.46%
2025-26	RE	7,800	2,000		7,500	29,550	4,023
2026-27	BE	21,625.05	2,500		8,000	30,996	5,150

Source: Demands for Grants in Expenditure Budget, Union Budget from FY 2019-20 till FY 2026-27

- High Actuals-to-RE utilisation (exceeding 90% for PMAY-U and SBM-U up to FY 2023-24) coexists with substantial Single Nodal Agency (SNA) balances as of December 2024 (INR 12,319 crore for SBM-U and INR 6,012 crore for PMAY-U, including the state share). This divergence arises because traditional utilisation metrics captured transfers from MoHUA to states/ ULGs/implementing agencies as expenditure while overlooking funds parked but unutilised with states/ ULGs/ implementing agencies. Prior to SNA framework, such unutilised balances remained largely invisible in the Union budget documents.
- The SNA snapshot as of 31 December 2024 and 2025 revealed parked balances; however, reporting remains at the aggregate Union level without a state-wise breakdown, limiting visibility into which states hold the largest idle funds. In addition, the absence of information on opening balances constrains a full assessment of unspent funds.

FINANCE COMMISSION (FC) GRANTS TO URBAN

Beyond allocations from the Ministry of Housing and Urban Affairs (MoHUA) through schemes, grants to Urban Local Governments (ULGs) through Finance Commission (FC) grants is a key source of revenue for ULGs to fund urban development. These are budgeted under the Ministry of Finance.

Now, with the acceptance of the 16th Finance Commission's recommendations, FC grants have increased from INR 26,248 crore in FY 2025-26 (RE) to INR 45,272 crore in FY 2026-27 (a 72.5% increase). Notably, the 16th Finance Commission has introduced two new components, namely the Special Infrastructure Fund and the Urbanisation Premium, in addition to basic and performance grants.

Out of INR 45,272 crore, basic grants constitute 82.3% (INR 37,272 crore); the Special Infrastructure Fund, proposed to be used for the development of a comprehensive wastewater management system for cities with populations of 10 lakh to 40 lakh, constitutes about 13.3% (INR 6,000 crore); and the Urbanisation Premium accounts for 4.4% (INR 2,000 crore) of the total grant size.⁷ Any state can claim the Urbanisation Premium during the merger of a peri-urban village with a population of not more than 1 lakh with a city, provided it has a rural-urban transition policy in place.

Although MoHUA's Budget Estimates for FY 2026-27 have declined compared to FY 2025-26 (BE and RE), it is notable that grants to ULGs have increased through the 16th Finance Commission. The Budget Estimates of urban Centrally Sponsored Schemes (CSS) as a percentage of the Union Budget have declined from 1.06% in FY 2025-26 to 0.83% in FY 2026-27 (a decrease of 0.23 percentage points), while, in contrast, FC transfers to ULGs as a percentage of the total Union Budget have increased from 0.56% to 0.85% (an increase of 0.29 percentage points) over the same period.

To put this in perspective, CSS are typically tied to specific purposes and may be implemented through state agencies, parastatals, and development authorities, while FC transfers are better placed to strengthen the financial autonomy of ULGs.

