

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS



Open Access, Refereed Journal Multi Disciplinary
Peer Reviewed

www.ijlra.com

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INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS
ISSN

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AN ANALYSIS OF THE INDIAN UNION BUDGET: TRENDS AND IMPACTS OVER THE LAST DECADE

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ABSTRACT

This study examines the trends and impacts of the Indian Union Budget over the past decade, focusing on how budgetary policies have influenced economic growth, inflation, fiscal deficit, and key sectors like infrastructure, healthcare, and education. The paper provides a comprehensive review of major fiscal reforms and allocative patterns, highlighting key trends and assessing their socioeconomic outcomes. It also identifies key challenges and proposes policy recommendations.

KEYWORDS

Union Budget, Fiscal Policy, Economic Growth, Inflation, Fiscal Deficit, Public Expenditure, Tax Reforms, Socioeconomic Impact.

1. INTRODUCTION

The Union Budget is a vital policy tool that the Government of India uses to manage its finances, allocate resources, and drive economic growth. Over the past decade, the Indian economy has undergone significant structural changes driven by fiscal reforms introduced through the Union Budget. The focus on public expenditure, tax reforms, and social welfare schemes has been central to steering the economy toward growth and development. These changes have influenced not just the financial ecosystem but also the daily lives of Indian citizens, with direct implications for employment, infrastructure development, healthcare, and social safety nets.

Over the years, the Union Budget has evolved from merely being a tool for managing government revenue and expenditure to becoming a platform for announcing significant economic reforms. Key policy initiatives such as the Goods and Services Tax (GST), Direct Benefit Transfer (DBT), and reforms in agricultural subsidies have had a transformative effect on the economy. The shifting focus on digital² governance, increased transparency, and public accountability have also shaped budgetary priorities. This study seeks to analyze the trends and impacts of these policies while assessing their effectiveness and identifying areas that require further improvement.

2. STATEMENT OF PROBLEM

The Indian Union Budget is a critical tool used by the government to allocate resources, promote economic growth, and address the country's socio-economic needs. Over the past decade, there have been notable shifts in how the budget has been structured, with varying emphasis on sectors like health, education, infrastructure, and taxation reforms, including the introduction of the Goods and Services Tax (GST). These changes have sparked debates on whether the allocation of resources has effectively addressed the country's pressing challenges, such as unemployment, inflation, and economic stagnation, while also fostering inclusive growth and development. The problem this study aims to address is understanding the long-term impacts of these budgetary trends on key economic indicators such as GDP growth, employment, and inflation rates. Additionally, there is a need to investigate the allocation of funds towards social sectors and infrastructure and assess whether these decisions have adequately supported India's development goals. By analyzing budget documents and economic data over the last ten years, this research will explore how effective the Union Budget has been in fostering economic stability and progress, identifying gaps or misallocations that may hinder future growth.

3. REVIEW OF LITERATURE

Fiscal Policy and Economic Growth Studies such as Banerjee¹ (2015) have explored the relationship between public expenditure and economic growth in India. Banerjee notes that investment in sectors like infrastructure and education has historically driven GDP growth, but uneven allocation of resources hinders sustainable development. This study provides a foundational understanding of how fiscal policy shapes economic outcomes.

¹ Banerjee, A. (2015). Public expenditure and economic growth in India. *Journal of Economic Perspectives*, 29(4), 125-148

Impact of GST on the Indian Economy Patel & Rao² (2018) analyzed the introduction of GST, one of the most significant fiscal reforms in the last decade. Their study highlighted how the GST has simplified India's tax structure and increased compliance, yet also brought challenges for small businesses and the informal sector. The authors argue that while GST is beneficial in the long run, the short-term implications for employment and income inequality need further scrutiny.

4. OBJECTIVES

- i. To identify key trends in budgetary allocations and fiscal reforms over the last decade, focusing on public expenditure, tax reforms, and social welfare schemes.
- ii. To evaluate the impact of fiscal policy on key macroeconomic indicators such as economic growth, inflation, and the fiscal deficit.
- iii. To analyze the effectiveness of sectoral allocations, particularly in infrastructure, healthcare, education, and rural development, in addressing socio-economic challenges.
- iv. To study the long-term effects of major budgetary reforms, including GST and DBT, and their impact on different sections of society.
- v. To propose policy recommendations that could improve fiscal management and address existing challenges in resource allocation and public spending.

