



RESEARCH ARTICLE

BUDGETING AND THE INCLUSIVE ECONOMIC GROWTH

*Surinder Singh Parihar

Department of Economics, Govt. Degree College Baderwah, Jammu and Kashmir, India

ARTICLE INFO

Article History:

Received 28th February, 2013
Received in revised form
11th March, 2013
Accepted 20th April, 2013
Published online 12th May, 2013

Key words:

Budget,
Inclusive Economic Growth,
Third World,
Sustainability,
Disadvantaged classes

ABSTRACT

The world is divided into two categories where majority have to walk miles for the meal and few walk to digest the meal. Among the former category are the third world countries especially from Asia, Africa and L.America which came out of colonial clutches in 1950s. Since 1950s these countries have embarked on the tempo of the development. India is one among them which can be called divided India with 70% poor and 30% non-poor at 2\$ poverty line, so Public-Private-Foreign Collaboration (PPFC) model should work just not only for the short term profits but for improving the living standards of these 70% consumers to ensure sustainable demand in the future. As the WDR 2013 calls for jobs provisioning to escape the poverty, such type of jobs which ensure freedom to exit the poverty. In India we have five year plans which are divided into the annual plans reflected through budgets. Thus budgeting has an important role in the planning to meet the objectives and targets set by the planning authority. It is now the 12FYP which started on 1st April 2012 and will end on 31st March 2017. Since the 11FYP the Govt. Of India (GOI) is having turned the attention of the common masses towards the inclusive economic growth i.e. the growth with human face to ensure the sustainability in the economy. The budget reflects the behaviour of the fiscal policy so has much to do with the inclusive growth. The underlying assumption beyond the present study is that economic planning facilitates the inclusive growth. The objectives of the area(I) to assess the impact of the budget on the poverty, unemployment and the inequities(II) to measure the indicators of the inclusive growth and(III) to find the loopholes and their corrective measures. The methodology used is Time Series Analysis based on secondary data and the use of graphs, tables and diagrams has been made for precision and attractiveness for different periods of time. The sources of the data are the budgets, the Economic Surveys, the WB, the IMF and other online or printed sources. The present study has been divided into five sections as 1st section introduces the problem, 2nd deals with meaning and the concept, indicators and strategies for inclusive growth, 3rd with the budgeting process, 4th with data analysis and findings, 5th and the final section is the conclusive part.

Copyright, IJCR, 2013, Academic Journals. All rights reserved.

INTRODUCTION

India claiming to be a super power by 2020 is still even after six decades of independence is a nation of super unemployment, inequities and poverty. Every year we bring dream budgets but with little success to reach the so called disadvantaged sections. What is budget? Budget is the annual financial statement that shows the income and outgo of the public authorities be they are Centre Govt., State govts, or the Local govts. including rural and urban govt. That is the budget tells from where money comes and where it goes. The objective is to ensure the efficient allocation of the resources, growth with stability and the distributive justice so that the benefits of the grow down to the bottom pyramid of the population, thus including the excluded sections of the society. The process of the budget involves three stages i.e. enactment, execution and implementation. The exercise begins as the Ministry of the Finance issues the four column skeleton form to all the departmental heads. The 1st column is for actual figures of the previous year, 2nd for the budget estimates for the current year, 3rd for the revised estimates and the 4th for the estimates for the coming year. The heads get the figures filled and the completed forms are send to the finance ministry for consolidation and compilation and thus the final budget draft is prepared with the help of other ministries. The budget has has two parts i.e. the revenue part and the capital part as e.g. for the fiscal 2013-14 shown in the Table 1.1: Once the Budget is ready, it is presented by the Finance Minister in the Loksabha (Council of the people) on the day called the Budget Day usually the last day of the the February at fixed hours i.e. 11 a.m. In Rajya Sabha (council of the states), the Budget is presented by the junior Finance Minister. The budget speech is divided into the

two parts. The first part is overview of the the economy in the current year and the Money or the Appropriation Bill which reflects the Budget estimates and authorises the governments to spend out of the CFI (Consolidated Fund of India). There are votable items as demands from ministries and non-votable items salaries of the President, the Speaker, the Chairman and the Judges including debt charges etc. The budget is discussed in detail and then the Money Bill is passed. The 2nd part is the Finance Bill which authorises the government to raise resources to finance the expenditure and are credited to the CFI, for emergency there is CFI (Contingency Fund of India) at the disposal of the President of India. When both the Bills are passed the budget is said to be passed. Then it is send to Rajya Sabha for recommendation to be returned after 14 days. Finally the budget is send to the President for the ascent who usually gives as ascent because having limited powers. Next comes the execution part which is the responsibility of the Executive i.e. from the President to the peon.

