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Public Expenditure and Regional Development: An Analysis of Union Budget 2026-27 With Special reference to North-east India

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Abstract: This paper analyses the Union Budget 2026–27 with special reference to North-East India, examining how public expenditure is structured to address regional disparities and promote balanced development. Recognizing the region's unique geographical constraints, limited industrial base, historical insurgency, and strategic geopolitical importance, the study argues that a differentiated fiscal strategy is essential for its transformation. The analysis focuses on direct budgetary allocations routed through the Ministry of Development of Northeastern Region (DoNER), particularly major schemes such as PM-DevINE, NESIDS, the Northeastern Council (NEC), and Special Development Packages.

The findings reveal a clear infrastructure-led development approach, with a significant portion of funds directed towards roads, connectivity, power, and other physical assets. At the same time, allocations for social development, livelihood generation, and peace-building initiatives indicate an integrated strategy linking development with long-term stability. The paper concludes that the Union Budget 2026–27 reflects a targeted and institution-driven framework in which public investment remains the central driver of economic integration, regional equity, and sustainable growth in North-East India.

Keywords: *Indian Union Budget 2026–27, North-East India, , Public Expenditure, Economic Development, Fiscal Strategies*

I. Introduction

The union budget of India, also called the Annual Financial Statement under Article 112 of the constitution, is the country's annual financial plan prepared by the ministry of Finance. It outlines the government's estimated revenue collected by the department of revenue and land expenditure by the Department of expenditure. The budget serves as a financial blueprint for the upcoming fiscal year, forecasting economic conditions and aligning the Government of India spending with its policy objectives.

The Government of India presents the union budget on the first day of February to ensure its implementation before the commencement of the new financial year in April. The budget division of the department of economic affairs within the ministry of Finance is the primary body responsible for preparing the budget. It is presented through the finance bill and appropriation bills, which must be passed by the Lok Sabha before it can take effect on April 1, the beginning of India's financial year.

The union budget is the most important fiscal policy instrument of the Government of India, outlining the allocation of public resources across sectors, regions and institutions for a given financial year. Beyond its macroeconomic objectives of growth stability and fiscal management the union budget also serves as a key mechanism for addressing regional imbalances within the Indian economy. Through differential allocations, special purpose schemes, and institutional arrangement, the budget reflects the centre's approach to regional development and cooperative federalism.

The northeast India occupies a unique position within its framework of regional Public Finance. With 8 States with driver social economic conditions, difficult terrain, limited industrial base and connectivity constraints, the region has historically faced higher development costs and structural disadvantages. These characteristics have necessitated sustained and dark red public expenditure to support infrastructure creation, social development, and economic integration with the rest of the country. As a result, the Northeastern states have traditionally been treated as a special focus area within the union for budget planning.

The union budget 2026-27 was presented in a broader macroeconomic context marked by an emphasis on public expenditure infrastructure led to growth and fiscal consolidation. Within this context the budget continues to prioritise region specific interventions for northeast India through dedicated schemes and special allocations. The ministry of development of northeast region (MoDoNER) along with PM-DeVINE and NESIDS, plays a central road in channeling funds to the region.

Thus an analysis of the union budget 2026-27 with special reference to North East India is therefore important for understanding how public resources are being directed towards addressing regional disparities rather than focusing on overall size of the budget or National level macro indicators this paper concentrate on the structure, composition and orientation of budgetary allocations specific to the north east. By examining these aspects, the analysis ends satellite on the government's development privatisation for the region and the role of public expenditure in supporting its economic and social transformation.

II. Scope of the Analysis:

The scope of this paper is confined to analytical examinations of union budget 2026-27 allocations relevant to Northeast India, with primary focus on direct and identifiable budgetary provisions. This analysis centres on funds explicitly and earmarked for the region through Central ministries departments and schemes practically those routed via the DoNER. Ki schemes such as the prime minister's development initiative for the northeast region (PM- DeVINE), the Northeast special infrastructure Development scheme (NESIDS), and allocation to the northeastern council for the core of the study.

This paper examines the distribution of these allocations across major sectors including infrastructure and connectivity of social development and governance related or stability-oriented initiatives. This sectoral analysis is undertaken to identify explain the priorities and to understand whether public spending is aligned with the structural needs of the region
The emphasis of this paper is on budgetary intent, allocation structure, sectoral composition and fiscal adequacy, rather than on implementation efficiency or development outcomes. By adopting this approach, the study positions itself as an analysis paper in public finals and interpreting the union budget as a policy document that reflects the countries approach to regional development in Northeast India during the financial year 2026-27.

2. Background of the Study

In the decades following India’s independence, North-East India experienced a set of complex challenges that arose not only from its geography and historical circumstances, but also from the limited developmental and political attention it received within national policymaking. While the newly independent Indian state was primarily focused on nation-building, industrialization, and consolidation in the mainland, the North-East remained relatively peripheral to long-term economic planning. This relative neglect had far-reaching consequences that shaped the region’s political stability, economic trajectory, and relationship with the Indian state.