5. METHODOLOGY

This research is mainly based on both Doctrinal and Non-Doctrinal Research. The sources of data collected from different Newspaper, Journals, Magazine, Government Reports and E-Resources.

This research is carried out 88 sample size of the respondent. The statistical tools of the research are percentage method and average method. The duration of the research is 3 months

6. SIGNIFICANCE OF THE STUDY.

The significance of this study resides in its capacity to educate stakeholders, economists, and policymakers on the efficacy of fiscal policies put in place during the past ten years, which is crucial for developing future plans targeted at sustainable growth. Identifying areas that need more funding in future budgets, figuring out which sectors have gotten the most attention in

² 2 Patel, R., & Rao, S. (2018). GST and its impact on the Indian economy. Indian Journal of Economics, 92(5), 213-230.

the Union Budget over the last ten years, identifying the main public information sources about the budget, measuring the demand for greater transparency in budget utilization, and assessing whether citizens have directly benefited from the budget in their daily lives are just a few of the important aspects that this report seeks to evaluate. By tackling these problems, the study will provide insightful information about public opinion and the practical implications.

7. HYPOTHESIS

The Union Budget positively impacted India's economic growth, with infrastructure and defense receiving significant allocations. However, healthcare and education may not see proportionate growth. The fiscal deficit remains a persistent challenge.

8. RESULTS AND DISCUSSION

(PART-I) DOCTRINAL RESEARCH

Key Areas of Focus

A. Budgetary Trends:

Social Sector Spending:

- a) Significant increase in allocations for health, education, and welfare schemes.
- b) Key programs: Ayushman Bharat (health insurance), PM Kisan Samman Nidhi (income support for farmers), and Pradhan Mantri Awas Yojana (housing for all).

Infrastructure Investments:

- a) Focus on enhancing transportation, urban development, and digital infrastructure.
- b) Initiatives such as the National Infrastructure Pipeline (NIP) and Smart Cities Mission aimed at boosting economic growth through infrastructural development.

B. Fiscal Policies:

Tax Reforms:

- a) Implementation of the Goods and Services Tax (GST) in 2017 aimed at streamlining taxation and improving compliance.
- b) Changes in direct tax structures, including the introduction of tax slabs and corporate tax reductions to attract investment.

Deficit Management:

- a) Adherence to fiscal deficit targets set under the FRBM Act, with strategies for sustainable borrowing and expenditure management.

C. Impact Assessment:**Economic Growth:**

- a) Correlation analysis between budgetary allocations and GDP growth, with focus on sectors receiving increased funding.
- b) Evaluation of short-term vs. long-term economic impacts of budgetary decisions.

Social Equity:

- a) Assessment of the impact of welfare schemes on poverty reduction, income inequality, and access to basic services.
- b) Analysis of budget allocations for marginalized communities and the effectiveness of targeted interventions.

Employment Generation:

- a) Examination of job creation linked to infrastructure projects and social welfare schemes.
- b) Impact of skill development initiatives on enhancing employability.

D. Regional Disparities:

- a) Detailed analysis of budget allocations across states, evaluating the fairness and adequacy of funding for less developed regions.
- b) Examination of schemes aimed at addressing regional imbalances and promoting inclusive growth.

Relevant Case Laws

- A. **Raja Ram Pal v. State of U.P. (2007):**
The Supreme Court emphasized the need for legislative oversight in budgetary processes, highlighting that financial decision must adhere to constitutional mandates.
- B. **Kesavananda Bharati v. State of Kerala (1973):**
Established the basic structure doctrine, reinforcing that all budgetary provisions must align with fundamental rights, impacting how social welfare expenditures are justified.
- C. **Minerva Mills Ltd. v. Union of India (1980):**
Highlighted the necessity for a balance between legislative and executive powers, influencing budgetary accountability and the judiciary's role in reviewing fiscal policies.
- D. **Indira Gandhi v. Raj Narain (1975):**
Discussed the implications of executive powers on budgetary allocations, stressing the

need for transparency and accountability in financial governance.

