

# Shifting Budget Allocation Priorities in India

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## ABSTRACT

This research paper focuses on studying the allocation of the budget among four pillars of the Indian economy, education, agriculture, healthcare, and defence by the United Progressive Alliance as well as the National Democratic Alliance over the course of the past few years. The objective of this paper is to determine which government focuses more on which sector in a specific year and to study the various factors which influence it. The data which has been used to analyze the allocations have been picked up from the official Ministry of Finance website. This paper has been written from the perspective of one individual and does not aim to influence public opinion or harm any emotional or political sentiments.

## METHODS AND MATERIALS

The data in this study has been collected from the official Indian Government Budget website, [indiabudget.gov.in](http://indiabudget.gov.in). The data for each year has been collated from the Expenditure Budget document for each sector. The numbers have been adjusted to allow comparison across the years.

The data collected has also been analyzed by using inferential statistics i.e. 2 t-tests. The test statistic for a two-sample independent t-test is calculated by taking the difference in the two sample means and dividing by either the pooled or unpooled estimated standard error. The mean average of the spending in each sector for both the UPA and NDA governments has been calculated.

## INTRODUCTION

A budget is a financial plan used to estimate revenues and expenditures for a specific period of time. It is a management and planning tool, not just an accounting document. It assists in the allocation of resources. The budgetary allocation is used by governments as a policy tool. The resources available for the government for expenditure is always limited and it has to balance the priorities of the political class and the needs of its citizens. A budget is a tool that allows the government to allocate the available resources to first meet the committed expenditures that it has related to salaries of government employees, pensions for retired employees, and the interest payments on its borrowings.

This research study compares differences between the different political regimes during their rules on a quantitative basis and addressing the reasons why these changes occur over the course of the past few years. The research report is focused on providing numbers, graphical representations for analyzing and understanding the trends and irregularities in the budget allocations in the four sectors covered i.e. Agriculture, Education, Healthcare, and Defence.

