

# Demand for Grants 2025-26 Analysis

## Housing and Urban Affairs

As per Entry 5 of the State List of the Constitution, states can make laws on local government. The 74<sup>th</sup> Amendment to the Constitution gave a broad governance framework for municipalities and listed some functions that states can devolve to municipalities. The Ministry of Housing and Urban Affairs is the apex authority formulating policies and programmes related to urban development and urban housing. It provides technical and financial support to states through its schemes and programmes.<sup>1</sup> 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.<sup>1</sup>

This note examines the proposed budget allocations for 2025-26 to the Ministry of Housing and Urban Affairs and looks at some related issues.

### Overview of Finances

#### Allocation in 2025-26

In 2025-26, the Ministry has been allocated Rs 96,777 crore, which is 52% higher than the revised estimate of 2024-25.<sup>2</sup> This is about 1.9% of the total central government expenditure (0.3% of GDP). The Ministry plans to spend 61% of its total budget on revenue items and the remaining on capital items. In 2024-25, revenue expenditure at the revised estimate stage was 41% less than the budget estimate for the year (Rs 53,948 crore). This was primarily on account of underspending on PM Awas Yojana – Urban (55% underutilisation).

**Table 1: Allocation towards the Ministry of Housing and Urban Affairs (in Rs crore)**

	2023-24 Actuals	2024-25 RE	2025-26 BE	% change RE 24-25 to BE 25-26)
Revenue	42,124	32,008	59,154	85%
Capital	26,441	31,662	37,623	19%
<b>Total</b>	<b>68,565</b>	<b>63,670</b>	<b>96,777</b>	<b>52%</b>

Note: BE- Budget Estimates; RE- Revised Estimates.

Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget 2025-26; PRS.

### Key Expenditure Heads

The Ministry has allocated 36% of its total budget for development of mass rapid transport systems and metro projects in urban areas. The PM Awas Yojana – Urban receives the second highest allocation (24%) under the Ministry (see Table 2).

Other schemes implemented by the Ministry include: (i) Atal Mission for Rejuvenation and Urban Transformation (AMRUT), which seeks to improve delivery of basic amenities in cities, (ii) Smart Cities Mission, which seeks to develop 100 smart cities, (iii) Swachh Bharat Mission – Urban (SBM-U), and (iv) PM Street Vendor's Atmanirbhar Nidhi (PM SVANIDHI), which seeks to provide financial assistance to street vendors. In addition, Rs 10,000 crore has been allocated for the Urban Challenge Fund.

**Table 2: Allocation towards key schemes under the Ministry (in Rs crore)**

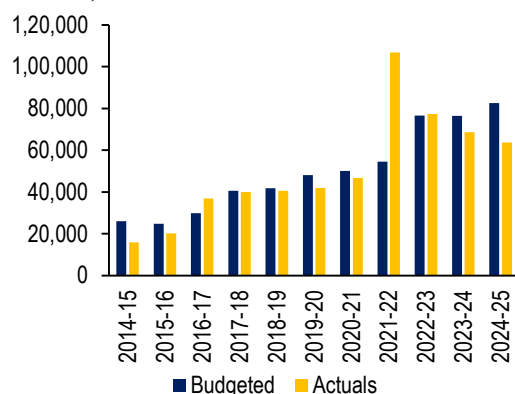
	2023-24 Actuals	2024-25 RE	2025-26 BE	% change RE 2024-25 to BE 2025-26)
MRTS and Metro Projects	23,102	28,613	34,807	22%
PMAY- Urban and PMAY 2.0	21,684	15,170	23,294	54%
AMRUT	5,591	6,000	10,000	67%
Urban Challenge Fund	-	-	10,000	-
Smart Cities Mission	7,982	2,000	-	-
Swachh Bharat Mission - Urban	2,392	2,159	5,000	132%
Scheme for Industrial Housing	-	-	2,500	-
PM e-bus Sewa	1	500	1,310	162%
PM-SVANIDHI	445	450	373	

Note: BE- Budget Estimates; RE- Revised Estimates; AMRUT is Atal Mission for Rejuvenation and Urban Transformation; PM SVANIDHI is PM Street Vendor's AtmaNirbhar Nidhi; PMAY is PM Awas Yojana – Urban.

Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget 2025-26; PRS.

### Fund Utilisation

Since 2012-13, in most years, the Ministry has not utilised the entire amount estimated at budget stage. The exception was in 2021-22 when the Ministry's total expenditure increased by 96% (Rs 52,259 crore) due to increased spending on PM – Awas Yojana Urban (Rs 51,963 crore). This was a part of the government's stimulus to the economy under the Atmanirbhar schemes during Covid.<sup>3</sup>

**Figure 1: Allocation and utilisation of funds (in Rs crore)**

Note: For 2024-25, revised estimates taken as Actuals.

Sources: Expenditure Budget, Ministry of Housing and Urban Affairs, Union Budget of various years; PRS.

## Urbanisation in India

As of 2011, about 31% (377.1 million) of the country's population lived in urban areas.<sup>4</sup> A High-Level Committee on Urban Planning (Chair: Mr. Keshav Varma), set up in 2022, noted that by 2050, over 50% of the country's population will be living in urban areas.<sup>5</sup> The Census of India classifies urban areas as following:<sup>6</sup>

- **Census towns** are places (i) with a minimum population of 5,000 persons, (ii) having at least 75% of its working population engaged in non-agricultural pursuits, and (iii) with a population density of at least 400 per square km.
- **Statutory towns** are places with a municipality, corporation, cantonment board or notified town area committee. In 2011, there were 4,041 statutory towns in the country.
- An **Urban Agglomeration (UA)** is a continuous urban spread constituting a town and its adjoining Out Growths. It must consist of at least a statutory town and its total population should not be less than 20,000 as per the 2001 Census. Examples include Greater Mumbai UA, Delhi UA, etc.
- An **Out Growth (OG) of a town** possesses urban features in terms of infrastructure and amenities such as pucca roads, electricity, sewage, etc., and is physically contiguous with the core town of the UA.