One of the most significant backlashes of this early neglect was the deepening sense of political alienation among many communities in the North-East. The region’s distinct ethnic identities, historical experiences, and socio-cultural systems were often insufficiently integrated into the national narrative. In the absence of inclusive political engagement and visible economic progress, grievances related to autonomy, representation, and cultural recognition began to intensify. Over time, these grievances provided an opportunistic ground for the emergence of insurgent movements, many of which framed their struggle as a response to perceived marginalization by the central state.

The economic consequences of limited attention were equally severe. Inadequate investment in infrastructure—particularly roads, railways, power, and communication—isolated the region from national markets and restricted economic diversification. This isolation increased the cost of production and movement of goods, making industrial development economically unviable. The resulting lack of employment opportunities, especially youth, reinforced dissatisfaction, and further weakened the state’s presence in everyday economic life. Thus, economic underdevelopment and political instability became mutually reinforcing.

From a governance perspective, prolonged instability strained administrative capacity and reduced the effectiveness of public institutions. Frequent disruptions, bandhs, and security operations affected the delivery of basic services such as education, healthcare, and public welfare. In many areas, the absence of strong state institutions created spaces were non-state actors, including

armed groups, exercised influence. This erosion of governance weakened trust between the population and the state, complicating efforts at integration and development.

3. The North- East India

North-East India occupies a unique position within the Indian Union in terms of geography, economy, society, and strategic importance. The region is connected to the rest of India by a narrow corridor, commonly known as the "chicken neck" corridor. This narrow corridor lays a very critical importance to the sovereignty and integrity to the national government India as some evil initiatives by the china like the " Belt and Road initiative (BRI) A trillion-dollar, multi-continent infrastructure project connecting China via rail, roads, and ports, often creating debt-dependency for participating nations. Border Incursions and Infrastructure Development Project along the border with Arunachal Pradesh and near Bhutan, Debt-Trap Diplomacy allow China to secure long-term leases on vital assets, such as the Hambantota port in Sri Lanka and many more like the "China +1". These are all expansionist policies of China which has a critical influence in countries like Nepal and Bangladesh which acting as a major headache to the national security of India as there's always a risk of forming a pro communist Chinese government in Bangladesh and Nepal. Due to all these concerns the " chicken neck corridor" is a critical choke point which has a very significant importance for the sake of national security and integrity of India. The terrain is predominantly hilly and forested, making infrastructure development both costly and technically challenging. These geographical features have significantly influenced the pace and pattern of economic development in the region.

Economically, the North-East has remained relatively less industrialized compared to other parts of the country. The regional economy is largely dependent on agriculture, allied activities, and the service sector, with limited manufacturing and industrial diversification. Small and fragmented markets, poor connectivity, and high transportation costs have discouraged large-scale private investment. As a result, state governments in the region depend heavily on central transfers to finance development expenditure, making public investment the primary driver of economic activity.

Socially, the region is characterized by rich cultural diversity, ethnic plurality, and distinct historical identities. While this diversity is a source of strength, it has also posed challenges for governance and social cohesion. Variations in development levels across states and communities have contributed to regional and intra-regional disparities. At the same time, indicators related to literacy and certain social outcomes in parts of the North-East compare favorably with the national average, highlighting the region's mixed development profile. From a governance and security perspective, North-East India has experienced prolonged periods of political unrest and insurgency since the post-independence period. Issues related to identity, autonomy, and perceived economic neglect have contributed to armed movements in several states. Insurgency not only affected law and order but also disrupted economic activities, delayed infrastructure projects, and weakened administrative capacity. This historical context has shaped the state's approach towards the region, often prioritizing security concerns over developmental planning.

Strategically, the North-East has gained increasing importance in recent years due to its proximity to international borders with several South and Southeast Asian countries. The region plays a critical role in India's foreign policy objectives, particularly under the Act East Policy, which aims to enhance economic and strategic engagement with neighboring countries. Improved connectivity and economic development in the North-East are therefore essential not only for regional growth but also for national strategic interests.

In recent years, the policy approach towards North-East India has undergone a noticeable shift. With a relative decline in insurgency and improved political stability, development has emerged as a central focus of government intervention. Greater emphasis is now placed on infrastructure creation, institutional strengthening, and inclusive growth through targeted public expenditure. This shift reflects a broader recognition that sustainable peace and long-term development in the North-East are closely interconnected.

4.Geopolitical and Security Concern for Northeast India

The backlashes faced by the North-East were not confined to internal challenges; they carried serious geopolitical and national security implications. The region shares long international borders with multiple countries, making it strategically sensitive. Prolonged instability increased the risk of cross-border movement of arms, illicit trade, and external interference from Bangladesh and China. In a region of such geopolitical significance, the lack of sustained development and integration posed risks to national security and sovereignty by creating vulnerabilities along India's eastern frontier.