Rupees Comes From

Pie-Chart 1.1. The chart reflects that non-tax receipts share 9%, non-debt capital receipts 4%, borrowing and other liabilities 27%, corporate tax 21%, income tax 12%, custom duties 9%, union excise duty 10%, service tax and other receipts share in total receipts for 2013-14 is 9%.

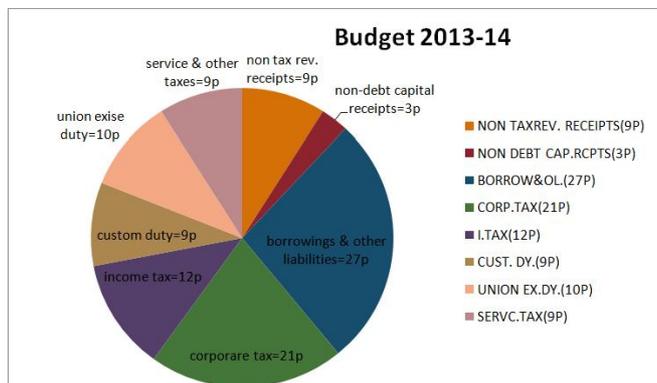
And Rupee Goes To

Pie-Chart 1.2: The chart reflects that 17% of budget expenditure goes for states share of taxes and duties, 4% to states/union territories as non-pan assistance, 7% as plan assistance to Gs/UTs, 21% to central

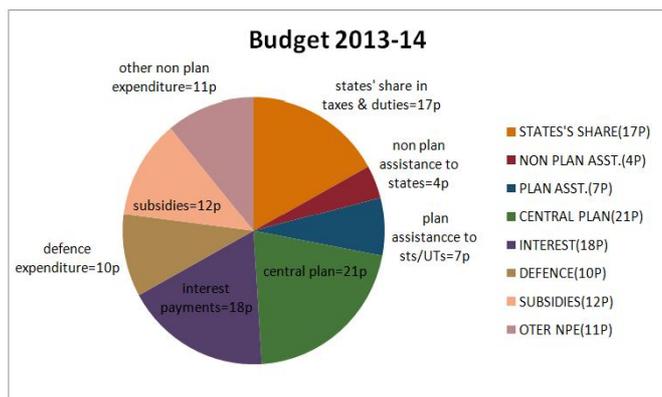
Table 1.1. Budget 2013-14 Rs in lac Cr.

S.No	Heads	Actual for 2011-12	Budget Estimates for 2012-13	Revised Estimates for 2012-13	Budget Estimates for 2013-14
1	Revenue Budget				
A	Revenue Expdt.	8.91	9.69	10.01	11.09
B	Revenue Receipts	7.51	9.35	8.71	10.56
2	Capital Budget				
A	Capital Expenditure	4.12	5.21	4.29	5.55
B	Capital Receipts:	5.52	5.55	5.58	6.09
	a. Loan recoveries				
	b. Market borrowings and other liabilities				
	c. Disinvestment Receipts				
3	Budget Receipts	13.04	14.90	14.30	16.65
4	Budget Expenditure	13.04	14.90	14.30	16.65
5	Rev. Deficit(1a-1b)	3.94	3.50	3.91	3.80
6	Fiscal Deficit(3+2b)	5.16	5.13	5.21	5.42
7	Primary Deficit	2.42	1.93	2.04	1.71

Source:-http://indiabudget.nic.in



Source:-India Today



Source:-India Today

plan, 18% to interest payments, 10% for defence, 12% for subsidies, and 11% for other non-plan expenditure in 2013-14 Budget. Thus more than 55% goes for non-plan or unproductive purpose and rest for plan purpose.