## RESULTS

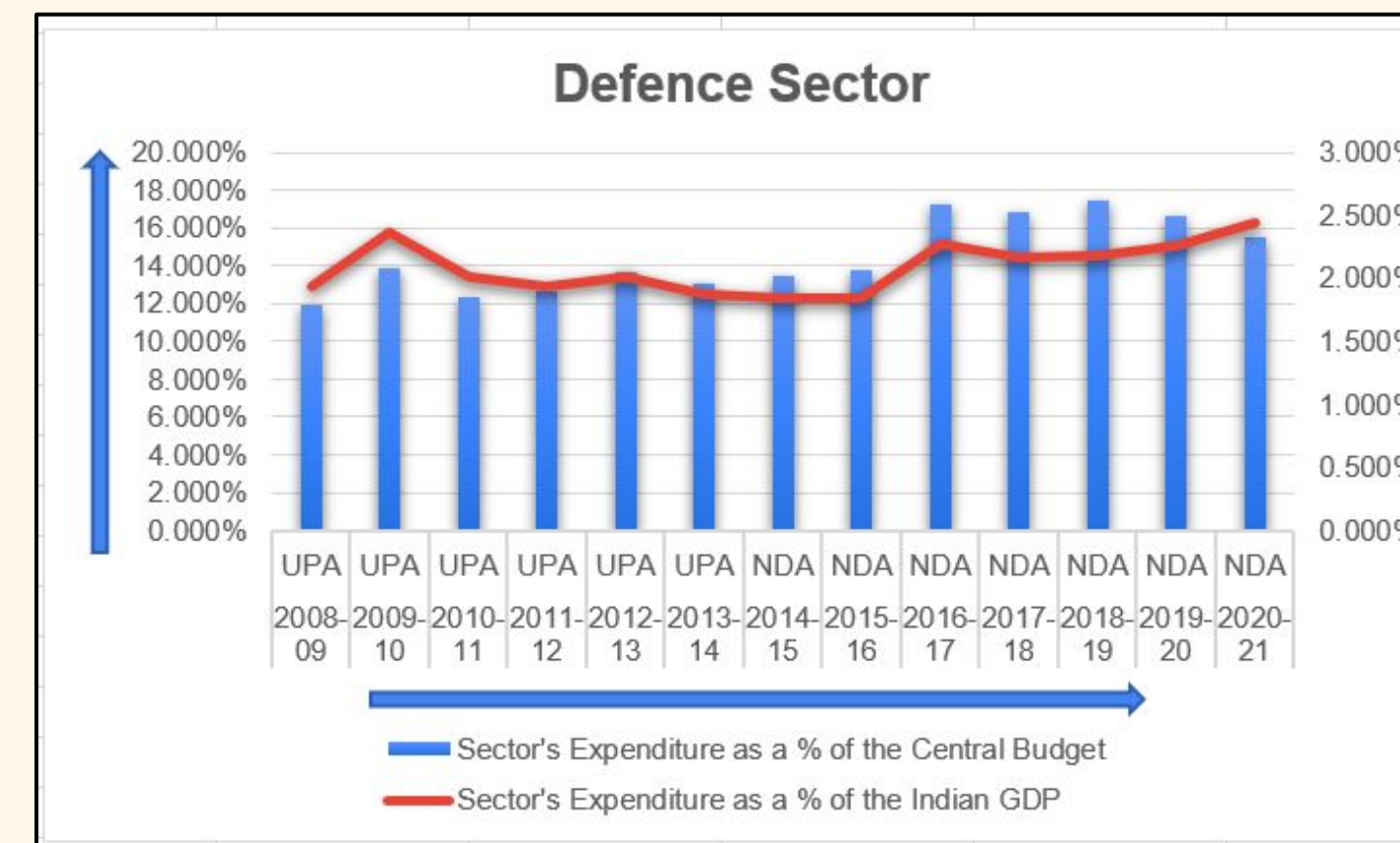


Figure . This figure represents the allocations in the Defence Sector in which the Bar Graph represents the Sector's Expenditure as a percent of the Total Budget Expenditure and the Line Graph represents the Sector's Expenditure as a percent of the Total Indian GDP.