Furthermore, the Northeast'smarginalization limited its ability to function as a strategic bridge between India and Southeast Asia. During the early decades after independence, regional connectivity with neighboring countries remained underdeveloped, and the region was often viewed as a buffer zone rather than a gateway. This perception reduced its economic and strategic utilization, delaying the realization of its potential role in regional trade, diplomacy, and cultural exchange.

The cumulative effect of these backlashes was a cycle of neglect, unrest, and underdevelopment. Insurgency discouraged investment, underdevelopment fueled dissatisfaction, and dissatisfaction reinforced insurgency.

In retrospect, the experiences of North-East India in the post-Independence period underline the critical importance of inclusive development and political engagement in safeguarding national unity. The region's history demonstrates that neglect of peripheral and strategically sensitive areas can carry long-term costs for both regional stability and national sovereignty. This understanding has increasingly shaped contemporary policy approaches, where development, governance, and security are treated as interconnected objectives rather than separate domains.

5. Rising Policy Relevance of North-East India

In recent years, North-East India has emerged as a region of heightened importance in India's development and policy framework. This increased relevance is not accidental, but the outcome of a significant shift in how the government perceives the region—from a historically sensitive and conflict-prone area to a space of strategic opportunity and inclusive growth. Several interconnected economic, political, and security-related factors explain why the government now accords to greater priority to the development of North-Eastern states.

One of the most important reasons for this shift is the changing nature of insurgency in the region. For decades after independence, many North-Eastern states were affected by armed insurgencies rooted in issues of identity, political autonomy, and perceived neglect by the central government. Persistent instability constrained development, discouraged investment, and limited the effectiveness of public institutions. As a result, policy responses remained largely security-centric, with development treated as a secondary concern. In recent years, however, sustained peace efforts, dialogue, and accords with various insurgent groups have led to a noticeable decline in violence across much of the region. This relative improvement in security conditions has created an environment where development initiatives can be implemented more effectively and at scale.

Closely linked to this is the government's growing recognition that development itself is essential for sustaining peace. Experience in the North-East has demonstrated that underdevelopment, unemployment, and lack of connectivity contribute to feelings of alienation, particularly among youth. Contemporary policy thinking increasingly views public investment in infrastructure, education, and livelihoods as a long-term solution to prevent the resurgence of insurgency. Consequently, development spending is now seen not merely as an economic objective, but as a tool for social stabilization and conflict prevention.

Another key reason for the region's growing relevance lies in its strategic and geopolitical importance. North-East India shares international borders with several countries and occupies a crucial position in India's Act East Policy, which aims to enhance economic and strategic engagement with Southeast Asia. Improved infrastructure and economic integration in the North-East are necessary for transforming the region into a gateway for trade and connectivity rather than a peripheral frontier. Earlier, widespread insurgency limited the feasibility of such integration; improved stability has now made large-scale infrastructure and cross-border connectivity projects more viable.

Institutional changes have further reinforced the government's focus on the North-East. The strengthening of the Ministry of Development of the Northeastern Region, the introduction of region-specific schemes such as PM-DevINE, and increased capital expenditure allocations signal a move towards a more coordinated and targeted development strategy. These measures contrast with earlier approaches, where development interventions were fragmented and lacked long-term planning. The current emphasis reflects an understanding that sustained institutional support is necessary to address the region's structural disadvantages.

Finally, the growing relevance of the North-East is also linked to broader national objectives of inclusive growth and regional equity. Persistent regional disparities pose challenges to national cohesion and balanced development. By prioritizing the North-East, the government seeks to integrate historically marginalized regions into the mainstream growth process, thereby strengthening national unity. Development in the North-East is thus increasingly viewed as integral to India's overall economic and social progress, rather than as a peripheral concern.

The enhanced focus on North-East India today is driven by a combination of improved security conditions, recognition of development as a peace-building tool, strategic geopolitical considerations, and the need for inclusive national growth. The link between insurgency and development is central to this shift: as stability has improved, development has become feasible, and as development deepens, it is expected to further consolidate peace. This evolving approach marks a significant departure from earlier policies and reflects a more integrated understanding of security, development, and regional integration.

6. Rationale for Special Focus on the Northeast India:

The purpose of this action is to explain why Northeast India needs to be analyzed separately in the union budget. It clarifies that the region is not chosen arbiterrally but because its economic structure, development needs and depends on public expenditure are significantly different from most other parts of the country. Official policy communications emphasize that the North-Eastern region has historically faced structural and connectivity-related constraints, necessitating sustained public investment and a differentiated development approach. The existence of a dedicated ministry and region-specific schemes reflect this policy intent.