As of 2011, about 84.5% of the urban population lived in statutory towns, while 14.4% lived in census towns (see Table 9 in Annexure for state-wise urbanisation levels). Most of the urban growth takes place outside the boundaries of statutory towns in absence of planned urban services and without development regulations in place.<sup>5</sup> Between 2001 and 2011, the number of census towns has grown by 186% as compared to a 6% growth in statutory towns. The 2022 High Level Committee had recommended that states

should constitute statutory planning authorities and expand their boundaries to cover all urban and urbanising areas.<sup>5</sup>

According to a report by Niti Aayog (2022), Indian cities contribute about 60% to the country's GDP.<sup>7</sup> The report (2022) also observed that with each percentage point increase in the share of urban population in a district, the district GDP may increase by 2.7%.<sup>7</sup> Cities generate agglomeration economies by bringing together firms and workers and increasing productivity through several channels.<sup>7</sup>

However, the report (2022) also observed that the benefits of such agglomeration economies are limited to large cities such as Bengaluru, Delhi, Chennai, Mumbai, Kolkata, Hyderabad, and Pune.<sup>7</sup> Growth in other cities is being affected by factors such as (i) inadequate investment in urban infrastructure, (ii) overlap and fragmentation of responsibilities between ULBs and parastatals, and (iii) lack of business and investment friendly environment in urban and peri urban areas.<sup>7</sup> In addition, the urban-rural linkages also aid in development of rural areas.<sup>8</sup> For instance, urban areas offer better markets and opportunities for income diversification. Rural areas also provide a pool of labour to urban areas. Therefore, investment in urban infrastructure which spur economic growth in cities also impacts rural incomes in peri-urban and rural areas.

## Issues for Consideration

### Unplanned development and expansion

According to Niti Aayog, out of the 7,933 urban towns (including census and statutory towns), only 28% (2,216) of the total towns had approved master plans in 2021 (see Table 3).<sup>9</sup> The absence of master plans leads to haphazard development and construction, traffic congestion, flooding, piecemeal interventions, and urban sprawl.<sup>9</sup>

**Table 3: Master plan status for census and statutory towns, 2021**

Category of Town	No of Towns	Approved master plans	Master plans under preparation	% towns without master plan
Statutory Towns	4,041	1,566	359	52%
Census Towns	3,892	650	268	76%
<b>Total</b>	<b>7,933</b>	<b>2,216</b>	<b>627</b>	<b>64%</b>

Source: Reforms in Urban Planning Capacity in India, Niti Aayog, September 2021; PRS.

### Technical capacity of urban local bodies

Niti Aayog (2021) observed that the number of urban planners in the country is inadequate.<sup>9</sup> It estimated an additional requirement of 8,268 town planners.<sup>9</sup> The 2022 High Level Committee had

estimated the requirement of 20,000 urban planners by 2030, as against the current availability of less than 2,000 urban planners.<sup>5</sup> It noted that the ratio of urban planners to urban population is low and it ranges from 1:5,00,000 to 1:10,00,000 against a recommended ratio of 1:30,000 to 1:50,000.<sup>5</sup>

To improve the technical capacity, the 2022 High Level Committee recommended allocating funding to states to hire more urban planners and multi-disciplinary experts.<sup>5</sup> It also recommended that states amend their town planning laws and restructure their town planning departments based on model guidelines to be set by the Centre.

### Financial capacity of urban local bodies

Urban local bodies need adequate finances to effectively perform the functions devolved to them. However, Indian cities face a mismatch between their revenue generating capacities and their growing expenditure needs.<sup>10</sup> This mismatch has led to Indian urban local bodies becoming the weakest in the world in terms of fiscal autonomy.<sup>10</sup>

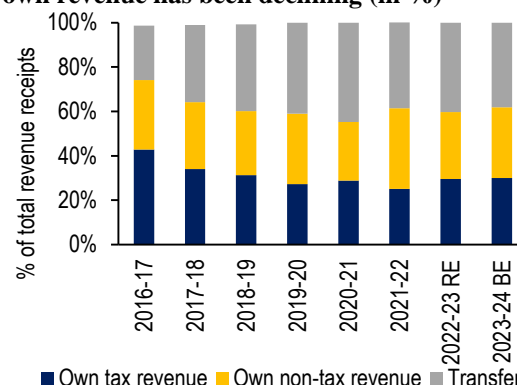
Municipal revenues/expenditures have stagnated at about 1% of the GDP for more than ten years.<sup>10</sup> In comparison, the municipal expenditures/revenues of Brazil and South Africa stand at 7.4% and 6% of their respective GDP.<sup>10</sup> In 2023-24, the revenue receipts of Municipal Corporations stood at 0.6% of GDP, lower as compared to the revenue receipts of the state governments (14.6% of the GDP) (see Table 10 in Annexure for state-wise status of municipal corporation receipts).<sup>11</sup>

Own tax revenue of municipal corporations have declined from 43% of their revenue receipts in 2016-17 to 30% of their revenue receipts in 2023-24 (BE) (see Figure 2).<sup>11</sup> Although declining, tax revenue still forms a major share of own revenue for municipal corporations. It includes revenue from sources such as property tax, water tax, electricity tariff, professions tax, entertainment tax, and advertisement tax (some of which were subsumed under GST, see box on impact of GST).<sup>10</sup> Urban local bodies generate most of their revenue from property taxes. India compares poorly with other OECD nations in terms of revenue collection from urban immovable property tax.<sup>12</sup> While the average collection from property tax as a proportion of GDP was about 1.1% in OECD group and 0.7% in developing countries, in India this ratio was only about 0.2%.<sup>12</sup>

In comparison, the share of transfers from the Centre and state governments to urban local bodies has increased from 24% in 2016-17 to 38% in 2023-24.<sup>11</sup> RBI (2024) noted that this indicates a rising dependence of municipal corporations on the upper tiers of government.<sup>11</sup> It also noted that limited fiscal autonomy to adjust tax rates and user charges, along with staff shortages and poor

coverage lead to poor service delivery in urban areas.<sup>11</sup>

**Figure 2: Municipalities' ability to raise their own revenue has been declining (in %)**



Sources: Report on Municipal Finances, Reserve Bank of India; PRS.