Meaning and Concept

Distributional and beneficial effects of economic growth can be traced to Sir Smith, Ricardo, Marshall, and Keynes and K.Marx. Till 1950s economic growth and development were taken as synonymous, but Prof. Jacob Viner voiced for distinction. However his voice could not get recognition till 1970s when Sir Paul Streeten raised three questions in regard to economic development i.e. what is happening to the poverty? What is happening to the unemployment? and what is happening to the inequities? Thus growth started to be seen as a quantitative concept and development as a qualitative concept and the two became distinguished even though GDP growth is a pre-condition for development in the economy. In 1980s Brunt land Commission

brought the concept of Sustainable Development i.e. development without destruction. In India on the basis of socialist pattern of development started the 1stFYP with the focus on agriculture, food security, rehabilitation, 2nd plan focussed mainly on industrialisation, 3rd plan on the Green Revolution, 4th plan on the self reliance, 5th on poverty, unemployment and inequities, 6th on agriculture, 7th on modernisation, 8th, 9th, 10th on Economic reforms and the 11th and 12th plans continued reforms as the objective but 11th gave more focus to the inclusive growth and the 12th plan has kept focus on faster and more inclusive growth. Thus the inclusive growth was implicit in the planning process since 5th plan onwards. Now it is the major target so that the poor, downtrodden, landless, Schedule Castes (SCs)/Schedule Tribes (STs)/Other Backward Classes (OBCs), marginalised, neglected, disadvantaged and other excluded sections of the society share the benefits of the growth and development. Thus inclusive growth of the economy takes care of all those sections of the society who are at the bottom of the pyramid. This pyramid suffers from access to food, clothing, shelter, drinking water, milk, medicines, education, job markets, income opportunities, financial system, landed assets, information. This group needs to be the stake holder in the growth process. In simple words growth is inclusive when it caters needs of not only the rich and middle classes of the society but also the low and under privileged classes.

Indicators of Inclusive Economic Growth

The various indicators to measure the inclusive growth could be listed as shown in the Table below:

Strategies to Make Growth Inclusive

The following programmes have been launched from time to time by the GOI to ensure the inclusive growth in the country. They are

Swaranjyanti Gram Swarozgar Yojna:-SGSY was launched on 1st april, 1999 by integrating IRDP, DWCRA, Ganga Kalyan Yojana (1997), MWS (1989), SITRA (supply of improved tool-kits to rural artisans-1992), to benefit the excluded sections aiming at covering 50% SC/STs, 40%, women and 3% disable groups of the all beneficiaries at least.

Pradhan Mantri Gramodaya Yojana: PMGY was started in 2000-01 having two components as PMGSY (25 DEC., 2004) and PMGY (april1, 2000) like IAY, to take care of pry. Health, pry. Education, rural roads, housing and drinking water in rural areas.

Bharat Nirman Yojana: This was launched in on Dec., 16, 2005 to take care of rural development by provisioning irrigation, all weather roads, housing, drinking water, electrification and rural communication.

Swaranjayanti Shary Rozgar Yojna: SJSRY was launched in Dec. 1997 by integrating NRY, UBSP and PMIUPEP (Prime Minister Integrated Urban Poverty Eradication Programme).

Antodaya Anna Yojana: AAY was launched on 19 March, 1999 to provide food grains to the BPL sections. It provides 35kr of rice and wheat at Rs2/kg.

Prime Minister Rozgar Yojna: PMRY was started on 2nd Oct., 1993 for urban self employment by providing the loans.

Sarva Shiksha Abhiyan: SSA was launched in 2001 subsuming Operation Black Board (1987).

NREGS: This scheme is a milestone since 2nd Feb, 2006 by replacing EAS (SGRY+NFFWP) and JGSY(Jawahar Gram Samridhi Yojana). This scheme is now called MNREGA and guarantees 100 days of employment, failing which there is provision of daily unemployment allowance (DUA).

Aam Aadmi Bima Yojana (Common Man Insurance Policy): This policy was launched for the insurance of the rural landless people since Dec. 2012 has been merged with Jan shree Bima Yojana.