Once seen as a distant frontier, Northeast India is now a beacon of progress, peace, and potential. Over the past eleven years, the Government has pursued a transformative vision for inclusive development, with a special focus on regions that were historically overlooked. Among these, the Northeastern Region has witnessed unprecedented growth and integration into the national mainstream. Guided by the Prime Minister's mantra of "Act East" and "Transformation by Transportation," the Ministry of Development of Northeastern Region (MDoNER) has emerged as a critical driver of change. Over the last 11 years, sustained policy attention, infrastructural investment, and strategic planning have reshaped the developmental landscape of India's Northeast. The government has always prioritized inclusive development, and the government's Northeast policy reflects its push to bring the region into the mainstream.

The budgetary allocation and effective utilization of budgetary resources have played a pivotal role not only in enhancing infrastructure and basic services but also in fostering a climate conducive to peace and stability. Improved connectivity through investments in power, water, health, and education has addressed long-standing developmental gaps. These developmental strides have complemented the government's security initiatives, creating a cycle where growth promotes stability and peace enables further progress.

6.1 Peace and Security Initiatives

The Northeast has faced severe internal security challenges for decades. Due to the effective steps taken by the government, there has been a significant improvement in the security situation in the Northeast. Since 2014, there has been a sharp reduction in extremist incidents and the resulting deaths of security personnel and civilians. The signing of peace accords has led to peace and a decline in violence in the region.

1. Tripura Peace accord, (NLFT/SD) 2019
2. Bodo Peace Accord, 2020
3. Assam-Meghalaya boundary agreement, 2022.
4. ULFA Peace Accord 2023

These efforts have paved the way to reduce AFSPA (Armed Forces Special Power Act) coverage in the region. Long pending disputes between States in the Northeast had been a major concern in the region. Many decades-long disputes are finally getting permanently resolved through the active efforts of the government. Recently Assam and Arunachal Pradesh have signed a Memorandum of Understanding to resolve a decades-old boundary dispute.

6.2 Infrastructure

6.2.1 Uttar Poorva Transformative Industrialization Scheme (UNNATI-2024): For Industrial development in the Northeast region. The UNNATI is an initiative by the Govt. of India, with the aim to foster industrial growth and development in different sectors by offering tailored support and incentives in all 8 North Eastern States, namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura. The eligible incentives are accessible to new units and Existing units undergoing substantial expansion. The DPIIT, Ministry of Commerce &Industries, is responsible for monitoring and implementing the UNNATI scheme.

6.2.2 Prime Minister's Development Initiative for Northeast Region (PM-DevINE): Prime Minister's Development Initiative for Northeast Region (PM-DevINE) was announced as a new Central Sector Scheme in the Union Budget 2022-23 with an outlay of Rs 6,600 crore for the 4-year period from 2022-23 to 2025-26. The objective of PM-DevINE entails the overall vision of MDoNER i.e. "Transforming NER through Development in an Accelerated yet Sustainable manner, affording access to ease of living to all its citizens". Thus, the broad objectives of "PM-DevINE" are-

1. Infrastructure development projects in the spirit of PM GatiShakti
2. Social development projects based on the required needs of the region
3. Enhancing livelihood activities for youth & women of the region
4. Filling up developmental gaps in various sectors

The government has always prioritized inclusive development, and the government's Northeast policy reflects its push to bring the region into the mainstream. Through its Northeast policy, it has focused on economic development, internal security, as well as preservation and promotion of the cultural diversity of the region. Lack of physical connectivity and poor infrastructure has contributed to the region's isolation for many decades. Innumerable long-pending infrastructure projects were completed.

6.2.3Development of Hydro Electric Projects: Central Financial Assistance towards Equity Participation by the State Governments of the Northeastern Region for development of Hydro Electric Projects was approved in August 2024. This scheme has an outlay of Rs. 4136 crore and will be implemented from FY 2024-25 to FY 2031-32. A cumulative hydro capacity of about 15000 MW would be supported under the scheme. The scheme would be funded through 10% Gross Budgetary Support (GBS) for the Northeastern Region from the total outlay of the Ministry of Power.

6.3 Economic Development

In the last 11 years, significant investment has been made in the Northeast for its economic development. Several projects have been completed over the last 10 years. ₹1010.99 Crore disbursed till 31.03.2025; ₹400 Crore disbursed in 2024-25 for developmental packages in the Northeastern Region.

A. **Rising Northeast Investors Summit:** Held on May 23-24, 2025, and inaugurated by the PM, the summit aims to highlight the Northeast Region as a land of opportunity, attracting global and domestic investment, and bringing together key stakeholders, investors, and policymakers on a single platform. Delegations from over 80 countries were welcomed at the event. In the inaugural ceremony of the summit, the Prime Minister highlighted that over the past decade, Rs 21,000 crore has been invested in the Northeast's education sector. Post the conclusion of the summit; the event drew an unprecedented Rs. 4.3 Lakh Crore in investment interest, setting the stage for the Northeast to become India's next economic powerhouse.