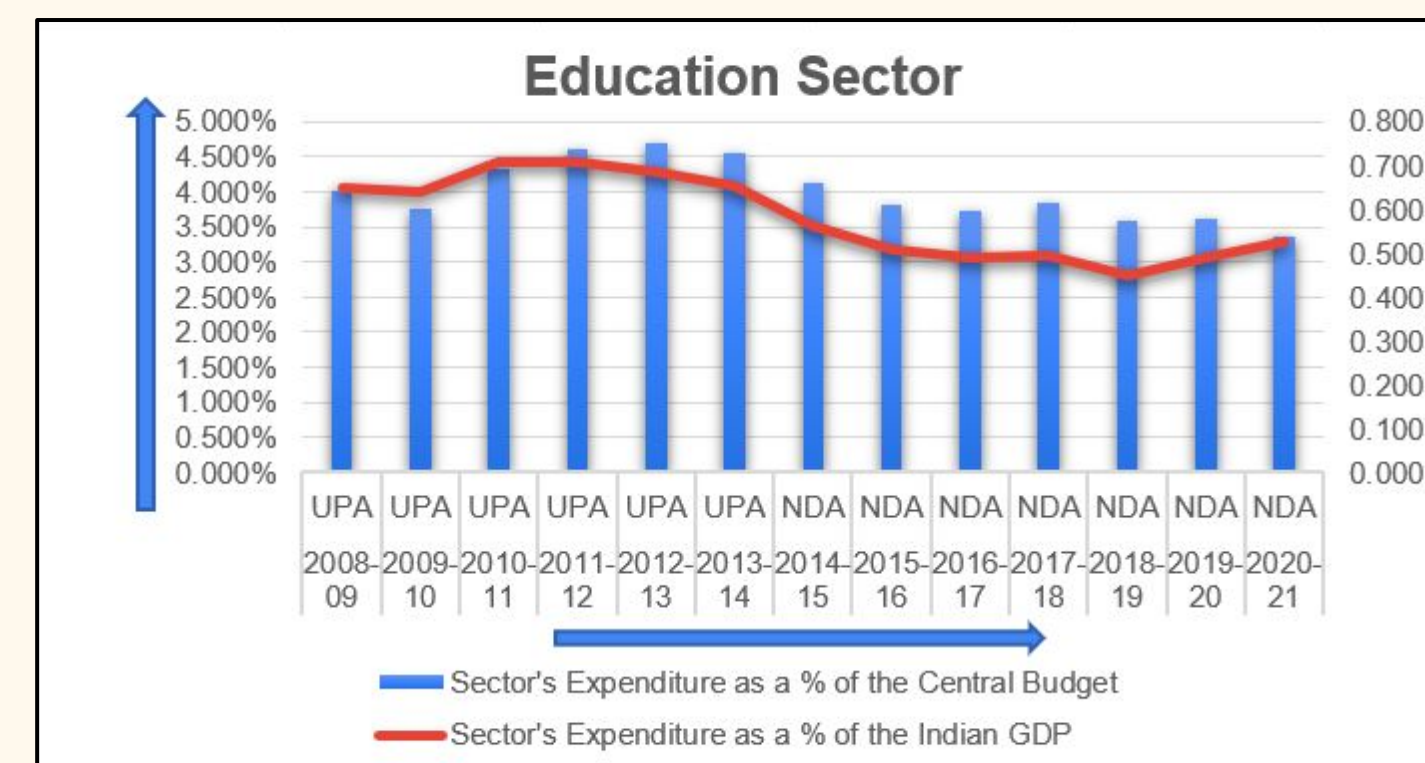


Figure . This figure represents the allocations in the Education Sector in which the Bar Graph represents the Sector's Expenditure as a percent of the Total Budget Expenditure and the Line Graph represents the Sector's Expenditure as a percent of the Total Indian GDP.