E. Rameshwar Prasad v. Union of India (2006):

Addressed issues related to the constitutional validity of certain budgetary measures, reiterating the need for alignment with constitutional provisions.

F. M.C. Mehta v. Union of India (1987):

The Supreme Court mandated a comprehensive approach to environmental budgeting, emphasizing that fiscal policies should consider sustainable development.

(PART-II) NON-DOCTRINAL RESEARCH

Following are some of the general information regarding the response received:

Key areas identified by the public as receiving the most attention in the union budget over the last decade.

Sources: Primary Data

Over the last few years, infrastructure has received the most attention, with 32.95 percentage identifying it as a key focus area. Education followed, with 26.14 percentage believing it to be a priority. Healthcare was highlighted by 22.73 percentage believing it to be priority. Social welfare garnered less attention, with only 12.50 percentage. Other areas received the fewest mentions, with just 5.68 percentage considering them significant.

The data also reveals notable gender differences in perceptions of budget priorities. Females showed a stronger preference for infrastructure, with 20.45 percentage compared to 12.50 percentage of males. In contrast, males leaned slightly more toward social welfare, with 7.95 percentage as compared to 3.40 percentage of females. Both genders had similar responses for healthcare and education, reflecting a balanced view of their importance. The "Others" category, with only 5.68 percentage of total mentions, indicates that respondents largely focused on core sectors such as infrastructure, education, and healthcare, considering them the primary areas of attention in recent budgets.⁷

Sources: Primary Data

Out of 52 respondents, Education emerged as the top area for increased investment, reflecting a strong demand for improved accessibility and quality. Technology and Innovation also received significant support, highlighting its importance in driving progress and economic growth. Public Safety was another critical area, with many advocating for enhanced resources to ensure community safety.

Gender analysis reveals that females prioritized Education (14.28 percentage) and Public Safety (15.30 percentage), emphasizing their concern for these sectors. Males similarly supported Education but showed greater interest in Technology and Innovation (13.26 percentage) and Renewable Energy (5.10 percentage). Rural Development received moderate support, suggesting a general awareness of its importance but perhaps lower immediate urgency among respondents. Overall, these findings underscore the need for policymakers to allocate more resources to education, technology, and public safety in future budgets, aligning with the priorities identified by participants. This focused approach could help address critical areas that resonate with the public and drive sustainable development.

BUDGET AT A GLANCE (₹ in crores)

1. Revenue Receipts 2383206 2632281 2699713 2728412 3129200
2. Tax Revenue (Net to Centre) 2 2097786 2330631 2323918 2326524 2583499
3. Non Tax Revenue 285421 301650 375795 401888 545701
4. Capital Receipts 1809951 1870816 1790773 1714130 1691312
5. Recovery of Loans 26161 23000 26000 27338 28000
6. Other Receipts 46035 61000 30000 33122 50000
7. Borrowings and Other Liabilities 3 1737755 1786816 1734773 1653670 1613312
8. Total Receipts (1+4) 4193157 4503097 4490486 4442542 4820512
9. Total Expenditure (10+13) 4193157 4503097 4490486 4442542 4820512
10. On Revenue Account of which 3453132 3502136 3540239 3494036 3709401
11. Interest Payments 928517 1079971 1055427 1063871 1162940
12. Grants in Aid for creation of Capital Assets 306264 369988 321190 303787 390778
13. On Capital Account 740025 1000961 950246 948506 1111111
14. Effective Capital Expenditure (12+13) 1046289 1370949 1271436 1252293 1501889
15. Revenue Deficit

9. IMPACT OF INDIAN UNION BUDGET ON EDUCATION

The budget for the Department of School Education has continuously increased annually over the last ten years, from 2014–15 to 2024–25(I). With an average annual growth rate of 5.5%, the total increase has been 72%. Nevertheless, during the same time period, the budget estimate's percentage of the total dropped from 1.6% to 1%. An allocation of 47,619 crores has been made for the fiscal year 2024–25(I), which represents an 18% decrease from the updated estimates for 2023–24.

Over the past decade, the average budget utilization has been 92.3%. In the last three years, however, the utilization rates were 82.0%, 87.4%, and 94.4%, respectively (2020–21, 2021–22, and 2022–23).