B. **Multiple High Level Task Forces for Sectoral Growth in NER:** The HLTFs are on the following subjects:

1. North-East Economic Corridor
2. Promotion of Tourism in NER
3. Investment Promotion in NER
4. Infrastructure & Connectivity in NER
5. Handlooms and Handicrafts in NER
6. Attaining Self-Reliance in Milk, Eggs, Fish and Meat Production in NER
7. Agriculture and Horticulture for Addressing the Gaps in Value Chains and Market Linkage
8. Promotion of Sports in NER

7. Budgetary Channel Relevant to Northeast India:

The principal channel for budgetary support to northeast India in the union budget 2026 227 is the ministry of development of Northeast region (DoNER). The ministries' allocation has increased in absolute terms compared to the previous financial year reflecting continuity in policy attention.

7.1 Direct Budgetary Allocations

The Ministry of Development of Northeastern Region (MDoNER) provides financial assistance to the eight Northeast states to support developmental projects linked to infrastructure, connectivity, and communication. This is being done through five Central Sector Schemes: NESIDS (Roads), NESIDS (OTRI), PM-DevINE, Schemes of Northeastern Council (NEC), and Special Development Packages (SDPs).

1. PM- DeVINE Scheme:

The Prime Minister's Development Initiative for Northeast Region (PM-DevINE) is a central sector scheme specifically designed to accelerate the socio-economic development of North-East India through targeted, high-impact public investment. Introduced as a region-specific intervention, PM-DevINE reflects the Union Government's recognition that conventional, uniform development schemes are often insufficient to address the structural constraints faced by the North-Eastern states.

From an economic perspective, PM-DevINE represents a shift towards project-based and outcome-oriented public expenditure in the North-East. Unlike routine transfers or broadly defined centrally sponsored schemes, PM-DevINE focuses on financing a limited number of strategically selected projects that are expected to generate long-term developmental benefits. These projects are chosen to address critical gaps in infrastructure, social services, and livelihood opportunities, thereby strengthening the region's productive

capacity. The scheme primarily supports expenditure in areas such as connectivity infrastructure, health facilities, education institutions, drinking water supply, skill development, and livelihood generation.

In the context of the Union Budget 2026–27, the allocation to PM-DevINE constitutes a substantial share of direct budgetary support to the North-East. Its prominence within the allocation structure indicates a continued emphasis on capital expenditure and visible development outcomes, rather than fragmented or consumption-oriented spending. At the same time, the scale of funding under PM-DevINE, while significant, remains modest relative to the overall development needs of the region, highlighting the limits of project-based interventions in achieving comprehensive regional transformation.

The Prime Minister's Development Initiative for Northeast Region (PM-DevINE) is a 100% centrally funded Central Sector Scheme announced in the Union Budget 2022–23. The scheme has a total outlay of ₹6,600 crore for the four-year period from 2022–23 to 2025–26. Its objectives are to fund infrastructure projects in a convergent manner in line with the PM GatiShakti framework, support social development initiatives based on the region's specific needs, enable livelihood opportunities for youth and women, and address development gaps across various sectors in the Northeastern Region. During the FY 2026-27 budgetary allocations the MDoNER received a total amount of rupees 6,812 cr among which Rupees 2,300 cr has been dedicated to PM-DeVINE scheme focused on creation of infrastructure and social development, as presented in the union budget, it constitutes 20.2% of DoNER fund allocation.

2. NESIDS Scheme:

The Northeast Special Infrastructure Development Scheme (NESIDS) – Roads is a Central Sector Scheme launched in 2017–18 and extended until 31st March 2026. It provides targeted gap funding for the construction of roads and associated infrastructure that are not covered by other central ministries or agencies. The scheme focuses on projects that enhance access to remote areas, improve market connectivity, and serve strategic or security purposes. Only those proposals that result in the creation of physical assets such as roads, bridges, and auxiliary infrastructure are eligible for funding. The NESIDS – Other Than Roads Infrastructure (OTRI) is a component of the NESIDS Central Sector Scheme. It includes unfinished projects from earlier schemes like the Non-Lapsable Central Pool of Resources (NLCPR) and the Hill Area Development Programme (HADP). NESIDS-OTRI provides financial assistance to the eight North Eastern States for infrastructure development in areas such as primary and secondary healthcare, education, power, water supply, solid and liquid waste management, industrial development, civil aviation, sports, telecommunications, and conservation of iconic water bodies. As of July 2025, 29 projects under NESIDS- OTRI have been sanctioned and are at various stages of implementation, with an expenditure of ₹462.21 crore incurred so far. During the FY 2026-27 the NESIDS received a total funding of rupees 2,500 cr which will be dedicated toward building physical infrastructure and it constitutes around 22.8%.