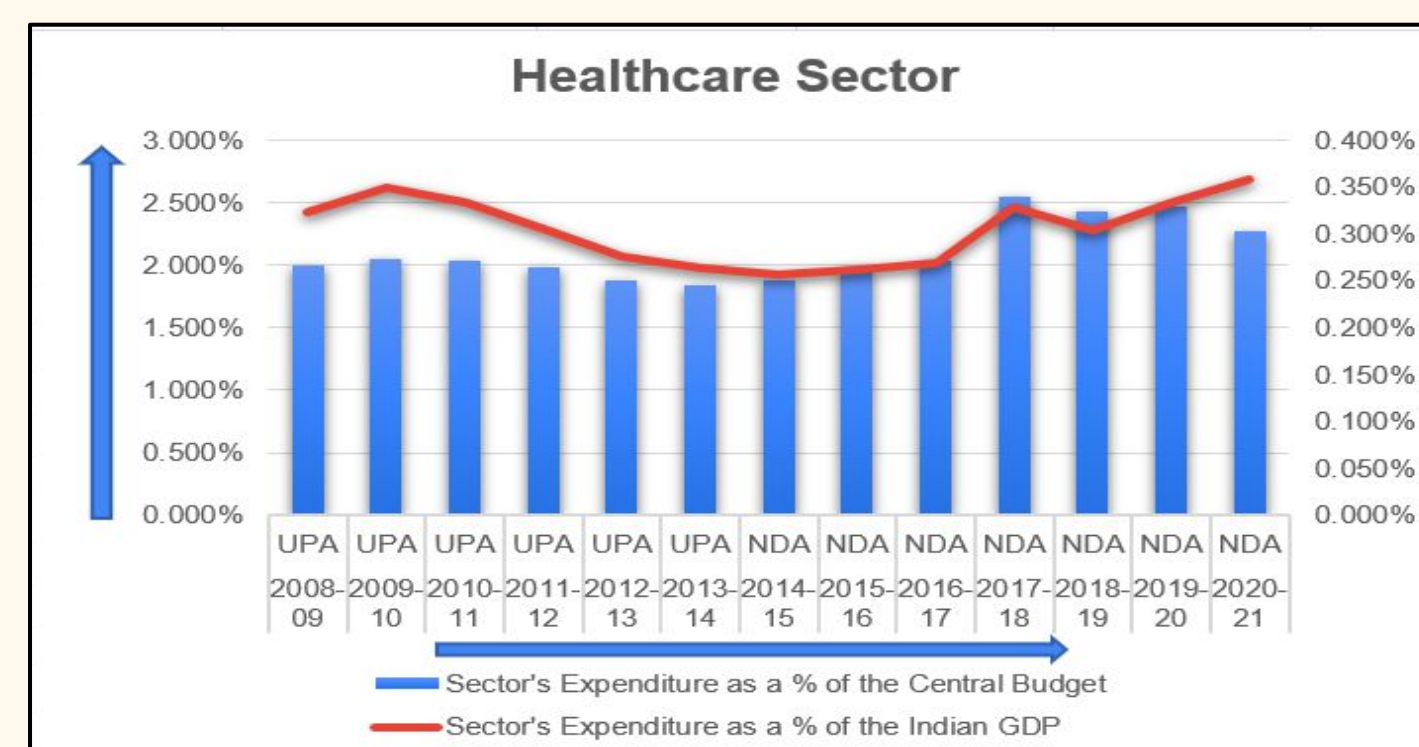


Figure . This figure represents the allocations in the Healthcare Sector in which the Bar Graph represents the Sector's Expenditure as a percent of the Total Budget Expenditure and the Line Graph represents the Sector's Expenditure as a percent of the Total Indian GDP.