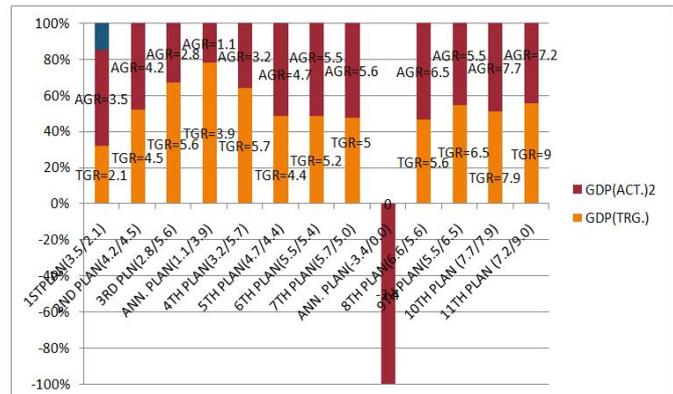
Swabhiman: A vast banking project has been started for extending banking facilities to unbanked rural area.

Budgeting For the Inclusive Growth: The 11th FYP budgeting for the inclusive growth was as shown in the Table 1.3

However in the 12th FYP, the Budget 2013-14 has caused a serious tragedy which will keep the inclusive growth in doldrums as the Finance Minister has increased the plan assistance to states and union territories by just 4.6%, IAY BY 37.1%, roads and bridges nil, SAP BY 13.8%, RKVY BY 7.8%, SSA by 6.8% which mean cuts if inflation is accounted and further there has been cut in AIBS BY 9%, BRGF (Backward Region Grant Fund) by 4.5% and PMGSY by 21.3% over the Budget 2012- 13.

Data Trends, Analysis and Findings

- Bar Chart 1.1a: GDP Performance



Source: An approach to 12FYP and Economic Survey 2012-13(TRGT. and ACTL. G. Rates in %)

Table 1.2. Indicators of Inclusive Growth

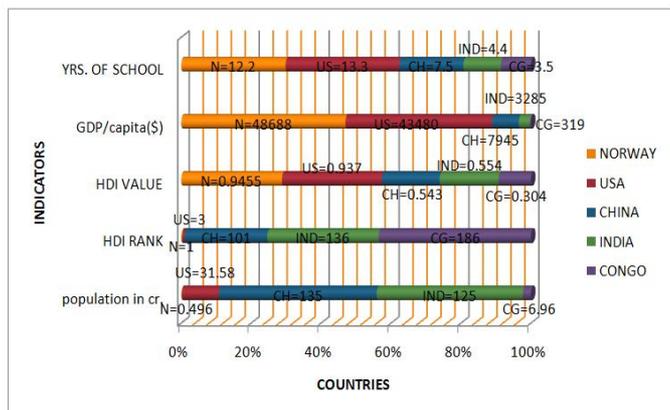
High Real GDP growth rate	Equal distribution of purchasing power
Right to own minimum assets	Access to education, skills & training
Right to job guarantee	Right to good housing
Adequate availability of land per capita	Right to food guarantee
Access to safe drinking water	Right to healthy life
Access to milk & fruits	Low IMR & MMR
Right to vote with right to reject	Right to information
High life expectancy	Access to credit facility
Cultural & religious freedom	Low interest rates
Time bound delivery of basic services	Well road, rail and air connectivity
Freedom to exit poverty	Access to LPG , kerosene oil for cooking at affordable prices
Low level of unemployment	High HDI value
Low & affordable prices	Low poverty level
High value of gender HDI	Access to pollution free environment
Low rural-urban gap in terms of development	No gender disparities
Dignity of life	No digital divide
Insurance cover for the poor against various risks	Free access to judicial system
Right to secured life	Right to participate in political & economic decisions
Percentage of women in economic activities	Percentage of SC/STs/OBCs /Minorities/Landless in Economic Activities
Low under5 IMR	Low Gini Coefficient

Table 1.3. Rs in Cr.