#### Impact of GST introduction on Municipal Finances

Several municipal taxes such as entry tax, octroi, entertainment tax, and advertisement tax were subsumed under GST in 2017. This had an impact on the own revenue sources of ULBs.<sup>11</sup> The share of own-tax revenue to total revenue has come down for municipal corporations in the post-GST period starting from 2017-18 (see Figure 2). The Goods and Services Tax (Compensation to States) Act, 2017 provided for compensation to States for revenue loss arising due to implementation of GST. However, local governments were not provided with such compensation.<sup>11</sup> Some states like Maharashtra announced compensation for octroi losses and Kerala for entertainment tax losses.<sup>11</sup>

### Governance issues/overlap of powers

The Twelfth Schedule of the Constitution lists 18 functions to be devolved to the local bodies. These include functions such as (i) urban planning, (ii) water supply for domestic, industrial, and commercial purposes, (iii) slum improvement and upgradation, (iv) poverty alleviation, and (v) provision of public amenities like street lighting, parking lots, bus stops. However, the devolution of these functions depends on the respective state governments. Prior to the 74<sup>th</sup> Amendment these functions were carried out by civic agencies (or parastatals) under the state government (examples include the State Sanitation and Sewerage Boards, Slum Clearance Boards, Town and Country Planning Departments). Following the 74<sup>th</sup> Amendment, while states have passed laws creating urban local bodies, these parastatals also continue to exist. These parastatals function independently of the urban-local bodies and are directly accountable to the state governments.<sup>13</sup> Thus municipal functions are still being carried out by state appointed parastatals instead of the elected municipal representatives, defeating the purpose of devolution envisaged in the Constitution. In some cases, there also may be an overlap in the functions

devolved to the municipal bodies and the functions being carried out by the parastatals.

The municipal governance structures proposed under the 74<sup>th</sup> Amendment have also not been carried out fully. For example, the Constitution mandates the setting up of a Metropolitan Planning Committee (MPC) in every metropolitan area. However, a study prepared for the 15<sup>th</sup> Finance Commission (2019) had observed that in most cities, development planning is carried out by development authorities (parastatals).<sup>10</sup> It also noted that the overlap of planning functions has rendered MPCs defunct in most metropolitan areas.<sup>10</sup>

### Urban transportation

The Ministry of Housing and Urban Affairs is the nodal Ministry which looks after planning and coordination of urban transportation.<sup>14</sup> The National Transport Development Policy Committee (NTDPC, 2014) had observed that investment in transport is an economic driver in itself.<sup>15</sup> NTDPC (2014) had observed that very few cities in India have organised, registered, and regulated public transport.<sup>18</sup> It had also noted that there is lack of conclusive data on the modal transport share in urban areas.<sup>18</sup> According to the 2011 census, walking (24%) is the most prominent mode of commute among the urban working population (see Table 4).<sup>6</sup>

**Table 4: Mode of commute to work among the urban working population**

Mode of travel to work place	% share
No travel	24.5%
On foot	23.6%
Scooter/Motor Cycle	16.0%
Train and Bus	15.2%
Bicycle	13.3%
Car/Jeep/Van	3.5%
Others	3.9%

Sources: Census of India, 2011; PRS.

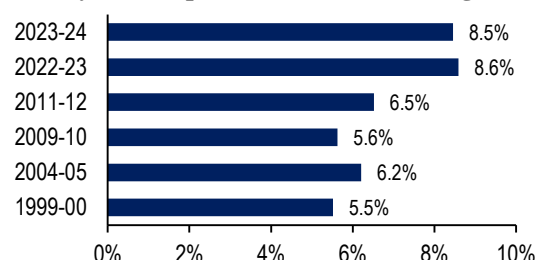
The National Institute of Urban Affairs had noted that many cities in India are unable to meet the increasing demand of travel due to the imbalance in modal split and inadequate transport infrastructure.<sup>16</sup> NTDPC (2014) had also observed that urban transport remains inadequate, infrequent, and unreliable.<sup>15</sup>

The number of registered vehicles has grown at an annualised growth rate of 9.2% between 2003 and 2022.<sup>17</sup> While the number of registered two-wheelers and cars, jeeps, and taxis have grown at 9.4% and 9.6% respectively, the growth in the number of buses in the country has been lower at 5.9%. In 2022-23, there were 31.2 crore two and four-wheelers and 21 lakh buses. NTDPC (2014) had recommended strategic investment in public transport and pedestrian infrastructure with a focus

on retaining a sustainable mix of different transport.<sup>15</sup>

In 2023-24, an average urban household spent 8.5% of their total consumption on conveyance.<sup>18</sup> Conveyance contributed the highest share in non-food expenditure, followed by entertainment (6.9%), durable goods (6.9%), and rent (6.6%).<sup>18</sup> In 2023-24, an urban household had a monthly per capita expenditure of Rs 6,996. Of this, Rs 592 was spent on conveyance.<sup>18</sup> The share of conveyance in the total consumption basket in urban areas has also increased between 1999-00 to 2023-24 (see Figure 3).

**Figure 3: Expenditure on conveyance in monthly consumption has been increasing**

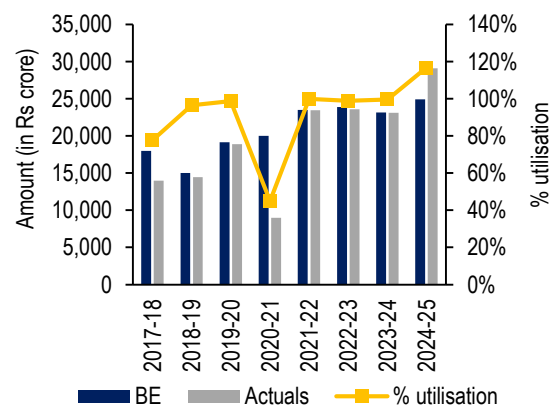


Sources: Household Consumption and Expenditure Survey, 2023-24, MoSPI; PRS.

