

A Comparative Analysis of Union Budgets for a Period of 2009-2010 to 2019-2020

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Abstract

Indian economy has developed steadily over six decades. The public sector has played an important role in India's economic development. The Planning Commission gave directions and targets to be achieved by the government and helped to bring in structural changes. Recent changes by the Union government has changed the pace and direction of economic growth. The 'NITI Aayog' that replaced the planning commission in the year 2014, demonetisation was enforced in the year 2016 and GST was implemented in the year 2017. This decade has seen a lot of changes in the economic policies and objectives of the Union government. This paper studies the Union budgets for last ten years and brings out a comparative analysis between budgets.

Keywords: Budgets, Fiscal deficit, NITI Aayog, Planning commission

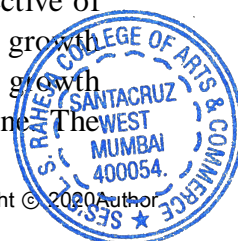
The decade that is considered is 2009-2010 to 2019-2020. It began with full- fledged effect of global slowdown due to US sub-prime crisis which hit the world in 2008. Indian economy was affected due to this slow down as the private and government consumption as well as investments dipped. The major factor was the reduction in net exports during the year 2009-10. It may be considered as a 'sudden stop' to India's growth march and to come out of this was a major challenge.

The government provided all the required stimulus to the economy to come out of this fall. The budget of 2009-2010 brought fiscal stimulus packages in continuation of December 2008 in January 2009 as well as March 2009. The growth rate of Indian economy remained low at 5%. The fiscal deficit increased to 6.3% of GDP as expected due to the fiscal stimulus packages.

In the year 2010-2011, the major challenge that posed in front of the policy makers was Inflation. Steady fiscal consolidation brought the expected results of robust growth of the economy. Manufacturing and services sectors registered impressive gains which contributed to high growth rate of 8.6%. The year of 2010-2011 also recorded a drop in fiscal deficit to 4.8%. This year also recorded an increase in the savings rate to 33.7% and investment rate to 36.5%.

In the year 2011-2012, the government faced a tuff time in managing the dual objective of maintaining high growth rate and price stability. The weakening of industrial growth characterised by a slow growth of manufacturing sector at 2.7% affected the overall growth rate of the economy. This was worsened due to the existing turmoil in the eurozone. The

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other sectors namely agriculture and allied activities and service sector performed well during the year which kept the economy growing at 6.2% that made India one amongst few front-runners in the global scenario. The fiscal deficit was maintained at 5.9% for this fiscal year.

The weakness in the industrial sector continued and seemed to spread in services sector too by the next year of 2012-2013. The agriculture sector too, grew at 1.9%. The government now aimed at reducing and maintaining low fiscal deficit, reduced the government expenditure. As a result, the growth rate of the economy reduced to 5.1% and fiscal deficit to 4.9%.

The drop in the economic growth rate of India continued further as most of the sectors' performances worsened. The manufacturing and mining sectors shrunk further in the year 2013-14. The high rate of interests and low growth rate in the infrastructure sector brought down the investments and capital formation. The reduction in international prices of oil was one of the positive indications for the economy along with farm sector's growth rate at 4.7%. Otherwise, the growth rate of the Indian economy remained subdued at 4.7% with a fiscal deficit of 4.5%.

The following figures in the table show a steady increase in the plan as well as non plan expenditure of the government over a span of five years. The next table shows the management of the fiscal deficit by the government from 2009-2014. The government has taken efforts to reduce and control the fiscal deficit and has successfully brought it down.

Table 1 : Government Expenditure 2009-2014

Year	Plan Expenditure	Non-Plan Expenditure	Total Expenditure
2009-2010	Rs.3,25,149 crore	Rs.6,95,689crore	Rs.10,20,838 crore
2010-2011	Rs. 3,73,092 crore	Rs. 7,35,657 crore	Rs.11,08,749 crore
2011-2012	Rs. 4,41,367 crore	Rs. 8,15,843crore	Rs.12,57,729 crore
2012-2013	Rs. 5,21,025 crore	Rs. 9,69,900 crore	Rs.14,90,925 crore
2013-2014	Rs. 5,55,322 crore	Rs. 11,09,975 crore	Rs. 16,65,297 crore
Total	Rs. 22,15,955 crore	Rs. 43,27,064crore	Rs. 65,43,538crore

