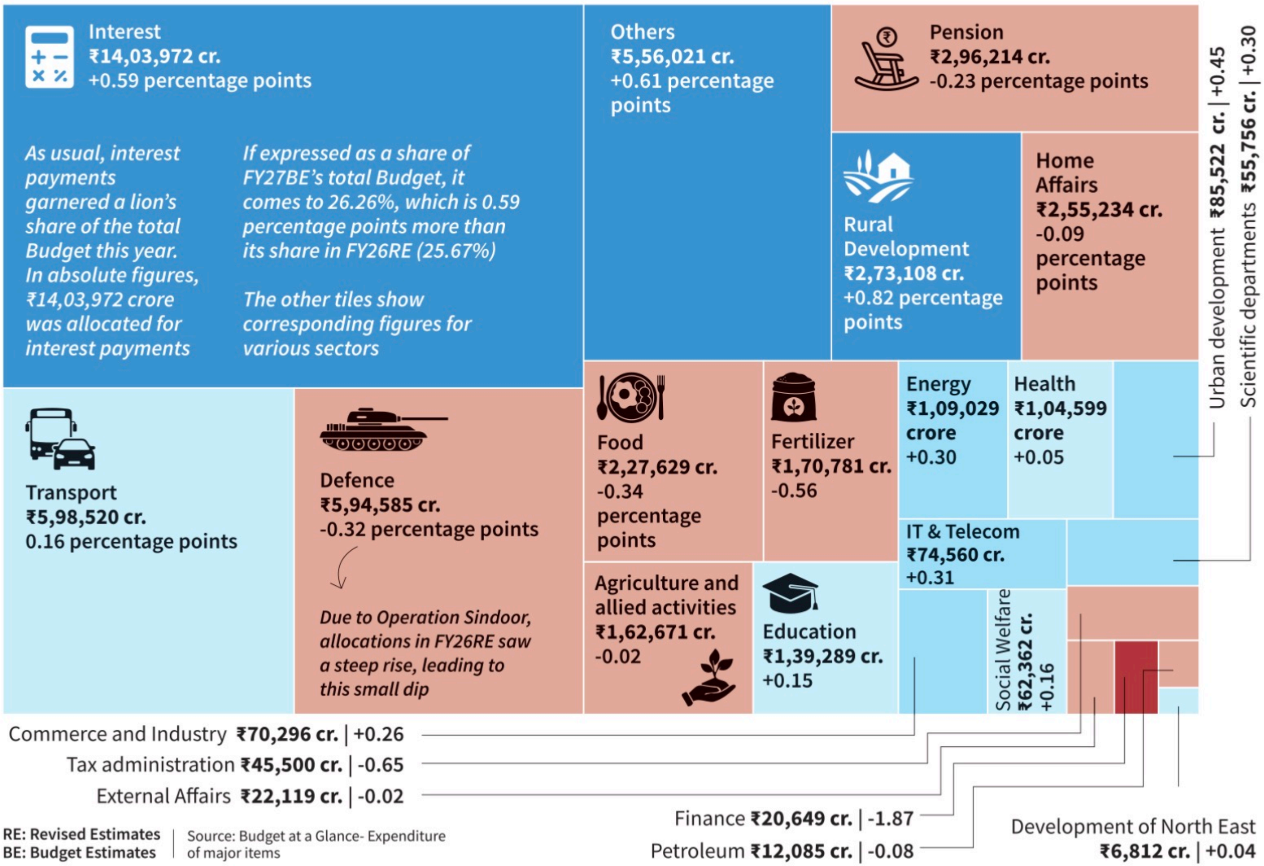
Budget breakdown

The outlay for the transport sector (apart from interest payments) formed the bulk of the Budget Expenditure in FY27BE. Transport's share in total expenditure rose by 0.16% points from last year (increased from 11.03% of total expenses in FY26RE to 11.19% in FY27BE). The graphic depicts budgeted expenditure (₹ crore) and the change from FY26RE. For instance, the finance sector was allocated ₹20,649 crore in FY27, while its share of total expenditure decreased by 1.87% points from FY26.