### Expenditure on metro and mass rapid transport constitutes the highest expenditure by the Ministry

In 2025-26, the Ministry is estimated to spend 36% (Rs 34,807 crore) of its total budget on Mass Rapid Transit System (MRTS) and Metro Projects in urban areas. The actual expenditure on MRTS and metro projects has grown at an annualised rate of 9.6% between 2017-18 and 2024-25 (see Figure 4). In comparison, the expenditure on PM e-bus Sewa for 2025-26 is estimated at Rs 1,310 crore. As against Rs 1,300 crore allocated to the scheme in 2024-25, only Rs 500 crore are estimated to be utilised according to the revised estimates.

**Figure 4: Budget allocation vs utilisation towards MRTS and metro projects in urban areas (in Rs crore)**



Sources: Budget documents for various years; PRS.



The Standing Committee on Housing and Urban Affairs (2024) had observed that metro rail systems are highly capital-intensive and unprofitable in smaller urban areas.<sup>19</sup> It recommended that the Ministry prioritise cost-effective and adaptable Mass Rapid Transit Systems such as Bus Rapid Transit, Light Rail Transit, and regional rail.<sup>19</sup> These MRT systems are more suitable to the demands and population of Tier 2 and Tier 3 cities.<sup>19</sup> As of December 2024, 457 km of operational bus rapid transit systems exist in eight states.<sup>19</sup> In addition, 990 km of operational metro rail network exists in 10 states, with another 974 km of metro rail network approved for construction.<sup>19</sup>

The Economic Survey 2024-25 noted that only 37% of urban residents have convenient access to mass transit.<sup>20</sup> In comparison, in other countries like Brazil and China, more than 50% of the urban residents have easy access to public transportation.<sup>20</sup> The Survey (2024-25) noted that India must develop a robust public transportation system to help reduce traffic congestion, promote energy efficiency, and ensure that the benefits of clean mobility are equally distributed.<sup>20</sup> A Niti Aayog report had observed that the aggregate estimated cost of traffic congestion in Delhi, Mumbai, Bangalore and Kolkata was 23 billion USD in 2018.<sup>21</sup>

As a part of the Global Mobility Summit 2018, Niti Aayog had also recommended investing in shared mobility in India.<sup>22</sup> Shared mobility is defined as any mode of transportation that is shared by users on a need-basis.<sup>22</sup> Examples include ridesharing, hiring riders for personal vehicles, ride splitting, and mass transit (metro, buses, and trains).<sup>22</sup>

## Urban Housing

As per the 2011 Census, the total housing shortage in urban areas was estimated at 1.87 crore.<sup>23</sup> Of this, 56% of the shortage was estimated in the economically weaker section (EWS), 39% in the low-income group (LIG) segment, and 4% in the middle-income group (MIG) and above (see Table 11 in Annexure for state-wise estimates of urban housing shortage).<sup>23</sup>

To address the housing shortage, the Pradhan Mantri Awas Yojana – Urban (PMAY-U) was launched in 2015. It aimed to provide housing in partnership with private agencies, state governments, and parastatal agencies. The target was to provide housing for all in urban areas until 2022, which was later extended until December 2024. In August 2024, the Cabinet approved PMAY-U 2.0 which aims to construct one crore houses for urban poor and middle-class families in the next five years.<sup>24</sup>

PMAY-U comprises of four components under which funding is provided:

- (i) In-situ-slum-rehabilitation (ISSR) for existing slum dwellers in urban areas (using the existing land under slums to provide houses to slum dwellers) through private partnerships,
- (ii) Affordable Housing in Partnership (AHP) between states/UTs/cities and private sector and industries,
- (iii) Credit Linked Subsidy Scheme (CLSS) for EWS, LIG and MIG, and
- (iv) Subsidy for beneficiary led construction/enhancement (BLC).

PMAY-U 2.0 retains the BLC and AHP component of the older scheme.<sup>25</sup> In addition, two new components have been introduced: (i) Affordable Rental Housing with a focus to create rental housing for working women, industrial workers, and urban migrants, and (ii) Interest Subsidy Scheme under which 4% interest subsidy will be offered on home loans up to Rs 25 lakh for EWS/LIG/MIG families.<sup>26</sup> The total investment under the scheme is estimated to be Rs 10,00,000 crore with a government subsidy of Rs 2,30,000 crore in the five years starting from August 2024.

Under the scheme, the cost of house construction will be shared among the Ministry, State, and beneficiaries.

**Table 5: Centre and State share in PMAY-U 2.0**

	BLC and AHP	Affordable Rental Housing	Interest Subsidy Scheme
<b>Centre</b>	Rs 1.5 lakh per unit and a Technology Innovation Grant of Rs 1,000 per square meter per dwelling unit to private developers	Rs 3,000 per square meter per unit	Home loan subsidy as a Central Sector Scheme up to Rs 1.8 lakh per unit
<b>State</b>	Rs 1 lakh per unit	Rs 2,000 per square meter per unit	-

Source: Scheme Guidelines, PMAY-U 2.0, Ministry of Housing and Urban Affairs; PRS.

In 2025-26, the Ministry has allocated Rs 23,294 crore to PMAY-U and PMAY- 2.0 (see Table 6). Rs 17,357 crore has been allocated as central support to states for completion of the sanctioned houses under the scheme. In 2024-25, according to the revised estimate Rs 13,670 crore is estimated to be spent on PMAY-U, which is 55% lower than the budget estimates.

PMAY 2.0 has been allocated Rs 3,500 crore for 2025-26. Rs 2,500 crore have been allocated for a new Scheme on Industrial Housing.