3. Schemes of the Northeastern Council (NEC):

The schemes implemented under the Northeastern Council (NEC) were extended from 1st April 2022 to 31st March 2026. These schemes aim to promote the holistic development of all eight North Eastern states by supporting projects in priority sectors identified by the states. The selection, sanctioning, and monitoring of projects are managed by the Ministry of Development of Northeastern Region (MDoNER) and NEC in coordination with the respective State Governments. Implementation is carried out by the designated state or central agencies. Key focus areas under NEC schemes include bamboo development, piggery, regional tourism, higher education, tertiary healthcare, and livelihood generation. The NEC in **FY 2026-27 received a total funding of 1,646 cr which constitutes around 9.9%.**

4. Special Development Packages (SDPs) for Assam and Tripura:

The Special Development Packages (SDPs) for Assam and Tripura are part of an ongoing Central Sector Scheme aimed at promoting inclusive development and peace in the Northeastern Region. In August 2025, the Union Cabinet approved four new components under the scheme with a total outlay of ₹4,250 crore. Of this, ₹4,000 crore is allocated for Assam over five years (2025–26 to 2029–30), and ₹250 crore for Tripura over four years (2025–26 to 2028–29). The packages aim to improve socio-economic conditions, generate employment through infrastructure and livelihood projects, and benefit youth and women through skill development and entrepreneurship. They are expected to bring long-term stability, mainstream marginalized communities, and boost tourism and local economies in the region.

8. Fund Allocation to NER

An effective analysis of the Union Budget 2026–27 with special reference to North-East India requires a clear and systematic organization of allocation data. Given the multiplicity of ministries, schemes, and institutional channels involved, the presentation of budgetary information plays a crucial role in facilitating meaningful interpretation. Accordingly, this section organizes the allocation of data by focusing on direct, identifiable budgetary provisions that are explicitly earmarked for the North-Eastern region.

Table 1: Allocation of Funds in FY 2026-27

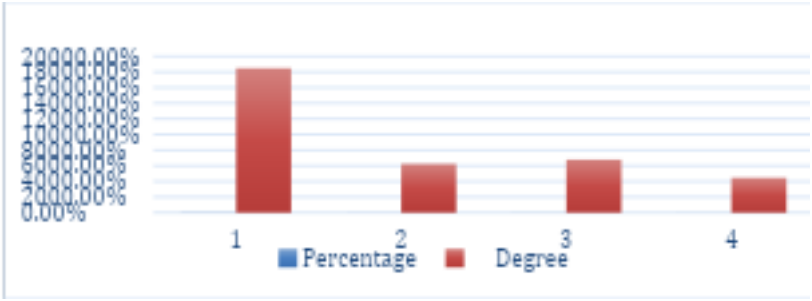
Scheme/Ministry	Allocation in 2026-27	Nature	Sector
DoNER	6,812 cr	Direct	Multi
PM- DeVINE	2,300 cr	Direct	Infrastructure and social development
NESIDS	2,500 cr	Direct	Physical infrastructure
North East Council	1,646 cr	Direct	Development

Source: Authors' compilation

The allocation data have been structured around major institutional and scheme-based categories, namely the Ministry of Development of North Eastern Region (DoNER), the Prime Minister's Development Initiative for North East Region (PM-DevINE), the North East Special Infrastructure Development Scheme (NESIDS), the North Eastern Council, and special peace and rehabilitation packages. This classification reflects the primary channels through which Union funds are routed to the North-East and allows for a clearer understanding of expenditure priorities.

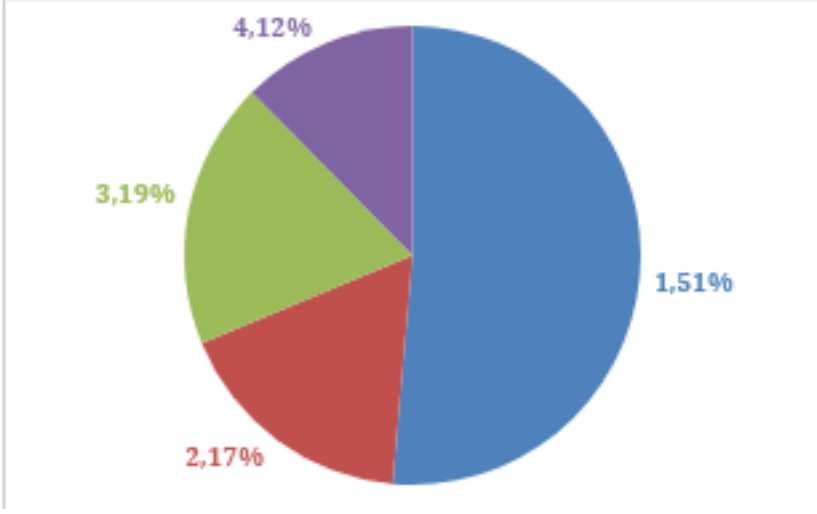
The following graphical representations help highlight the concentration of funds within specific schemes and institutions, particularly the dominant role of DoNER-led allocations and infrastructure-oriented expenditure. By presenting the data in proportional terms, the analysis moves beyond absolute figures and enables an assessment of the underlying budgetary structure.