RE: Revised Estimates
BE: Budget Estimates

Source: Budget at a Glance- Expenditure of major items

Post Sindoor, major boost for defence

With the highest-ever outlay of ₹7.85 lakh crore, Budget underlines resolve to upgrade military capabilities to global standards, with a strategic emphasis on self-reliance; capex allocation up 22% to ₹2.19 lakh crore, and 75% of it will be spent on domestic procurement

Saurabh Trivedi
NEW DELHI

In a decisive push to strengthen national security in the aftermath of Operation Sindoor and focus on indigenous defence production, the Union Budget has allocated a record ₹7.85 lakh crore to defence services, marking the highest-ever outlay for the sector.

The allocation accounts for 2% of the estimated GDP for the financial year 2026-27, and reflects a 15.19% increase over the Budget Estimates for the current year.

Defence spending now constitutes 14.67% of the Union government's total expenditure, the highest among all Ministries.

Shot in the arm: Defence spending now constitutes 14.67% of the Union government's total expenditure. ANI

The Defence Ministry said the enhanced allocation was aimed not only at accelerating the modernisation of the armed forces and meeting routine operational requirements but also at addressing additional financial needs arising from emergency procurement of arms and ammunition undertaken after Operation Sindoor, under both capital and revenue heads.

Capital expenditure has been raised sharply to ₹2.19 lakh crore from ₹1.8 lakh crore in 2025-26, underlining the government's resolve to upgrade military capabilities to global standards, with a strategic emphasis on self-reliance.

Of the Ministry's total allocation, 27.95% has been earmarked for capital expenditure, 20.17% for operational sustenance and preparedness, 26.4% for pay and allowances, 21.84% for defence pensions, and 3.64% for civil organisations.

Capital allocation to the defence forces has risen almost 22% from the previous year's Budget Estimates, to ₹2.19 lakh crore. Within this, ₹1.85 lakh crore has been set aside for capital acquisition, nearly 24% higher than last year's. The Ministry has already concluded contracts worth ₹2.1 lakh crore during the current year up to December, with Acceptance of Necessity approvals exceeding ₹3.5 lakh crore. Upcoming projects include next-generation fighter aircraft, ships, submarines, UAVs, drones, smart weapons, and specialist vehicles.

Local push

A major thrust has been placed on indigenisation, with ₹1.39 lakh crore, or 75% of the capital acquisition budget, earmarked for procurement from domestic industries, boosting self-reliance, investment and job creation, the Ministry added. Revenue expenditure has been enhanced to ₹3.65 lakh crore, while allocations for border infrastructure, veterans' healthcare, research and development, and pensions have seen notable increases.

Union Defence Minister Rajnath Singh thanked Prime Minister Narendra Modi for the historic allocation, saying that the Budget strengthens the balance between security, development, and self-reliance.

Mr. Singh said the post-Operation Sindoor Budget reinforced the government's resolve to bolster national security, enhance military capabilities, and ensure the welfare of ex-servicemen, while advancing the vision of an *Aatmanirbhar* (self reliant) and *Viksit* Bharat.

Quality of defence spending up

The share of revenue expenditure in overall defence outlay dropped while share of capital expenditure increased, leading to an improvement in quality of defence expenditure

Table 1: Share of capital and revenue expenditure in total defence sector outlay

Year	Capital %	Revenue %
FY20	25.62	74.38
FY21	28.81	71.19
FY22	28.92	71.08
FY23	26.33	73.67
FY24	27.00	73.00
FY25	26.83	73.17
FY26(RE)	26.95	73.05
FY27(BE)	29.44	70.56

Table 2: Allocations for various schemes as a share of Space Ministry's total Budget (In %)

Year	Department of Space	Space tech*	Space applications^	Space sciences#
FY20	13,017.61 cr.	68.16%	13.79	2.09
FY21	9,474.41 cr.	69.21%	12.35	1.98
FY22	12,473.84 cr.	71.14%	9.65	1.53
FY23	10,139.43 cr.	75.41%	12.51	1.13
FY24	10,704.07 cr.	75.51%	13.78	1.02
FY25	10,949.4 cr.	75.54%	14.27	0.99
FY26	12,448.6 cr.	77.13%	12.82	1.48
FY27(BE)	13,705.63 cr.	75.86%	12.59	4.16

