

Unspent Funds Totalling ₹75k cr May Make Up for Additional Subsidy Outgo

Savings of nearly 1.5% of total budget to offset subsidy spikes and keep fiscal deficit at 4.4%: Officials

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New Delhi: The Centre is likely to save ₹70,000 to 75,000 crore this fiscal year with several key ministries and flagship welfare schemes failing to utilise funds allocated to them in the Union budget.

The savings of nearly 1.5% of the total expenditure budget of ₹50.65 lakh crore will give the government enough headroom to absorb the extra burden from additional subsidy outgo and marginal shortfall in tax receipts, helping it to maintain the fiscal deficit target of ₹4.4% of GDP, officials said.

Majority of this saving is expected to come from the ministries of Jal Shakti, housing and urban affairs and rural development, with slow fund utilisation under Jal Jeevan Mission, Pradhan Mantri Awas Yojana (PMAY), and Pradhan Mantri Gram Sadak Yojana (PMGSY), among others, with 11 ministries and departments spending less than 25% of the budget in the first three quarters of FY26.

“There will be savings of at least ₹70,000 to 75,000 crore this fiscal year as many ministries will not be able to exhaust their funds due to various reasons,” a senior government official told ET.

For instance, the Ministry of Jal Shakti has spent less than 10% of its budget allocation of ₹99,502.85 crore, while the Ministry of Housing and Urban Affairs has spent just 12% of its ₹59,200 crore reve-

Slow Spending

Ministries/Dept with Budget utilisation of 25% or less as on 1 Ministry utilisation and % age of BE (budget estimates)

Ministry of Jal Shakti	9
Department of Drinking Water and Sanitation	2
Ministry of Housing and Urban Affairs	24
Ministry of Labour and Employment	24
Department of Science and Technology	22
Ministry of Tourism	20
Ministry of Skill Development and Entrepreneurship	13
Ministry of Heavy Industry	24
Department of Fisheries	20
Ministry of cooperation	14
Ministry of Corporate affairs	4

nue expenditure allocation for FY26 as of December.

The outlay covers PMAY (Urban), the Smart Cities Mission, and Swachh Bharat.

In FY25 also, the budget for centrally-sponsored schemes and other transfers were marked lower in the revised estimates (RE) by ₹90,622 lakh crore, mainly due to poor utilisation under Jal Jeevan Mission and PMAY.

Among the other ministries lagging behind is the Ministry of Labour and Employment, which spent less than a third of its budgetary allocation of ₹32,646.19 crore, while the Ministry of Skill Development and Entrepreneurship exhausted about a fifth of its total budgetary allocation of

Savings are based on Q4 spending projections; officials suggest the final figure could rise further

₹6,100 crore. The official cited above expects savings of at least ₹13,000 to 14,000 crore under the Pradhan Mantri Gram Sadak Yojana, more than 10,000 crore for PM Awas Yojana urban and rural, and between ₹5,000 to 7000 crore for PM Surya Ghar Muft Bijli Yojana.

Officials said the savings are based on projected utilisation by the ministries in the last quarter of the fiscal year and that the actual savings may go up further.

According to ICRA Research, non-interest revenue expenditure

would need to grow by nearly 25 to 30% year-on-year between December and March to meet the FY26 budget estimates—an outcome that appears increasingly unlikely.

In the last five years, actual spending has consistently undershot budgeted levels, with average annual savings of ₹1 lakh crore, mainly due to departmental under-spending.

Much of the saving is attributed to just-in-time fund releases under the SNA Sparsh platform, introduced by the Department of Expenditure in FY22 to achieve efficiency in central spending.

Ministries and states have to identify and designate a single nodal agency (SNA) for each CSS scheme, with all the scheme funds flowing to this account, allowing the Centre to monitor utilisation. The release of funds is proportional to the pace of utilisation, which avoids funds being parked in the bank account. For FY27, the Department of Expenditure will consider fund utilisation for previous three years, when deciding budget allocation, an official said.

Meanwhile, the government's subsidy allocation may continue to overshoot the budget target, with the first batch of supplementary demand for grants for FY26 involving a net cash outgo of ₹41,460 crore, largely towards higher fertiliser subsidy, compensation to oil marketing companies for LPG under-recoveries, and transfers to Jammu & Kashmir.