Fig 1: Major Direct Allocation to NER



Source: Author's Self Illustration

Fig 2: Allocation of Budget to NER in 2026-27



Source: Author's Self Illustration

The diagrams together present a clear picture of the structure, magnitude, and relative importance of major direct allocations made by the Union Government to North-East India in the Union Budget 2026–27. While the bar diagram highlights absolute allocation values, the pie diagram explains the percentage share of each scheme or institution, allowing for a comprehensive understanding of budgetary priorities. Both diagrams indicate that the Union Government follows a targeted and institution-driven approach towards financing development in North-East India. The allocation pattern is highly concentrated around a few major schemes and institutions, with a strong emphasis on infrastructure development, institutional coordination, and region-specific interventions.

8.1 DoNER (Ministry of Development of Northeast Region)

Allocation share:**38.6%**
Approximate amount: **₹6,800+ crore**

The DoNER accounts for the largest share of total direct allocations to the North-East, as shown clearly in both diagrams. In the pie diagram, DoNER occupies more than one-third of the total allocation, while the bar diagram shows it towering over other components in absolute terms.
This dominance reflects the role of DoNER as the nodal ministry responsible for coordinating and financing development activities across the North-Eastern states. Rather than implementing a single scheme, DoNER functions as an institutional anchor, supporting multiple programmes, planning mechanisms, and region-specific initiatives. The large allocation signifies the Centre's reliance on a centralized institutional framework to address the region's development challenges.

8..2 NESIDS (North East Special Infrastructure Development Scheme)

Allocation Share: **22.8%**
Approximate Amount: **₹4,049 crore**

NESIDS constitutes the second-largest share of direct allocations. The pie diagram shows that nearly one-quarter of the total funds are devoted to this scheme, while the bar diagram confirms its substantial absolute value.
This highlights the infrastructure-centric nature of development planning for the North-East. NESIDS focuses on roads, power, water supply, sanitation, and social infrastructure—areas where the region faces high costs due to difficult terrain and remoteness. The significant allocation under NESIDS indicates that the Union Government views physical infrastructure as the primary constraint on economic growth and integration of the North-East with the national economy**.**

8.3 PM- DeVINE (Prime Minister Development Initiative for Northeast Region)

Allocation Share: **20.2%**
Approximate Amount: **₹3,562 crore**

PM-DevINE accounts for just over one-fifth of the total direct allocation, as reflected in both diagrams. The scheme's share is slightly lower than NESIDS but still substantial, making it a key pillar of regional development financing.
PM-DevINE is designed to support high-impact, project-based interventions in infrastructure, health, education, drinking water, and livelihood generation. Its sizable share in the pie diagram indicates a policy preference for visible, outcome-oriented public investment, rather than fragmented or routine expenditure. The scheme complements NESIDS by addressing both physical infrastructure and social development gaps.

8.4 Northeastern Council (NEC)

Allocation Share: **9.9%**
Approximate Amount: **₹1,646 crore**

The Northeastern Council accounts for nearly one-tenth of the total allocation. In the pie diagram, its slice is noticeably smaller than infrastructure-focused schemes, while the bar diagram shows a moderate allocation in absolute terms.
The NEC plays a planning and coordinating role, rather than functioning as a direct project-execution agency. Its allocation supports inter-state projects, regional planning, research, and policy coordination. Although its financial share is limited, the NEC is institutionally important for addressing coordination failures in a multi-state region with diverse development needs.

8.5 Special Peace and Rehabilitation Packages

Allocation Share: **Around 8–9%**
Approximate Amount: **₹500–600 crore**

This component represents the smallest share in both diagrams. However, its presence is economically significant despite the lower allocation. These funds are targeted towards rehabilitation, governance support, and development in areas affected by past conflict or instability, particularly in parts of Assam and other sensitive regions.
The inclusion of this component indicates that development policy in the North-East goes beyond economic growth alone. Public expenditure is also used as a tool for promoting social stability and long-term peace, which are essential preconditions for sustained economic development.

9. Sectoral Orientation of Allocations to North-East India

An examination of the central orientation of allocation in the union budget 2026-27 provides important insight into the government of India's development strategy for North-East India. Sectoral orientation refers to the distribution of budgetary resources across broad economic sectors such as infrastructure, social development, and governance. Analyzing allocations from this perspective helps in understanding not merely how much funding is provided to the region, but where the fiscal emphasis lies and what developmental objectives are being prioritized.