Table 3: Allocations for various schemes as a share of the Science Ministry's total Budget (In %)

Year	Total (In ₹ cr.)	Science and tech	Biotech	Scientific and Industrial Research
FY20	12,637.43	42.8	18.7	38.5
FY21	11,351.48	43.1	19.9	37.0
FY22	13,113.98	39.2	21.7	39.1
FY23	12,333.14	36.0	16.6	47.5
FY24	11,558.58	34.6	12.7	52.7
FY25	13,197.67	38.0	14.9	47.0
FY26 (BE)	21,185.19	56.3	13.4	30.4
FY27 (RE)	38,260.94	73.3	9.0	17.7

***Space tech:** Vikram Sarabhai Space Centre, ISRO Inertial Systems Unit, Liquid Propulsion Systems Centre, Satish Dhawan Space Centre, Human Space Flight Centre etc

^Space applications: Space Applications Centre, National Remote Sensing Centre, Indian Institute of Remote Sensing etc

#Space sciences: Aditya-L1, Chandrayaan-3, X-Ray Polarimeter Mission & Space Docking Experiment etc

New I-T Act to take effect from April 1

The Hindu Bureau
NEW DELHI

During her Budget presentation on Sunday, Finance Minister Nirmala Sitharaman informed that the Income Tax Act of 2025 would be coming into effect from April this year, with the forms and rules to be notified "shortly", provisioning "adequate time" for taxpayers to acquaint themselves with the requirements.

Further, Ms. Sitharaman said that the forms had been redesigned in such a way that ordinary citizens would be able to comply without any difficulty.

The Finance Minister had proposed to overhaul the six-decade-old Income Tax Act of 1961, in her Budget presentation last year.

The objective was to make the direct tax law "concise, lucid, easy to read and understand," the Finance Minister had stated then.

Banking sector set for sea change; PFC, REC to be restructured

Lalatendu Mishra
Saptaparno Ghosh
MUMBAI/DELHI

The Indian banking sector is heading for a major change with Finance Minister Nirmala Sitharaman proposing to set up a 'High Level Committee on Banking for Viksit Bharat' to enable the sector lend differently.

She said the committee will comprehensively review the financial sector and align it with India's next phase of growth, "while safeguarding financial stability, inclusion and consumer protection."

"Indian banking sector today is characterised by strong balance sheets, historic highs in profitability, improved asset quality and coverage exceeding 98% of villages in the country," she said while presenting the Budget.

Lending a hand: The High Level Committee on Banking for Viksit Bharat will enable the sector lend differently. FILE PHOTO

"High Level Committee to reform banks to suit Viksit Bharat is a clear call to privatisation of public sector banks. Private banks work for profit and not priority-sector lending, rural credit access, and financial inclusion areas where public banks historically play a stabilising role," Amarjeet Kaur, General Secretary, All India Trade Union Congress, said in a statement.

"The Finance Minister mentioned about rural branches in 98% villages but does not recognise that this was possible because of nationalised banking," she added.

Also, keeping the future requirement in mind the budget has proposed to restructure the Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to achieve scale and improve efficiency in public sector NBFCs.

Abhishek Nath, Sector Head for Energy and Power at the think-tank CSTEP, said the move would help NBFCs align with present requirements. "Today, we have to look at various technologies, including RE and nuclear generation, as well as transmission and storage," he stated.

New rural jobs scheme gets over ₹95,000 crore

Experts say the allocation is insufficient to provide 125 workdays to all workers and government will need an outlay of ₹2.3 lakh crore; ₹30,000 crore has also been set aside for MGNREGS

Sobhana K. Nair
NEW DELHI

The budget for rural employment schemes saw a 43% hike, with allocation of ₹95,692.31 crore for the new scheme under the Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) (VB-G RAM G) Act, 2025 and ₹30,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

Together, the allocation for both rural employment schemes stands at ₹1,25,692.31 crore, compared with the Revised Estimate of ₹88,000 crore for the MGNREGS in 2025-26. However according to activists, the allocation is not expected to meet the government's own target of providing 125 workdays to all workers enrolled under the MGNREGS.