**Table 6: Budgetary allocation to the PM-Awas Yojana Urban and PMAY-U 2.0**

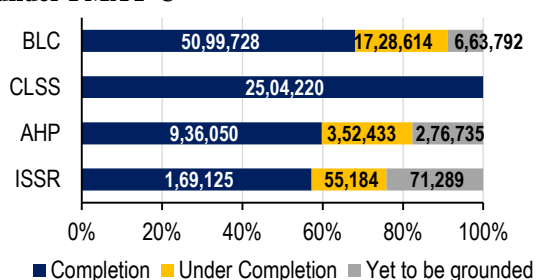
	2023-24 Actuals	2024- 25 RE	2025- 26 BE	% change 2024-25 RE to 2025-26 BE
<b>PMAY - U</b>	21,684	13,670	19,794	45%
<b>PMAY 2.0</b>	-	1,500	3,500	133%
<b>Total</b>	<b>21,684</b>	<b>15,170</b>	<b>23,294</b>	

Sources: Demand No. 60, Ministry of Housing and Urban Affairs, Expenditure Budget, 2025-26; PRS.

### Status of the scheme

As on January 27, 2025, 1.18 crore houses have been sanctioned and 90.25 lakh (76%) have been constructed (see Figure 5 for component-wise completion rate).<sup>27</sup> These completed houses also include 3.4 lakh houses completed under the Jawaharlal Nehru National Urban Renewal Mission. However, the completion rate has varied across states (see Table 12 in Annexure for state-wise progress). According to the already sanctioned houses under PMAY (as of January 2025) and additional houses sanctioned under PMAY 2.0, the Ministry aims to provide 2.18 crore houses to the urban poor. Although this covers the housing shortage estimated in the country by the 2011 Census, issues such as unoccupancy and quality of houses constructed still persist.

Of the total central assistance granted under the scheme, 84% has been released to states as of January 2025. The Standing Committee on Housing (2024) noted that the release of funds to states under the scheme has been less due to lower compliance by the states.<sup>28</sup>

**Figure 5: Component-wise house completion under PMAY-U**

Sources: PMAY-U Achievement, Ministry of Housing and Urban Affairs; PRS

The Standing Committee on Housing and Urban Affairs (2024) noted that of the 9.7 lakh houses constructed under the ISSR and AHP verticals, 4.6 (47%) lakh are lying unoccupied (see Table 7).<sup>28</sup>

The Standing Committee on Housing and Urban Affairs (2024) noted that the primary reason for unoccupancy (as informed by states) includes incomplete infrastructure, non-allotment of houses, and unwillingness of allottees.<sup>28</sup> In addition, states are responsible for bearing the costs of and providing civic facilities in the houses, which they have been unable to provide from their own resources.<sup>28</sup>

**Table 7: Status of houses under AHP and ISSR verticals of PMAY-U**

Status	AHP	ISSR
Sanctioned	15,65,218	1,84,619
Grounded	13,79,804	1,13,622
Completed	9,01,953	67,806
Occupied	4,89,552	20,296
Unoccupied	4,12,401	47,510

Sources: Report No. 1, Standing Committee on Housing and Urban Affairs, Lok Sabha, December 10, 2024; PRS.

### Rental Housing

Under the PMAY-Urban, the Affordable Rental Housing scheme is implemented through two models. In the first, existing vacant houses constructed under Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awas Yojana are converted into Affordable Rental Housing Complexes (ARHCs) through Public Private Partnership or by public agencies. In the second, new ARHCs are constructed on vacant land by public/ private agencies. Under Model-1, till January 2025, 5,648 existing vacant houses have been converted into ARHCs.<sup>29</sup> Under Model-2, the Ministry has approved proposals for 82,273 new ARHC units in seven states, of which 35,425 have been completed and remaining are under construction.

The Report of the Technical Group on Urban Housing Shortage (2012) had estimated urban housing shortage for rental homes at 70 lakh. The Standing Committee on Housing and Urban Affairs (2023) had observed that complete eradication of urban homelessness cannot be achieved without the provision of affordable rentals for urban migrants.<sup>30</sup> A High-Powered Expert Committee set up by the Ministry of Urban Development (2011) had also recommended encouraging rental housing for low-income groups.<sup>31</sup>

### Rising Land and Construction Costs

The Standing Committee on Housing and Urban Affairs (2024) noted that the existing funding pattern and financial assistance extended to beneficiaries may not be sufficient due to inflation and rising housing construction costs.<sup>28</sup> The Committee in December 2024 recommended that the Ministry undertake a comprehensive review of the cost structure of housing projects under the PMAY-U 2.0 scheme and increase the financial assistance to beneficiaries.<sup>28</sup>

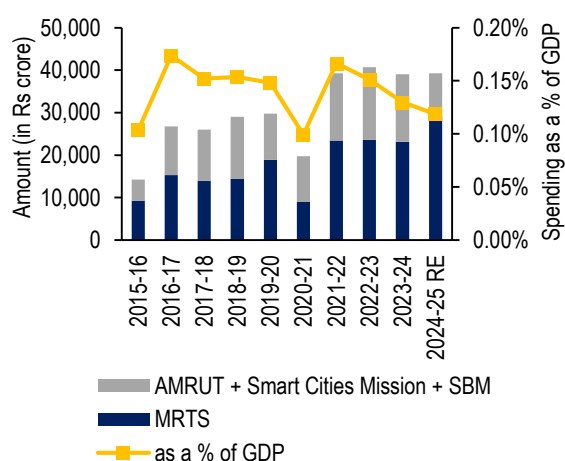
### Service Delivery in Urban Areas

The Standing Committee on Housing and Urban Affairs (2023) noted that rapid urbanisation in India has not been accompanied by a proportionate increase in supply of basic urban services.<sup>32</sup> These include services like (i) water supply, (ii) sewerage and drainage network, (iii) solid/liquid water management facilities, (iv) public safety systems,

and (v) pedestrian pathways. The Committee noted that a key challenge for urbanisation in India is providing services at enhanced minimum standards.