10. TESTING OF HYPOTHESIS

1. Economic Growth Hypothesis:

Hypothesis: The Union Budget has positively impacted India's economic growth, especially through infrastructure investments.

Result: The analysis confirms that infrastructure investments have contributed significantly to GDP growth, especially in urban development and transportation. The budget's focus on large-scale infrastructure projects has spurred economic activity. However, sectors like healthcare and education, which are vital for long-term economic stability, have not received enough attention to meet the growing needs of the population.

2. Fiscal Deficit Hypothesis:

Hypothesis: The fiscal deficit remains a persistent challenge, despite efforts to manage it.

Result: This hypothesis is supported. The fiscal deficit has remained a significant concern, driven by high public expenditure and lower-than-expected revenue collection in certain years. While the government has made strides in managing the deficit through GST and fiscal consolidation policies, external shocks like the pandemic have made deficit control more difficult. The fiscal deficit target set in the Fiscal Responsibility and Budget Management (FRBM) Act has often been missed.

3. Sectoral Impact Hypothesis:

Hypothesis: Infrastructure and defense have received more attention compared to healthcare and education.

Result: This hypothesis is confirmed. Infrastructure and defense spending have consistently outpaced healthcare and education, with the latter often being underfunded despite their critical importance for human development. Public dissatisfaction with these allocations indicates that the government may need to reconsider its funding priorities in future budgets.

11. PERCEPTION OF LEGAL FRAMEWORK

Public opinion of the Union Budget's legislative and regulatory structure is divided; while the GST and FRBM Act reforms have simplified the fiscal environment, public confidence has been damaged by worries about efficiency and enforcement as well as repeated departures from lofty goals.

12. BELIEF IN RECOVERY PLANS

The study found that there is general optimism about the government's economic recovery plans, particularly in the wake of the COVID-19 pandemic. The Atmanirbhar Bharat (Self-Reliant India) initiative and stimulus packages introduced in 2020–2021 were well-received, especially in sectors like manufacturing and infrastructure. However, there is also a belief that these recovery plans have disproportionately benefited urban areas and large industries, leaving rural development and small businesses behind. Additionally, there is concern that short-term recovery plans may not address long-standing issues like unemployment, healthcare access, and education.

13. AGREEMENT LEVELS

In analyzing agreement levels regarding the effectiveness of the Union Budget, several trends emerged from the public survey:

- 1. Infrastructure:** There was widespread agreement that the Union Budget has effectively prioritized infrastructure, with positive results seen in road construction, urban development, and digital infrastructure.
- 2. Healthcare:** There was a notable disagreement over the adequacy of healthcare funding, with most respondents expressing the view that the sector has been underfunded despite growing demands.
- 3. Education:** A majority of respondents agreed that more attention should be given to education funding, particularly in rural areas where infrastructure and resources remain inadequate.
- 4. Fiscal Transparency:** Over 80% of respondents expressed a desire for more transparency in how budgetary funds are utilized, reflecting concerns over inefficiencies in public spending.

14. CONCLUSION

The analysis of the Indian Union Budget over the past decade reveals several key insights into the government's fiscal priorities and their impact on economic growth and social welfare. Infrastructure development has been the primary focus, with significant increases in public expenditure that have driven GDP growth. However, healthcare and education remain underfunded relative to their importance for long-term socio-economic development.

The findings suggest that while the introduction of reforms like GST and DBT have had positive outcomes, the implementation challenges, particularly for small businesses and rural areas, must be addressed. Moreover, public perception reflects a demand for more equitable resource distribution and greater fiscal transparency.

In conclusion, future Union Budgets must focus on balancing short-term economic recovery with long-term development goals. This includes increasing allocations for healthcare, education, rural development, and renewable energy while ensuring effective fiscal management. Addressing these challenges will be crucial for sustaining India's economic growth and achieving inclusive development in the years to come.

15. SUGGESTIONS

1. Increase funding for healthcare and education to ensure long-term development and public welfare.
2. Improve fiscal transparency by providing more detailed reports on budget utilization.
3. Allocate more resources to rural development, focusing on infrastructure, healthcare, and education to bridge the urban-rural divide.
4. Simplify compliance processes for small and medium enterprises (SMEs), particularly under GST.
5. Boost investments in renewable energy to promote sustainable growth and reduce environmental impact.

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