Calculations show that to meet this commitment, the government would need to allocate ₹2.3 lakh crore.

Budget boost: There are about 8.65 crore active job card holders eligible to work under the VB-G RAM G scheme. G. MOORTHY

The VB-G RAM G Act replaces the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005.

There are approximately 8.65 crore active job card holders who can demand work under the scheme.

"If all active job card holders are provided 125 days of employment, and the average cost per person per day is ₹355, the total expenditure required would be ₹3,83,844 crore. At a 60:40 cost-sharing ratio, the Government of India's share would amount to approximately ₹2.3 lakh crore, with the remaining share to be borne by the states," Chakradhar Budhha, a senior researcher at LibTech India, a consortium of activists and academics, said.

The new law has not yet been notified; once it is, State governments will have six months to roll out their version of the scheme.

In the interim, the MGNREGS will continue. The budgetary allocation of ₹30,000 crore is intended to clear the last financial year's liabilities and cover ongoing expenditure.

Union Rural Development Minister Shivraj Singh Chouhan described the Budget as "historic," claiming a 21% hike in allocation for rural development, from ₹1,91,406 crore in 2025-26 to ₹2,31,423 crore in 2026-27.

The Minister highlighted that the total allocation for the MGNREGS in 2025-26 was ₹86,000 crore, while the Centre's share for the coming year has crossed ₹95,600 crore and will exceed ₹1,51,000 crore once States' contributions are included.

"This is unprecedented and historic in itself, as it will give new momentum to rural India," he said.

He added that, in line with the 16th Finance Commission's recommendations, panchayats will directly receive over ₹55,900 crore.

Budget allocation for J&K 'marginally' up from FY26; Ladakh sees 27% increase

Modest hike of ₹2,000 cr. in Central allocations falls far short of addressing region's long-standing developmental gap or providing stimulus required for revival of existing industrial units: FCIK

Peerzada Ashiq
SRINAGAR

The Union Budget 2026-27 has evoked mixed reactions from political parties and industry stakeholders in Jammu and Kashmir.

Jammu and Kashmir was allocated ₹43,290.29 crore, an increase of nearly ₹2,000 crore this financial year compared to ₹41,000 crore allocated in 2025-26. Ladakh's allocation stood at ₹7,377.43 crore, which included ₹5,029 crore in revenue and ₹2,347.73 crore in capital. It is an increase of around 27% compared to 2025-2026 when Ladakh got ₹4,692.15 crore.

"The modest increase of ₹2,000 crore in Central allocations falls far short of addressing the region's long-standing developmental gap or providing the stimulus required for revival of existing industrial units," said Shakeel Qalander, member of the Federation of Chambers of Industries Kashmir (FCIK).

J&K L-G Manoj Sinha said the new developmental projects would invigorate the tourism industry in Kashmir. IMRAN NISSAR

"Despite its significant potential in MSMEs, textiles, handicrafts, agro industries and exports, Jammu and Kashmir has faced persistent structural challenges, compounded by prolonged spells of disturbance and, more recently, the 2019 reorganisation and the COVID-19 pandemic," the FCIK said.

"From a region-specific point of view, it is not as per our expectations in terms of industries, especially considering that Jammu and Kashmir is a conflict zone," Rahul Sahai, chairman of the Indian Chamber of Commerce and Industries-J&K, said. "Overall, it is progressive and sustainable for the country," he added.

Ruling National Conference leader and Minister Satish Sharma termed the hike in the Central allocation "peanuts". "In the wake of the Pahalgam attack and its impact on the economy, we were expecting a ₹5,000-crore Central package," Mr. Sharma said.