A report by the World Bank (2022) estimated need for capital investment of USD 840 billion in urban infrastructure and municipal services until 2036 (at 2020 prices).<sup>33</sup> This would be an equivalent of 1.18% of the GDP of the country between 2022 and 2036. Out of this, investment worth USD 450 billion is required in basic municipal services, while USD 300 billion for mass transit. In 2023-24, the Ministry had spent 0.13% of the GDP on mass transit and civic services delivery (see Figure 6). In comparison, China invested about 2.8% of the GDP on urban infrastructure between 2000 to 2014. Between 2015-16 and 2025-26, the expenditure on civic services provision under the AMRUT Scheme, the Smart Cities Mission, and the Swacchh Bharat Mission has grown at a CAGR of 11%.

**Figure 6: Investment in MRTS and Civic Services Delivery in India as a % of GDP (in nominal terms, in Rs crore)**



Note: Investment on civic services delivery includes expenditure on AMRUT, Smart Cities Mission, and Swacchh Bharat Mission  
Sources: Budget Documents for various years; MoSPI; PRS.

Three schemes implemented by the Ministry aim to improve service levels in Indian cities. These are the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart Cities Mission, and Swachh Bharat Mission – Urban (SBM-U).

**AMRUT:** AMRUT was launched in 2015 to target development of basic infrastructure in 500 cities and towns across the country.<sup>34</sup> The AMRUT Mission was subsumed under AMRUT 2.0 launched in 2021.<sup>35</sup> The scheme has been allocated Rs 10,000 crore in 2025-26. This is 67% higher than the revised estimates of 2024-25. As of February 6, 2025, out of the Rs 66,750 crore allocated for projects, 96% funds have already been approved to states.<sup>36</sup> Under AMRUT 2.0, 1.2 lakh km of water network and 35,332 km of sewer network has been developed.

**Smart Cities Mission:** The Smart Cities Mission aims to develop cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment, and apply 'smart' solutions through the use of technology. The mission was launched in 2015 with its extended deadline being March 31, 2025.<sup>37</sup> As of January 2025, 100 cities have undertaken 8,058 projects sanctioned by the Ministry, out of which 93% of the total projects worth Rs 1,50,017 crore have been completed (see Table 13 in Annexure for state-wise progress under the Mission).<sup>38</sup> In 2025-26, the Mission has not been allocated funds due to the projects nearing their deadline.

**Swachh Bharat Mission – Urban:** SBM-U aims to improve sanitation levels in urban areas. SBM-U was launched in 2014, with an aim to target cleanliness in the country by 2019 in all towns as per Census 2011. In 2021, the Mission was extended as SBM 2.0 until 2026.<sup>28</sup> The Mission targets achieving Garbage Free Status for cities through 100% segregation at source, door to door collection, and scientific management of waste.<sup>39</sup> The Mission has a total outlay of Rs 1,41,600 crore with the center's share at Rs 36,465 crore (see Table 8). As of February 2025, 91% wards in urban areas had achieved 100% source segregation under the Mission while 98% wards had achieved 100% door to door waste collection.<sup>40</sup>

In 2023, the Standing Committee on Housing and Urban Affairs had observed that the Ministry was not setting any physical or financial targets under SBM-U.<sup>32</sup> Therefore, the Committee (2023) had recommended that the Ministry should set up both physical and financial targets from 2023-24 onwards.<sup>32</sup>

**Table 8: Component-wise fund allocation under SBM - Urban 2.0 (in Rs crore)**

Component	State/ULBs/pvt sector Share	Central Share
Sanitation (access to toilets)	3,990	1,620
Wastewater Management	64,100	15,883
Solid Waste Management	29,669	10,168
Capacity Building	3,702	6,332
Total Committed Liabilities under SBM	3,664	2,472
<b>Total</b>	<b>1,05,135</b>	<b>36,465</b>

Sources: Report No. 1, Standing Committee on Housing and Urban Affairs, Lok Sabha, December 10, 2024; PRS.

In 2025-26, the scheme has been allocated Rs 5,000 crore, which is 132% higher than the revised estimate for 2024-25, but the same as the budget estimate for 2024-25.

## **Status of service delivery in urban areas**


### **Drinking Water**

According to a survey by Ministry of Statistics and Programme Implementation (2023), about 97% of the population in urban areas had access to improved sources of drinking water in 2020-21 (see Table 14 in Annexure for state-wise service delivery levels).<sup>41</sup> Improved drinking water sources are defined as water sources that are likely to be free of outside contamination and faecal matter.<sup>42</sup> Sources include household connections, public standpipes, boreholes, protected dug wells, protected springs, and rainwater collection. However, only 76% of the urban households had improved sources of drinking water in the household premises which was sufficiently available throughout the year.<sup>41</sup> This access has increased from 71% in 2018 to 76% in 2020-21.<sup>41</sup> In addition, only 58% of the urban population had piped water availability throughout the year.<sup>41</sup>

### **Sanitation and access to toilets**

In 2020-21, about 81% of the urban households had access to toilets that were exclusively used by that household, while 13% were using toilets that were commonly used by the household in the same building.<sup>41</sup>

As per the Constitution, urban local bodies are responsible in providing the basic services to the taxpayers.<sup>43</sup> However, as discussed previously, in some states, parastatals are assigned the responsibility of provision of civic services. This leads to overlap of responsibilities and affects the quality of services delivered in cities.<sup>31</sup>





## Annexure

**Table 9: Level of urbanisation (in %) and number of Census towns across towns**

State	Level of urbanisation (in %)	Number of Census Towns
Andaman and Nicobar Islands	38%	4
Andhra Pradesh	33%	228
Arunachal Pradesh	23%	1
Assam	14%	126
Bihar	11%	60
Chandigarh	97%	5
Chhattisgarh	23%	14
Dadra & Nagar Haveli	47%	5
Daman & Diu	75%	6
Goa	62%	56
Gujarat	43%	153
Haryana	35%	74
Himachal Pradesh	10%	3
Jammu & Kashmir	27%	36
Jharkhand	24%	188
Karnataka	39%	127
Kerala	48%	461
Lakshadweep	78%	6
Madhya Pradesh	28%	112
Maharashtra	45%	278
Manipur	29%	23
Meghalaya	20%	12
Mizoram	52%	-
Nagaland	29%	7
NCT of Delhi	98%	110
Odisha	17%	116
Puducherry	68%	4
Punjab	37%	74
Rajasthan	25%	112
Sikkim	25%	1
Tamil Nadu	48%	376
Tripura	26%	26
Uttar Pradesh	22%	267
Uttarakhand	30%	41
West Bengal	32%	780
<b>India</b>	<b>31%</b>	<b>3,892</b>

Sources: Census of India, 2011; PRS.