S.NO	Programme	Ministry	2007-08 Actual Expndt.	2011-12 BE	11 TH FYP Total
01	MNREGA	Rural Development	12661	40,000	156,301
02	IAY	Rural Development	3886	10000	41481
03	NSAP	Rural Development	3104	6158	23536
04	PMGSY	Rural Development	6500	20000	65002
05	NRHM	Health & Family Welfare	10509	18115	69224
06	ICDS	Women & Child Development	5,193	10000	38980
07	MDM	School Education and Literacy	5832	10380	38602
08	SSA	School Education Literacy	11477	21000	77,576
09	JNNURM	Urban Development	5508	13700	48085
10	AIBP	AIBP & Other water resources	5446	12650	46622
11	RGGVY	Power	3913	6000	25,913
12	RGDWM NRDWP and TSC,	Drinking Water Supply	7320	11,000	46722
13	Rashtriya Krishi Vikas Yojana	Agriculture & Cooperation	1200	7811	18550
G. Total			81817	1,86,539	691,976

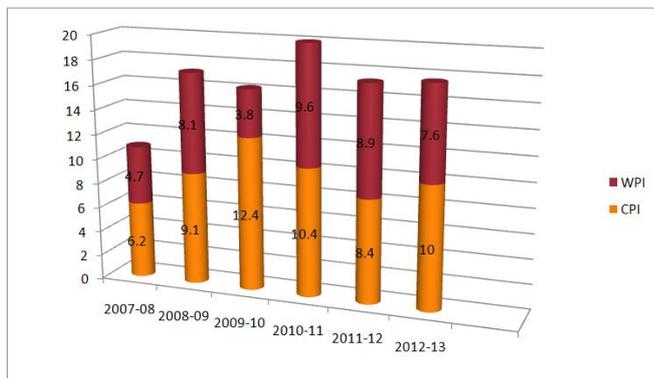
Source: An approach to 12FYP

Bar-chart1.1b: Status of inclusive growth:-



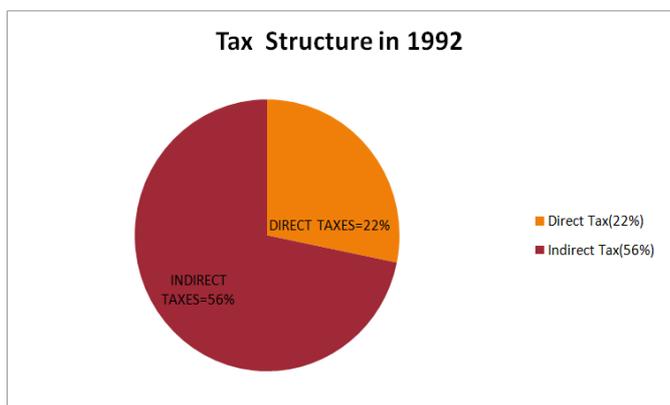
Source:-HDR 2013

Bar Chart 1.2 Inflation: Consumer Price Index and Wholesale Price Index



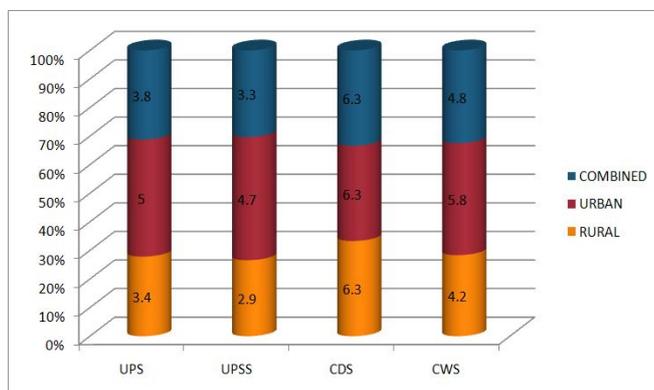
Source:- India Today, dated 11 March, 2013

Pie-Chart1.3: Tax structure:-



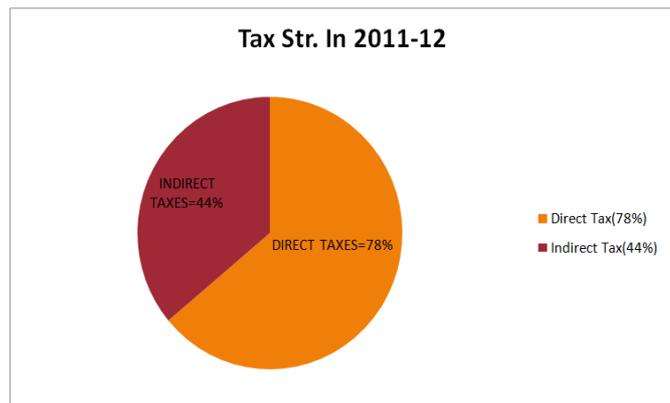
Source:-India Today

Bar Chart 1.3: Unemployment Measures for 2009-10:



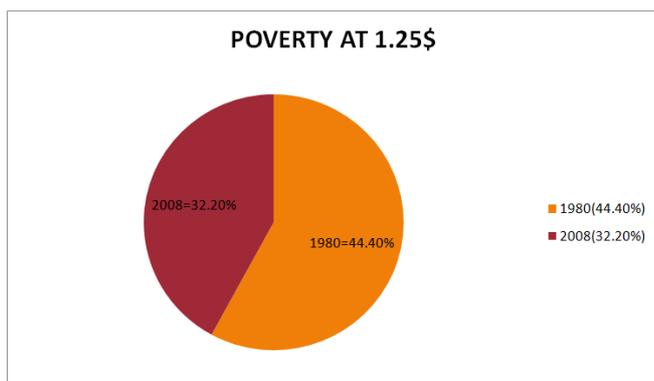
Source:-<http://pib.nic.in>

Pie-Chart 1.4: Tax Str. in 2011-12



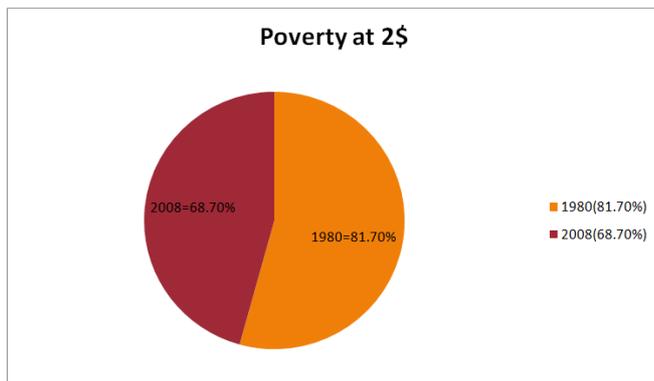
Source:-India Today

Pie-Chart1.5: Poverty level at 1.25\$:



Source:- <http://povertydata.worldbank.org/poverty/home>

Chart1.6: Poverty at 2\$:-



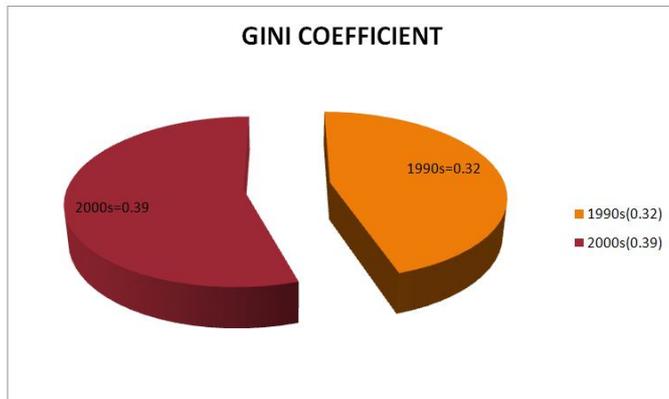
Source:- <http://povertydata.worldbank.org/poverty/home>

Table 1.5. Inflation: Consumer Price Index and Wholesale Price Index

year	CPI	WPI
2007-08	6.2	4.7
2008-09	9.1	8.1
2009-10	12.4	3.8
2010-11	10.4	9.6
2011-12	8.4	8.9
2012-13	10	7.6

Source: India Today, dtd 11th March, 2013

Chart1.7: Inequities in India: Gini's Coefficient increased in 2000s:



Source:-UNCTAD Report 2013

From data it appears that

- The GDP Figures in bar-chart 1.1(a) as TGRs and AGRs show fluctuating GDP growth rates and below targets. According to the World Bank, India's population went from 70 crore to 124 crore from 1980 to 2011 and that of China from 90 crore to 134 cr. In the same period but poverty at 2\$ fell from 84.6 % (1990) to 29.8% in 2008 but in India it fell from 81.7% to 68.7% just as reflected in Pie-chart 1.6. Further India's share in the world's population is 17.7% but share in world GDP is just 2.57% in 2011, for China same Figures are 19.2% and 10.4%. Financial crisis, Euro zone melt down and near global recession like condition could not impact China her GDP is better and its defence budget for the fiscal 2013-14 went to 5.4% but in India it is 1.79% of GDP, Investment has fallen to 34.7% in 2011-12 from 38.1% in 2007-08. GDP growth rate is fluctuating in India over the years as reflected in the Bar chart 1.1(a) showing target failures. Even though growth not considered an important indicator of economic development, still it is a necessary condition for the economy to move and progress ahead. Govt is perusing economic reforms in haste by cutting subsidies, capping access to subsidised cooking gas, permitting FDI in the retail sector and other cuts in the social spending which directly indirectly will cause serious negative impact on the inclusive growth. Agriculture sector has been neglected, industry is sluggish and the service sector growth is mainly determined by the global demand, so economy has come down to the 5% for 2011-12 from 7-8% in 1990s and 2000s.
- The current status of inclusive growth in India is not encouraging as reflected in bar-chart 1.1b. HDI value is just 0.554 putting India at 136th rank in HDI. Further the opportunities to acquire knowledge and real GDP per capita are also low when compared to developed economies like the USA and even when compared to developing economies like China.
- GDP growth is jobless because of capital intensities so poverty and inequities are not falling in India as Gini Coefficient is up from 0.32 in 1990s to 0.39 in 2012 according to UNCTAD (United Nations Conference on Trade and Development) Report 2013 as reflected in Pie chart 1.7. According to International Labour Organisation's (ILO) latest estimates 910mn people employed globally are living at less than 2\$, of them 63.7% live in Africa and 54.2% in Asia. In India at present 3.3% of the labour force is unemployed i.e. very low rate by glimpse at this figure but actually poor are 70% or even more at 2\$ international poverty line. The gaps between poverty and employment figures reflect the reality that people are in jobs either in formal or informal sectors but without the right to escape the poverty. The working population in India is 63.5% in the age group 15-59 years and the actual labour force is 487mn which constitutes 39% of the population according to Census 2011. The unemployment figures on UPS, UPSS, and CDS and CDS have been depicted by bar-chart 1.3.

- Poverty, unemployment and inequities, inflation are worst ruining the lives of the neglected and disadvantaged groups of the population.
- Inflation is not falling and thus making it difficult to meet food, water, shelter, healthcare and educational needs. There by preventing the birth rate, IMR, MMR to fall and productivity to rise. Even though the tax structure has become progressive, as shown in Pie-charts 1.1 and 1.2 but benefits of this have been nullified by the double digit prices in February 2013 on annual basis prices of cereals shot up to 17.04%, pulses to 12.39%, oil and fats to 14.56%, fish and meat to 15.72%, milk to 8.06%, spices 4.94%, vegetables 21.29%, fruits 10% and sugar gone to 12.10%. The govt. is financing the pro-inclusive growth schemes, but the Non Plan Expenditure is 55%, which constrains the budget for the social spending. Not only is this major chunk of allocated funds siphoned off to personal pockets. In the year 2011-12 total allocation for inclusive growth schemes was 2lac Crore and for the 11th FYP it was 7lac crore.

Problems and Suggestive Measures

Now where the problem lies is a big question? This because of huge budgeting, strategies and programmes, outcomes is still poor, why? These un fortunate outcomes are inevitable because of various reasons which include historical, political, social, cultural, religious, technological, financial, informational, spiritual and moral, educational. The historical because of colonial bleedings, political because of vote bank politics, social because of social inequities, cultural because of traditional values, norms, religious because of restrictiveness attitudes towards development, technological because of low innovative capacity, financial because of exclusion from finance, informational because of ignorance, spital and moral because of deficit in this area, educational because of deprivation. So can we put the things in reverse order? If yes growth will become inclusive, if not the growth will remain exclusive and real progress on poverty, unemployment, inequities and values of HDI, HPI, GEM, and PQLI would not take place. Thus the integrated three pronged strategy can be adopted to make the growth more inclusive:-

First Things First

Willing or non willingly we have to provide the first things first and they include food security in terms of availability, access, affordability, housing infrastructure, water infrastructure, knowledge infrastructure, agrigarian reforms in terms of distribution, inputs, marketing for produce, insurance cover against risks, develop and nurse small and medium enterprises, conditional subsidies e.g. subsidy if children are given education, access to information, access to finance through mobile banking, catering urban infrastructure problems, ensure people participation in development, empowering women and girl child, improving basic services delivery mechanism by ensuring corruption free governance.