Peoples Democratic Party (PDP) leader Firdous Tak said the Budget allocation stood in clear contradiction to what Chief Minister Omar Abdullah had been telling the people. "Out of the total ₹43,290.29 crore, nearly ₹42,650 crore is Central assistance meant largely to cover the Union Territory's revenue deficit. This is not a growth-oriented package but a continuation of dependency, where Jammu and Kashmir is kept afloat through grants instead of being empowered through fiscal autonomy and productive investment," Mr. Tak said.

BJP welcomes Budget

Lieutenant-Governor Manoj Sinha and BJP leaders welcomed the Budget and allocation for Jammu and Kashmir.

"The Budget is pragmatic and prioritises economic acceleration, creates future-ready infrastructure, sustains growth momentum and charts the path to $5 trillion economy milestone," Mr. Sinha said.

On development of ecologically sustainable mountain trails in Jammu and Kashmir, he said the initiative would generate fresh employment opportunities and invigorate tourism industry with renewed enthusiasm.

TOTAL ALLOCATION FOR RURAL JOBS STANDS AT Rs 1.25-LAKH CR

No mention in speech but Rs 95K cr to VB-G RAM G

MGNREGS gets Rs 30K crore for next FY, to be replaced once new scheme comes into effect

Harikishan Sharma

THE VIKSIT Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin), or VB-G RAM G Scheme, which is poised to replace the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), did not find a mention in Union Finance Minister Nirmala Sitharaman's Budget speech but has received an allocation of Rs 95,692.31 crore for the financial year 2026-27.

Sitharaman has also allocated Rs 30,000 crore for MGNREGS for the next financial year beginning April 1 – which will be replaced once VB-G RAM G comes into effect. Taken together, the aggregate allocation for rural job programmes will amount to Rs 1,25,692.31 crore.

The allocation of MGNREGS has been revised upward to Rs 88,000 crore for the current financial year at the revised estimate (RE) stage – from Rs 86,000 crore budgetary estimate (BE) of 2025-26.

In December last year, the Union government enacted the VB-G RAM G Act, 2025, which will replace the two-decade-old MGNREGA, 2005 enacted by the then UPA government. The VB-G RAM G scheme's allocation is the same as mentioned in the Bill itself.

Unlike MGNREGS, where the Centre paid 100 per cent of the wage bill, the VB-G RAM G is a Centrally sponsored scheme with the fund sharing ratio of 60-40 between the Centre and States, 90-10 for NER States, Himalayan States & UTs with legislature and 100 per cent Central share for Union Territories without legislature.

The VB G RAM G is aimed at providing statutory guarantee of125 days of wage employment in every financial year to every rural household, whose adult members volunteer to undertake unskilled manual work.Under MGNREGS, 5.01 crore families have availed unskilled work till February 1 during the current financial year 2025-26.

Among the other schemes of the Ministry of Rural Development, the allocation of Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) has been drastically cut to Rs 32,500 crore at the RE stage for the current financial year, from Rs 54,832 crore in the BE. For the financial year 2026-27, Sitharaman has allocated Rs 54,916.7 crore for the PMAY-G.

Similarly, Pradhan Mantri Gram Sadak Yojana (PMGSY) too saw a huge cut at the RE stage. The allocation of the PMGSY has been revised to Rs 11,000 crore in the RE, down from Rs 19,000 crore for the BE 2025-26. For the next financial year (2026-27), the PMGSY's allocation has been kept at Rs 19,000 crore. The allocation of the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) has also been revised downward to Rs 16,000 crore in the RE from Rs 19,005 crore in BE 2025-26. For the next financial year, the allocation of the DAY-NRLM has been kept at Rs 19,200 crore.

The budgetary allocation of the National Social Assistance Programme (NSAP), which include Indira Gandhi National Old Age Pension and widow pension and disability pension schemes, has been kept at Rs 9,671 crore for the next financial year, marginally up from the current year's budgetary allocation of Rs 9,652 crore.

