KPMG

India Union Budget 2026-27

Point of view

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Social and Rural Development

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Key announcements for the sector

- Social and Rural Development sector continue to be priority, with allocations of INR 62,362 crore for the social sector, and INR 2.73 lakh crore for rural development underscoring the Government's focus on sustained inclusive growth, poverty reduction, and strengthening rural livelihoods.
- The Budget reiterates the 'people-centric development' approach through targeted interventions for women, Divyangjan, gig workers, vulnerable communities, and rural development aligned with the third kartavya of Sabka Sath, Sabka Vikas

The 'Care Economy' and women's empowerment

- To enable women to transition from credit-led livelihoods to enterprise ownership, the Budget proposes the establishment of Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets at the cluster level, strengthening market access and income sustainability for women-led enterprises.
- To strengthen caregiver ecosystem covering geriatric and allied care services, the Budget proposes that 1.5 lakh multiskilled caregivers will be trained in the coming year through National Skills Qualifications Framework-aligned programmes. These programmes will combine core care skills with allied skills such as wellness, yoga and operation of medical and assistive devices.
- To support women's participation in higher education, particularly in Science, Technology, Engineering and Mathematics, the Budget proposes that one girls' hostel will be established in every district in higher-education STEM institutions, recognizing the challenges arising from prolonged hours of study and laboratory work.

Disability and social inclusion

- The Divyangjan Kaushal Yojana will provide industry-relevant, customised skilling tailored to specific disability groups, with a focus on task-oriented sectors such as Information Technology, Animation-Visual Effects-Gaming-Comics, Hospitality, and Food and Beverages, supporting dignified and sustainable livelihood opportunities.
- To strengthen access to assistive devices, the Budget supports the Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale up production, invest in research and development and integrate Artificial Intelligence-enabled assistive technologies.
- PM Divyasha Kendras will be strengthened and expanded as modern retail-style Assistive Technology Marts, enabling Divyangjan and senior citizens to see, try and purchase assistive products in a consumer-centric and dignified environment.
- A specific direct tax amendment proposes exemption of disability pension from income tax for Armed Forces and paramilitary personnel, where the disability is attributable to or aggravated by service, enhancing long-term financial security for affected families.

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- The Budget adopts a 'saturation approach' to inclusion, moving away from fragmented scheme-wise implementation to ensure comprehensive delivery of identified services to targeted households, particularly among Scheduled Castes (SC), Scheduled Tribes (ST), nomadic communities and other marginalised groups.
- For regional and cultural inclusion, the Budget announces a new Scheme for the Development of Buddhist Circuits in the North-Eastern Region, covering Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura, aimed at heritage preservation and employment creation for local researchers, guides and service providers.
- The Budget explicitly positions emerging technologies, including Artificial Intelligence, as enablers to help Divyangjan and marginalised youth access newer economic and skilling opportunities, reducing participation barriers in formal and technology-linked sectors.
- In the health-linked livelihoods space, the Budget proposes to upgrade existing institutions and establish new institutions for Allied Health Professionals, with the objective of adding 100,000 Allied Health Professionals over the next five years across selected disciplines.
- Centre of Excellence (CoE) in AI for Education: A INR 500 crore outlay is proposed to embed AI in curricula and upgrade State Councils of Educational Research and Training.

Livelihoods and rural development

- The Budget places emphasis on livelihood creation, skilling and capacity building as part of its people-centric development approach, with a focus on strengthening opportunities for rural and peri-urban populations.
- The Finance Commission Grants of INR 1.4 lakh crore to States for FY 2026-27 include Rural Local Body and Disaster Management Grants, strengthening decentralised capacity to support inclusion-focused interventions at the grassroots level
- The Mahatma Gandhi Gram Swaraj initiative has been announced to strengthen khadi, handloom and handicrafts, including support for training, skilling, quality of process and production, global market linkage and branding. The initiative is aimed at benefiting weavers, village industries, One District – One Product clusters and rural youth.

Implications for the sector

- Across women's empowerment, empowering the divyangjan and rural development, the policy emphasis shifts toward livelihood creation, skilling and employability rather than standalone income or consumption support. Initiatives such as Self-Help Entrepreneur (SHE) Marts, Divyangjan Kaushal Yojana, Allied Health Professionals expansion, and vocational training infrastructure upgrades collectively position the social sector as an economic enabler.
- Strengthened livelihood pathways for women: The combined focus on Self-Help Entrepreneur (SHE) Marts and the training of 1.5 lakh National Skills Qualifications Framework-aligned professional caregivers highlights two complementary livelihood pathways for women:
  - women-led micro-enterprises with assured market access, and
  - formalised, paid care work within a growing care economy.

  Together, these interventions strengthen income security, labour force participation and asset ownership for women, moving beyond credit-led livelihoods to sustainable, market-linked employment.
- Emerging focus on the care economy: investments in multiskilled caregivers, Allied Health Professionals (100,000 over five years), and assistive technology infrastructure indicate that the care economy is being positioned as a high-potential employment sector. Additionally, aligning social sector objectives with demographic realities such as ageing populations and rising healthcare needs (including emphasis on non-communicable diseases).

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- Focus on inclusive economy: the emphasis on Divyangjan Kaushal Yojana, customised skilling for task-oriented sectors, Artificial Intelligence-enabled assistive technologies, and retail-style PM Divyasha Kendras reflects a shift to dignified livelihood creation.
- The Budget's stated 'saturation approach', supported by INR 1.4 lakh crore in Finance Commission Grants to States for FY 2026-27, strengthens decentralised delivery capacity. This approach improves the likelihood that multiple services-skilling, livelihoods, health, social protection and infrastructure, reach the same households simultaneously, enhancing outcomes and reducing exclusion barriers to economic growth.

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