9.1 Infrastructure and Connectivity

A dominant feature of the budgetary allocation to North-East India is the strong emphasis on infrastructure and connectivity. A significant share of direct allocations under schemes such as the Northeast Special Infrastructure Development Scheme (NESIDS) and the Prime Minister's Development Initiative for Northeast Region (PM-DevINE) is directed towards capital-intensive projects. These include the construction and upgradation of roads, bridges, power infrastructure, water supply systems, and other essential physical assets.
The prioritization of infrastructure reflects the structural challenges faced by the North-East, particularly its difficult terrain, dispersed population, and limited market access. High transportation costs and inadequate connectivity have historically constrained private investment and economic integration with the rest of the country. By allocating a substantial portion of funds towards infrastructure, the Union Budget adopts an infrastructure-led development approach, wherein public capital formation is expected to stimulate economic activity, improve regional integration, and reduce long-term development gaps.

9.2 Social Development and Human Capital Formation

In addition to physical infrastructure, the budget also allocates resources towards social development sectors, albeit to a comparatively lesser extent. Components of PM-DevINE and DoNER-funded initiatives include investments in healthcare facilities, educational infrastructure, drinking water supply, and community-level social assets. These expenditures aim to enhance human capital and improve the quality of life in the region.
Social sector spending plays a critical role in addressing regional disparities in health and education outcomes. However, the relatively smaller share of allocations devoted to these sectors indicates that social development is positioned as a complementary objective rather than the primary focus of the budget. The allocation pattern suggests that improvements in human capital are expected to follow, or be supported by, infrastructure development rather than lead the development process independently.

9.3 Governance, Peace, and Regional Stability

A distinct but smaller portion of the total allocation is oriented towards governance, peace, and rehabilitation-related expenditure. This includes special peace and rehabilitation packages and institutional support through bodies such as the Northeastern Council. These allocations are region-specific and address the unique socio-political context of North-East India.
Expenditure in this sector recognizes the importance of political stability, social cohesion, and effective governance as prerequisites for sustainable economic development. Although these allocations constitute a modest share of total funding, their targeted nature enhances their significance. By supporting peace-building and administrative coordination, such spending seeks to create an enabling environment for economic and social investments to yield long-term benefits.

Taken together, the sectoral orientation of allocations in the Union Budget 2026–27 reveals a development strategy that places primary emphasis on physical infrastructure, followed by social development, with governance and stability-related spending playing a supportive role. This allocation pattern reflects a belief that addressing structural and connectivity constraints is the most effective way to accelerate development in the North-East. While this approach is consistent with the region's developmental needs,

it also raises questions regarding the balance between capital expenditure and social investment. A sustained focus on infrastructure must be accompanied by adequate attention to human development and institutional capacity to ensure inclusive and durable growth. The sectoral distribution of funds, therefore, provides a useful lens through which the strengths and limitations of the Union Government's regional development strategy can be analytically assessed.

10. Conclusion

The analysis of the Union Budget 2026–27 with special reference to North-East India reveals a clear and structured approach adopted by the Union Government towards addressing regional disparities through targeted public expenditure. Rather than treating the North-East merely as a beneficiary of general national schemes, the budget reflects a differentiated fiscal strategy that recognizes the region's distinct economic structure, development constraints, and strategic importance. The presence of dedicated institutional mechanisms, region-specific schemes, and concentrated allocations underscores the continued policy focus on integrating the North-East into the broader national development framework.

A key conclusion emerging from this study is that public expenditure remains the central driver of development in North-East India. Due to structural disadvantages such as difficult terrain, limited industrialization, sparse population distribution, and historical connectivity gaps, private investment alone has been insufficient to generate sustained growth in the region. Consequently, the Union Budget continues to rely heavily on direct fiscal interventions through the Ministry of Development of Northeastern Region (MDoNER) and allied schemes. The dominance of DoNER in total allocations highlights the role of the central government as both a financier and coordinator of regional development efforts.

The scheme-wise analysis shows that allocations are highly concentrated around a few major channels, particularly PM-DevINE and NESIDS. This concentration reflects a strategic shift towards project-based, high-impact public investment, rather than fragmented or dispersed spending. PM-DevINE represents a focused attempt to address critical development gaps through carefully selected projects in infrastructure, social development, and livelihood generation. Its significant share in total allocations indicates a preference for visible and outcome-oriented expenditure that can generate long-term developmental benefits.
Similarly, the substantial allocation under NESIDS reinforces the infrastructure-led nature of the development strategy for the North-East. Roads, power, water supply, and basic physical infrastructure continue to receive priority, reflecting the understanding that inadequate connectivity remains a binding constraint on economic integration and market access. From an economic perspective, this emphasis on capital expenditure aligns with the objective of reducing transaction costs, encouraging private investment, and enabling structural transformation over time.

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