• MGNREGA Report Card

Year	Fund Released	Person-days generated
2015-16	₹37,341 cr	235 cr
2016-17	₹48,219 cr	236 cr
2017-18	₹55,166 cr	233 cr
2018-19	₹61,830 cr	255 cr
2019-20	₹71,688 cr	264 cr
2020-21	₹1,11,171 cr	389 cr
2021-22	₹98,468 cr	363 cr
2022-23	₹90,811 cr	294 cr
2023-24	₹89,268 cr	309 cr
2024-25	₹85,839 cr	286 cr
2025-26*	₹68,394 cr	186 cr

Source: PIB, MGNREGA website, *As on 26.11.2025

E. EXPLAINED

Centre yet to notify rules under 2025 Act

The Centre has earmarked Rs 95,692.31 crore for the VB-G RAM G scheme, signalling that the new programme is likely to be rolled out from the next financial year. However, the actual utilisation of this allocation will depend on the date on which the scheme is implemented. The Ministry of Rural Development has yet to notify the rules under the VB-G RAM G Act, 2025, as well as the operational guidelines for the scheme.

Rare earth corridors to cut China imports

The govt. will support mineral-rich Odisha, Kerala, Andhra Pradesh, and Tamil Nadu in establishing such corridors; China's dominance in rare earths stems not only from resource availability but more so from its long-standing strength in mining and research capacity

The Hindu Data Team
CHENNAI

Finance Minister Nirmala Sitharaman announced in her Union Budget 2026 speech that the government will support the mineral-rich States of Odisha, Kerala, Andhra Pradesh, and Tamil Nadu in establishing rare earth corridors to promote the mining, processing, research, and manufacturing of critical minerals.

This announcement comes as China – the dominant force in rare earth production and exports – leverages its mining industry as a strategic bargaining chip in its ongoing tariff war with the U.S. While the U.S. is the second largest importer of Chinese rare earths after Japan, India depends heavily on its neighbour for these materials.

The chart shows India's total rare earth imports over the years and China's share in India's imports. India's rare earth imports increased from $14.1 million in 2014 to $17.5 million in 2024. Over 45% of these minerals come from China.

China's dominance in rare earths stems not only from resource availability but more so from its long-standing strength in mining and research capacity. Rare earth elements (REEs), despite the name, are not particularly scarce.

According to the International Energy Agency (IEA), they comprise 17 metals, typically grouped into light rare earths (LREEs) – including lanthanum, cerium, praseodymium, neodymium, samarium and europium – and heavy rare earths such as gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium, scandium and yttrium.

Critical components

Promethium is not included in the list as it is radioactive and does not occur in mineable quantities. They are critical components in clean energy technologies such as electric vehicles and wind turbines, as well as in defence applications.

Rare earths are essential for high-tech devices including smartphones and hard drives.

Although rare earth deposits exist in countries such as Brazil, Australia, and India, China holds nearly half of the global reserves.

China is the world's largest producer, contributing over 60% of global production in the last five years.

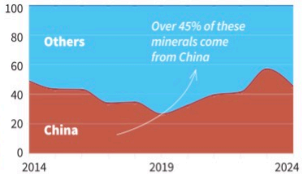
Beyond extraction, China dominates the value chain with around 92% of global refining capacity, according to the IEA.

Moreover, in the last five years, China has been the largest exporter, supplying close to 30% of global demand.

Bargaining chip

The announcement about rare earth corridors comes at a time when China is leveraging its mining industry as a strategic bargaining chip with the U.S. The chart shows China's share (%) in India's total rare earth imports

Top source: China is world's largest producer of rare earths, contributing over 60% of global production. REUTERS



India's rare earth imports have been increasing over time from $14.1 million in 2014 to $17.5 million in 2024. | SOURCE: UNCOMTRADE

Trump says India to resume purchases of Venezuelan oil

The move follows U.S. pressure on India to curb purchases of Russian oil amid tariffs; it reflects improved U.S.-India relations; China is welcome to make a deal to buy Venezuelan oil, says Trump

Reuters
ABOARD AIR FORCE ONE

U.S. President Donald Trump on Saturday said India would buy Venezuelan oil, helping to replace some of the Russian oil that the world's third-biggest oil importer buys.

"We've already made that deal, the concept of the deal," Mr. Trump told presspersons aboard Air Force One as he travelled to his vacation home in Florida from Washington.