ADDITIONAL INSIGHTS

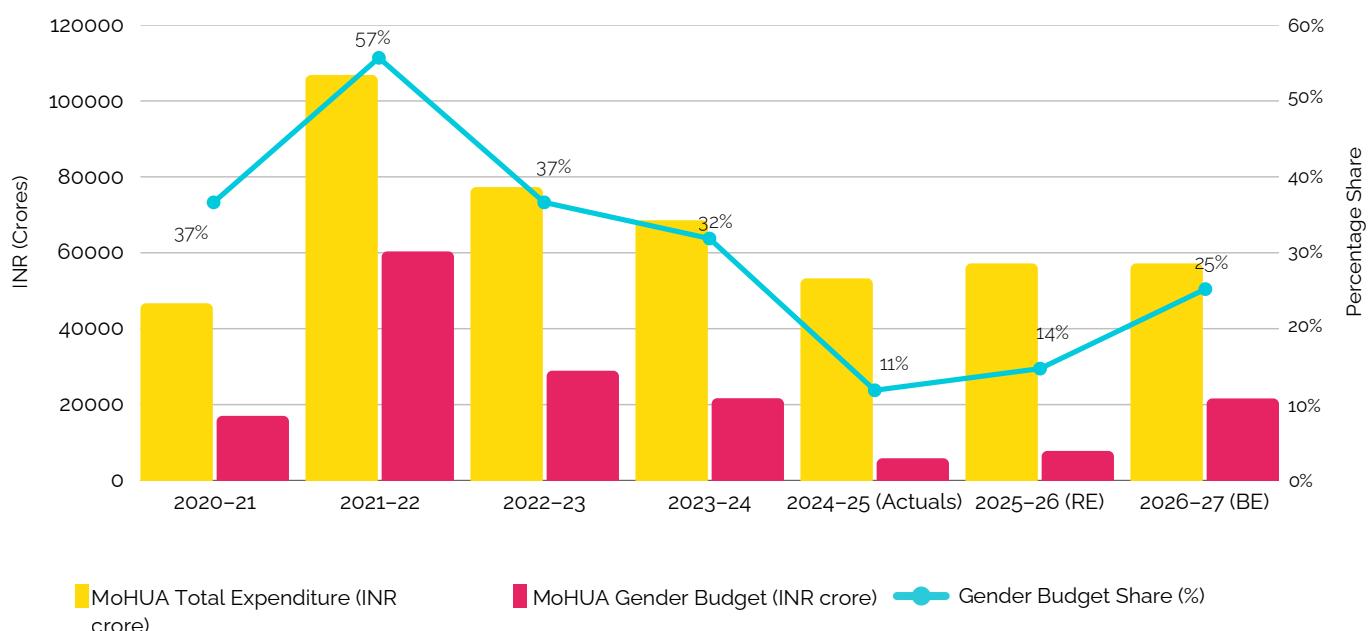
Gender Budgeting in Urban

Since FY 2019–20, two Centrally Sponsored Schemes (CSS), namely PMAY-U (including PMAY-U 2.0) and DAY-NULM (till FY 2022–23) under the Ministry of Housing and Urban Affairs (MoHUA), have been included in the gender budget.

They have been consistently tagged due to their explicit focus on individual households and livelihoods. Since FY 2021–22, 100% of PMAY-U expenditure has been classified under the gender budget.

As a result, the size and volatility of MoHUA's gender budget broadly track the allocation and expenditure patterns of these schemes rather than a wider portfolio of urban investments. This reflects a broader limitation of India's gender-budgeting practice, where gender relevance is primarily recognised through identifiable beneficiaries, while large urban infrastructure programmes such as SBM-U, AMRUT, and Metro, among others, with indirect but potentially significant gendered impacts, remain largely outside formal gender reporting.

Figure 4: Share of MoHUA's gender budget in total MoHUA expenditure from FY 2020-21 to FY 2026-27 (INR crore)



Source: Expenditure Budget & Statement 13 in Expenditure Profile, Union Budget from FY 2020-21 till FY 2026-27
 Note: From FY 2019-20 to FY 2024-25, actuals are provided.

EXPERTS' PERSPECTIVES

"The Union Budget 2026-27 puts tier II and tier III cities on spotlight while allocating funds for developing these as city economic regions given the potential of these for contributing to economic growth and agglomeration economies. Moreover, the focus on reform-cum-results based financing mechanism signals a much-needed shift toward outcome - oriented urban development. In addition, the enhanced incentive of INR 100 crore for municipal bonds exceeding 1,000 crore issuances, alongside continued support for smaller issuances under AMRUT, would incentivise the bond issuance of larger ticket size by larger cities and through pooled bond issuances. However, reduction in proposed budget in comparison to last year allocation is a concern given India is urbanising fast and cities have to invest a lot for improving quality of life."

Prabhat Kumar
Director – Public Finance Management,
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About Janaagraha

Janaagraha is a Bengaluru-based not-for-profit institution working to transform quality of life in India's cities and towns. It defines quality of life as comprising quality of infrastructure and services, and quality of citizenship. To achieve its mission, Janaagraha works with councillors and citizens to catalyse active citizenship in city neighbourhoods, and with governments to institute reforms to city-systems.

The organisation has worked extensively on urban policy and governance reforms for over two decades including on JnNURM, and with the XIII, XIV, and XV Finance Commissions, as well as the Comptroller and Auditor General of India. Janaagraha's current portfolio includes work with the XVI Finance Commission, the Ministry of Housing and Urban Affairs, NITI Aayog, the CAG of India, the state governments of Odisha, Assam, and Uttar Pradesh, and the state finance commissions of Karnataka, Odisha, and Haryana.

Find out more at www.janaagraha.org



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