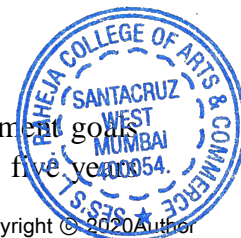
Source: Budget documents for the respective years

Table 2: Fiscal deficit 2009-2014

Year	Fiscal Deficit
2009-2010	6.3
2010-2011	4.8
2011-2012	5.9
2012-2013	4.9
2013-2014	4.5

Source: Budget documents for the respective years

The year 2014-2015 earmarked a beginning of a different era of development goals of the government which was headed by a new leadership. The following five years



were full of changes to which the economy partially adapted. The process of acceptance of these changes seemed to be slower than expected by the leadership. The year 2014-2015 witnessed to the dissolution of 'The Planning Commission of India' which existed from the year 1950 and played an important role in the structural development of the economy. It was replaced by NITI Aayog.

In the same year, the manufacturing sector, construction sector and services sector performed well. Manufacturing sector grew at 8.4%. Alongside the international prices of oil continued to reduce. But the growth rate in the farm and agriculture sector as well as the exports of the economy reduced. The overall growth rate stood at 7.2% and the fiscal deficit at 4%.

In the year 2015-2016 saw a further slowdown in the global economy, reduction in global commodity prices, volatility in financial markets, fluctuations in exchange rates. Yet India again proved to be one of the fastest growing economy. The farm sector bounced back and the manufacturing sector grew at 9.3%. This took the overall growth rate of the economy to 7.6%.

Demonetization was implemented in December 2016. The manufacturing sector and the construction sector were badly hit and their growth rates reduced. The agriculture growth rate increased at 4.1%. The overall growth rate of the economy increased to 7.1% with fiscal deficit of 3.5%.

The beginning of next fiscal year of 2017-2018 saw major tax reform where all the indirect taxes were clubbed into GST. The year witnessed high fuel prices. The growth rate of industrial sector dropped to 4.4% from 7.4% in the previous year. The infrastructure sector had a major blow as Public-Private-Partnership system collapsed, the companies were made compulsory to provide their balance sheets and due to problems in land acquisitions and forest clearance. The Indian economy yet reclaimed to be the fastest growing economy with a growth rate of 6.7% to 7.2 % and a fiscal deficit of 3.5%.

The slow down in the world economy and emerging markets, the trade tensions between USA and China and financial tightening worldwide were some major issues at the global scenario. The growth rate of the economy was reduced to 6.8% owing to lesser growth in agriculture and allied activities and services sector. The government's final consumption also reduced. The industrial sector's growth rate increased due to manufacturing and construction sector.

Table 3: Fiscal deficit 2015-2020

Year	Fiscal Deficit
2015-2016	3.9
2016-2017	3.5
2017-2018	3.5
2018-2019	3.4
2019-2020	3.8

Source: Budget documents for the respective years



The above table shows a fiscal deficit from the year 2015 from 2020. It reduced gradually showing the government's commitment towards budget management.

The current fiscal year is characterised by poor performance of manufacturing and construction sectors. Tighter credit controls on Non-bank financial companies has affected the credit expansion and also reduced domestic demand. A major challenge in front of the government is to revive the domestic demand which can beat the sharp slowdowns in the household consumption and investments. The current year growth rate of the economy has slipped back to a 5% from 6.8% last year and the fiscal deficit is expected to rest at 3.8% of the GDP.

There is a need of fiscal stimulus for the revival of domestic economy. The government rather than focusing on reducing the fiscal deficit must focus on increasing the aggregate demand to boost the economy. The effect of spread of corona virus in China has led to further slowdown in the global economy especially in the South Asian region. The tourism sector, air transport sector are the worst hit sectors worldwide due to the spread of corona virus. Investors have marched towards investments in gold rather than financial markets.

The Indian economy has seen many ups and downs over the decade of 2009-2020. The governments brought in many radical changes to which the economy is still trying to adapt. The government was successful in gradually reducing the fiscal deficit over these ten years from 6.3% to 3.5%. But the growth rate has bounced back to 5% which needs to be revived back.

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