Reuters reported on Friday that the United States had told Delhi it could soon resume purchases of Venezuelan oil to help replace imports of Russian oil, citing three people familiar with the matter.

India stopped buying oil from Caracas last year after Mr. Trump, in March, imposed a 25% tariff on countries buying Venezuelan oil.

In his comments on Saturday, Mr. Trump said India would buy Venezuelan oil instead of Iranian crude. However, New Delhi stopped loading oil from Iran in 2019 due to U.S. sanctions over Tehran's nuclear programme.

Indian refiners turned to U.S. oil to make up for the loss of Iranian supply, then curbed U.S. purchases and became the top buyer of Russian seaborne oil sold at a discount after Western nations imposed sanctions on Moscow for its invasion of Ukraine in 2022.

Mr. Trump in August doubled duties on imports from India to 50% to pressure New Delhi to stop buying Russian oil, and earlier this month said the rate could rise again if it did not curb its purchases.

However, Treasury Secretary Scott Bessent signaled in January that the additional 25% tariff on Indian goods could be removed, given what he called a sharp reduction in Indian imports of Russian oil.

The U.S. government this week lifted some sanctions on Venezuela's oil industry to make it easier for U.S. companies to sell its crude oil.

'China is welcome'

Mr. Trump's comments on Saturday appeared to reflect continued improvement in U.S.-India relations, which have been tense throughout the past year. He also said China could make a deal with the U.S. to buy Venezuelan oil. "China is welcome to come in and would make a great deal on oil," he said, without providing any details.

Strategic move: Donald Trump speaking to presspersons aboard Air Force One on Saturday. AFP

Cong. takes dig at Centre after Trump's remark

NEW DELHI

The Congress on Sunday took a swipe at the Modi government over U.S. President Donald Trump's remarks that India is going to buy oil from Venezuela, saying the American leader continues to give "information on what our own government has done or will be doing". PTI

Reopening of Gaza's Rafah crossing expected today, say Israeli officials

The crossing will initially operate for pedestrian movement only, coordinated between Israel, Egypt, and EU; priority to be given to Palestinians needing medical treatment abroad; reopening aligns with first phase of Trump's plan to end the war

Reuters
JERUSALEM/CAIRO

Gaza's main border crossing in Rafah will reopen for Palestinians on Monday, Israel said, with preparations under way at the war-ravaged enclave's main gateway that has been largely shut for almost two years.

Before the war, the Rafah border crossing with Egypt was the only direct exit point for most Gazans to reach the outside world as well as a key entry point for aid into the territory. It has been largely shut since May 2024 and under Israeli military control on the Gazan side.

Lengthy wait: Ambulances wait on the Egyptian side of the Rafah border crossing with Gaza, in northeastern Egypt on Sunday. AFP

COGAT, the Israeli military unit that oversees humanitarian coordination, said the crossing will reopen in both directions for Gaza residents on foot only and its operation will be coordinated with Egypt and the European Union.

"Today, a pilot is under way to test and assess the operation of the crossing. The movement of residents in both directions, entry and exit to and from Gaza, is expected to begin tomorrow," COGAT said in a statement.

A Palestinian official and a European source close to the EU mission confirmed the details.

Israel has said the crossing would open under stringent security checks only for Palestinians who wish to leave the war-ravaged enclave and for those who fled the fighting in the first months of the war to return.

Many of those expected to leave are sick and wounded Gazans in need of medical care abroad. The Palestinian Health Ministry has said that there are 20,000 patients waiting to leave Gaza.

Reopening the border crossing was a key requirement of the first phase of U.S. President Donald Trump's plan to end the Israel-Hamas war.

But the ceasefire, which came into effect in October after two years of fighting, has been repeatedly shaken by rounds of violence.

Israeli attacks in Gaza have killed more than 500 Palestinians since the ceasefire, local health officials say, and Palestinian militants have killed four Israeli troops, according to Israeli authorities.

On Saturday, Israel launched some of its most intense air strikes since the ceasefire, killing at least 30 people.