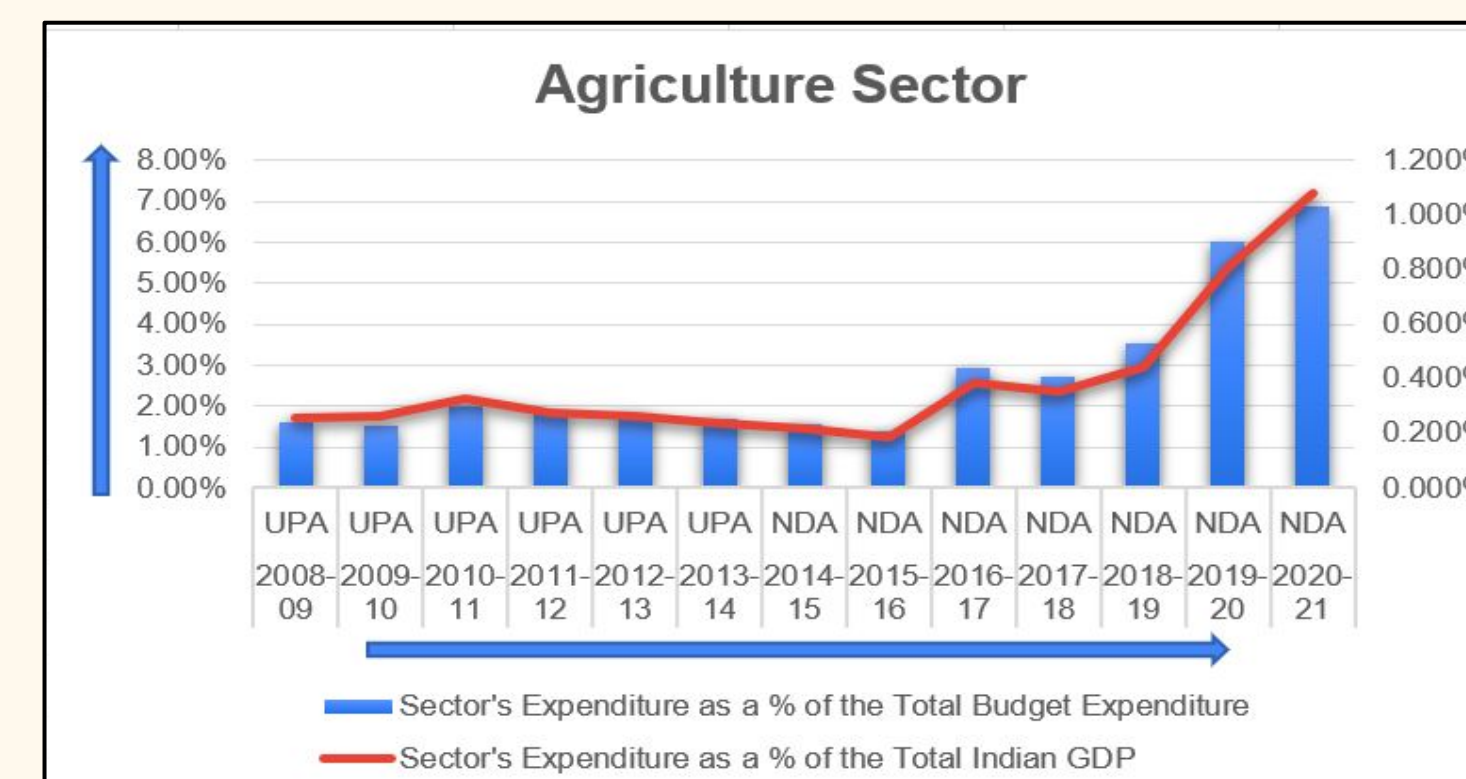


Figure . This figure represents the allocations in the Agriculture Sector in which the Bar Graph represents the Sector's Expenditure as a percent of the Total Budget Expenditure and the Line Graph represents the Sector's Expenditure as a percent of the Total Indian GDP.

## DISCUSSION

1. It is observed that during financial years 2008-09 to 2013-14, the UPA government maintained the expenditure on agriculture in the range of 1.5% to 2.0 % of the overall budget expenditure. During the NDA years from financial years 2014-15 onwards, there has been an increase in the expenditure for the agriculture sector with the highest growth in expenditure in the financial year 2016-17, having a growth of 131.04% with respect to the previous year.

2. In the financial year 2016-17, there was a sharp rise in the expenditure budget because the budget that year also included 'Interest subvention' of 15,000 crore INR which was earlier not included in the expenditure budget. The Defence Sector expenditure is one of the highest components of government spending staying over 12% across the years. During the UPA years (2008-09 to 2013-14), the percentage of the budget expenditure spent on defence was in the range of 12% to 14%. Under the NDA years, there has been a step increase in the defence budget allocations with the expenditure going above 16% in 2016-17 and staying above that level up to 2019-20. The financial year 2020-21 witnessed a slight dip possibly owing to the pressures on government resources because of the impact of the Covid-19 pandemic. The expenditure allocation to defence peaked in financial year 2018-19 to 17.46% of the total expenditure. The growth in the expenditure in this sector from financial year 2016-17 can be attributed to the Make in India focus in the Defence sector.

3. From financial year 2008-09 till financial year 2013-14, when the UPA Government was in power, the education sector expenditure witnessed growth every year, reaching a high of 4.7% of the total Budget expenditure in 2012-13. From the financial year 2014-15 onwards, with the NDA government in power, the education sector expenditure percentage has witnessed a decline from 4.1% in 2014-15 to 3.4% in 2020-21. The share of the 'Sarva Shiksha Abhiyan' had reduced from 31% to 29% in 2017-18. However, some of the dips can also be attributed to shifting some of the expenditure responsibilities to the state governments in the sector. The expenditure on the Education Sector as a percent of the Indian GDP has however shown an increase in recent years reaching 0.53% as per the revised estimates for 2020-21.

4. From the financial year 2008-09 to the financial year 2013-14, the healthcare sector expenditure share as a percentage of the total budget expenditure has remained approximately the same ranging between 2.05% (in 2009-10) and 1.84% (in 2013-14). From the financial year 2014-15 onwards, the healthcare sector expenditure has shown an increase with the highest growth reaching the peak in the financial year 2017-18. In the financial year 2020-21, the healthcare sector expenditure is estimated at 0.4% of the Indian GDP which is the highest among all studied years. The main reason that caused this increase in the expenditure was the development and increasing severity of the pandemic.

## CONCLUSIONS

Among the four sectors analyzed, it is clear from the trends that the four sectors clearly had almost balanced trends of allocations without any particular spikes. The only exception was Education where there was a slightly increasing trend observed. It may also be noted that while the allocation to the education sector has somewhat declined in the NDA years, it could be due to the diminished contribution of the central government under the centrally sponsored flagship schemes in the education sector like the Sarva Shiksha Abhiyan (Education for All) and a large part of the control being shifted to the state governments. An increased allocation in any sector could be seen as a cause of pre-existing factors. In defence, an increased allocation could have been due to national safety reasons such as wars, new defence technology or investments etc.

We can conclude that while there could be sectoral priorities for a particular government that leads to some additional allocations to those sectors, the headroom for maneuver is very limited given the fiscal resources constraints and the limited discretionary budgetary resources at the disposal of governments.

## REFERENCES

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