**Table 10: Finances of Municipal Corporations in India (in Rs crore)**

State	Revenue receipts (2023-24 BE)	Receipts as a % of GDP	Revenue expenditure (2023-24 BE)	Revenue expenditure as a % of GDP	Own revenue as a % of revenue receipts	Own tax revenue as a % of revenue receipts
Andhra Pradesh	4,334	30%	3,732	26%	79%	38%
Arunachal Pradesh	-	-	-	-	-	-
Assam	-	-	-	-	-	-
Bihar	2,114	-	2,418	-	32%	22%
Chhattisgarh	1,775	35%	2,184	43%	56%	32%
Delhi	21,634	195%	20,947	189%	65%	30%
Goa	76	-	72	-	91%	42%
Gujarat	16,290	-	13,187	-	73%	36%
Haryana	5,380	49%	3,616	33%	63%	24%
Himachal Pradesh	132	6%	309	15%	84%	34%
Jammu and Kashmir	33	1%	459	19%	100%	-
Jharkhand	535	-	711	-	86%	44%
Karnataka	9,905	40%	7,962	32%	87%	54%
Kerala	2,423	-	3,212	-	34%	24%
Madhya Pradesh	8,456	62%	6,690	49%	48%	32%
Maharashtra	63,371	-	52,266	-	58%	24%
Manipur	-	-	-	-	-	-
Mizoram	97	-	54	-	10%	6%
Odisha	1,267	15%	1,061	12%	32%	15%
Punjab	2,322	31%	2,301	31%	54%	35%
Rajasthan	2,972	19%	2,379	16%	47%	8%
Sikkim	31	-	24	-	32%	4%
Tamil Nadu	8,834	32%	8,734	32%	63%	44%
Telangana	4,762	32%	3,269	22%	90%	50%
Tripura	264	-	265	-	54%	4%
Uttar Pradesh	7,437	29%	7,963	31%	34%	22%
Uttarakhand	568	16%	552	16%	27%	15%
West Bengal	5,711	34%	5,538	33%	76%	18%
<b>Total</b>	<b>1,70,722</b>	<b>56%</b>	<b>1,49,903</b>	<b>49%</b>	<b>62%</b>	<b>30%</b>

Sources: RBI Municipal Finances Report, November 2024; PRS.

**Table 11: Housing shortage in urban areas as estimated by the 2011 Census (in millions)**

State	Housing shortage (in millions)	State	Housing shortage (in millions)
Andhra Pradesh	1.27	Mizoram	0.02
Arunachal Pradesh	0.03	Nagaland	0.21
Assam	0.28	Orissa	0.41
Bihar	1.19	Puducherry	0.07
Chhattisgarh	0.35	Punjab	0.39
Delhi	0.49	Rajasthan	1.15
Goa	0.06	Sikkim	0.01
Gujarat	0.99	Tamil Nadu	1.25
Haryana	0.42	Tripura	0.03
Himachal Pradesh	0.04	Uttar Pradesh	3.07
Jammu and Kashmir	0.13	Uttarakhand	0.16
Jharkhand	0.63	West Bengal	1.33
Karnataka	1.02	Andaman and Nicobar Island	0
Kerala	0.54	Chandigarh	0.02
Madhya Pradesh	1.1	Dadra and Nagar Haveli	0.05
Maharashtra	1.94	Daman and Diu	0.01
Manipur	0.08	Lakshadweep	0.01
Meghalaya	0.03	<b>Total</b>	<b>18.78</b>

Sources: Census of India, 2011; PRS.

**Table 12: Progress under Pradhan Mantri Awas Yojana - Urban (as of February 2025)**

State	Physical Progress (Dwelling units, numbers)			Financial Progress (in Rs crore)		
	Sanctioned	Completed	Completion Rate	Sanctioned	Released	% Assistance released
Andhra Pradesh	21,37,028	10,30,079	48%	32,568	23,800	73%
Bihar	3,14,477	1,70,997	54%	4,950	3,537	71%
Chhattisgarh	3,02,663	2,51,509	83%	4,811	4,267	89%
Goa	3,146	3,145	100%	75	75	100%
Gujarat	10,05,204	9,37,731	93%	21,064	19,806	94%
Haryana	1,15,034	69,746	61%	2,172	1,674	77%
Himachal Pradesh	12,758	11,045	87%	216	212	98%
Jharkhand	2,29,156	1,54,278	67%	3,603	3,116	86%
Karnataka	6,38,121	3,86,370	61%	10,614	7,277	69%
Kerala	1,67,322	1,31,218	78%	2,781	2,377	85%
Madhya Pradesh	9,61,147	8,47,378	88%	15,930	15,555	98%
Maharashtra	13,64,923	8,82,715	65%	25,548	19,323	76%
Odisha	2,03,380	1,58,388	78%	3,177	2,575	81%
Punjab	1,32,235	95,561	72%	2,343	1,949	83%
Rajasthan	3,19,877	2,18,655	68%	5,892	4,984	85%
Tamil Nadu	6,80,347	5,97,450	88%	11,185	10,338	92%
Telangana	2,50,084	2,23,329	89%	4,476	3,807	85%
Uttar Pradesh	17,76,823	16,75,092	94%	27,963	27,118	97%
Uttarakhand	64,391	39,002	61%	1,177	989	84%
West Bengal	6,68,953	4,45,199	67%	10,774	8,192	76%
Arunachal Pradesh	8,499	8,066	95%	182	161	88%
Assam	1,76,643	1,18,928	67%	2,674	2,105	79%
Manipur	56,037	16,719	30%	841	497	59%
Meghalaya	4,758	1,835	39%	72	48	67%
Mizoram	39,605	24,243	61%	608	477	79%
Nagaland	31,860	26,546	83%	504	418	83%
Sikkim	316	202	64%	6	7	116%
Tripura	92,854	76,855	83%	1,494	1,293	87%
Andaman and Nicobar Island	376	47	13%	6	3	50%
Chandigarh	1,256	1,256	100%	29	29	100%
Dadra and Nagar Haveli and Daman and Diu	9,947	9,230	93%	214	205	95%
Delhi	29,976	29,976	100%	693	693	100%
Jammu and Kashmir	47,040	29,258	62%	725	483	67%
Ladakh	1,307	876	67%	30	25	83%
Lakshadweep	-	-	-	-	-	-
Puducherry	15,995	10,765	67%	254	223	88%

Sources: PMAY – Urban Dashboard; PRS.

**Table 13: Achievements in Smart Cities Mission (as of January 2025, amount in Rs crore)**

State	Total Projects		Completed Projects		Ongoing Projects	
	Projects	Amount	Projects	Amount	Projects	Amount
Andaman Nicobar Islands	18	511	7	40	11	472
Andhra Pradesh	280	6,589	235	5,661	45	928
Arunachal Pradesh	75	1,032	53	583	22	449
Assam	21	755	19	722	2	32
Bihar	151	5,219	124	4,163	27	1,056
Chandigarh	97	2,694	96	2,692	1	2
Chhattisgarh	520	4,443	493	4,004	27	439
Dadra and Nagar Haveli	29	853	11	406	18	448
Daman and Diu	54	1,037	43	706	11	332
Delhi	129	1,034	120	874	9	160
Goa	51	1,051	41	842	10	209
Gujarat	354	11,451	341	10,925	13	526
Haryana	164	2,079	141	1,700	23	379
Himachal Pradesh	290	1,546	263	1,198	27	348
Jammu and Kashmir	288	6,597	265	6,166	23	430
Jharkhand	26	1,847	26	1,847	-	-
Karnataka	917	13,808	891	13,397	26	411
Kerala	177	3,003	153	2,571	24	432
Lakshadweep	8	11	8	11	-	-
Madhya Pradesh	788	15,070	759	14,420	29	650
Maharashtra	348	17,044	324	15,146	24	1,898
Manipur	27	513	19	247	8	266
Meghalaya	13	517	10	453	3	64
Mizoram	45	508	32	278	13	230
Nagaland	40	689	38	591	2	98
Odisha	107	3,589	104	3,427	3	162
Puducherry	80	595	67	312	13	283
Punjab	204	4,450	178	3,968	26	481
Rajasthan	579	8,640	565	8,355	14	285
Sikkim	54	1,660	45	1,415	9	245
Telangana	169	2,918	104	2,241	65	677
Tamil Nadu	730	17,954	717	17,626	13	328
Tripura	77	808	74	761	3	46
Uttar Pradesh	889	21,104	863	20,371	26	733
Uttarakhand	33	1,144	31	909	2	235
West Bengal	226	1,604	220	987	6	618
<b>Total</b>	<b>8,058</b>	<b>1,64,368</b>	<b>7,480</b>	<b>1,50,017</b>	<b>578</b>	<b>14,351</b>

Sources: Unstarred Question No. 1396, Ministry of Housing and Urban Affairs, Lok Sabha, February 13, 2025.



**Table 14: Service delivery level across states (in 2020-21, % of households reported having access to the given services)**

State/UT	Access to piped water into the dwelling or yard	Improved source of drinking water	Exclusive access to improved toilet
Andhra Pradesh	48.6%	99.2%	91.7%
Arunachal Pradesh	92.0%	100.0%	84.0%
Assam	26.5%	97.8%	80.1%
Bihar	28.5%	99.9%	78.9%
Chhattisgarh	57.6%	99.8%	89.7%
Delhi	83.0%	100.0%	87.9%
Goa	99.6%	100.0%	91.2%
Gujarat	87.9%	100.0%	92.7%
Haryana	65.4%	99.8%	87.2%
Himachal Pradesh	96.9%	99.8%	82.2%
Jharkhand	32.4%	97.2%	83.0%
Karnataka	65.3%	98.3%	92.7%
Kerala	32.9%	55.9%	98.2%
Madhya Pradesh	65.9%	99.5%	88.6%
Maharashtra	86.8%	99.9%	79.0%
Manipur	52.0%	82.5%	95.3%
Meghalaya	73.8%	99.4%	85.4%
Mizoram	96.6%	99.0%	99.9%
Nagaland	39.8%	96.3%	83.2%
Odisha	52.7%	98.4%	87.3%
Punjab	80.6%	99.8%	84.4%
Rajasthan	86.6%	98.5%	85.6%
Sikkim	97.3%	100.0%	82.5%
Tamil Nadu	44.5%	99.6%	88.3%
Telangana	75.1%	99.7%	96.1%
Tripura	48.6%	99.3%	83.3%
Uttarakhand	70.7%	100.0%	88.3%
Uttar Pradesh	46.6%	99.8%	81.6%
West Bengal	40.6%	99.3%	73.3%
A & N Islands	98.2%	99.7%	96.4%
Chandigarh	99.6%	100.0%	93.2%
Dadra & Nagar Haveli and Daman & Diu	61.6%	100.0%	68.0%
Jammu & Kashmir	88.3%	99.7%	84.6%
Ladakh	61.2%	100.0%	78.0%
Lakshadweep	0.7%	72.8%	96.2%
Puducherry	91.4%	98.7%	97.8%
<b>All-India</b>	61.5%	97.2%	86.0%

Sources: Multiple Indicator Survey, 2020-21, MoSPI; PRS.

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