Strengthening the Manufacturing base

According to the World Bank, it was the industrial revolution and the technological advances in agriculture that helped to cut the people at less than 1\$ from 75% in 1820 to 22% to in 2011 in world. Thus in India the need is to inflate the farm income, diversify and strengthen the manufacturing base, meet the infrastructure deficit, boost the exports, tourism but first the basic needs approach needs to be followed. As if the labour force of the country is healthy, knowledgeable, well off, skilled trained, it will be more productive and will help to the economy to progress and prosper and thereby benefits would flow down to the bottom of the economy.

Prudential Norms for Accountability

It can be very easily confirmed, observed, surveyed that the budget meant for the Aam Aadmi is not reaching to him as the water in pipe meant to reach the poor gets leaked due to many holes created in the pipe and ultimately he gets very little or nothing. The media reports in

Newspapers, on TV, internet etc are reflecting malpractices both in the public and the private sector, hence the prudential norms and criteria needs to be developed to ensure the discipline at the Local Govt. Level. The Direct Cash Transfer scheme is one of the ways. The other option can be field based performance indicators and progress on such indicators, feedback from beneficiaries, online confidential feedback, beneficiary care cells to redress the problems and complaints, village and town level computer kiosks with internet facility to get the information on different schemes and their benefits, information on agriculture, employment, filing complaints online, displays of telephone numbers and email addresses of Authorities tackling complaints rural urban areas in bold letters and numerics, ads and campaigns in media for complaints against corrupt and errant officials. It would be better to cut some non-pan expenditure and invest for prudency to give a sigh of relief to the common masses who suffer for a months together just to get a certificate or two, a relief to the poor and down trodden who work but find their wages dirverted to Meany pockets, a sigh of relief to those who are brow beaten and dealt inhumanly by those in power.

Conclusion

Thus what type of budgeting we need for economic growth of the country that can ensure the faster and inclusive growth that the 12thFYP intends is a matter of policy making and it requires a greater insight and huge exercise to think over which path will take us to a high trajectory ensures first things first, the globalisation without reins, allowing Multinational Corporations (MNCs) to capture the big market through Foreign Direct Investment(FDI) route, throughing open the service sector, cutting the subsidies on agriculture and K. oil, gas etc or alternatively strengthen the domestic agriculture sector, making the country as industrial and manufacturing hub and thus streamlining the globalisation. As continue bleedings in euro zone is the result of blindly followed globalisation, slowdown in Indian GDP to 5% in fiscal 2011-12 is again the result of fall in external demand due to euro zone crises. At least we have to find the hedge, otherwise the unrestricted forces of globalisation would engulf us, this is they want. No force can stop us to become a super power provided that we could use the democracy and democratic dividend in a right way and find hedge for the economy. We have to turn the globalisation to work for the inclusive growth and our budget policy needs to be consistent and clear here rather than turning ourselves toward where globalisation directs us.

If the developed economies like the USA, the UK, the Germany are protecting their self interests by giving protection through visa cuts, subsidies to farmers through green boxes, banning out sourcing etc, then why we are so crazy to bring the Wal-Mart to India to develop the cold food stores and benefit the farmers. Is it going to happen? Will they (MNCs) not operate under excess capacity models and keep prices high? Then who will be benefitted. Or they will open franchisee and work on commission basis, again drain of wealth? Where are Reliance fresh stores and Subiksha Mobile stores today? So the poor and down trodden can't hope anything. Further if the things are not corrected now, allow the markets to rule the economy, replication of euro crisis in India would be the eventual outcome. Thus we need to think on different lines, undertake research, deep insights so meet the needs of inclusive growth model to take country in the Super power club rather than wait for the crises to come.

REFERENCES

a. BOOKS:

- i. Misra and Pure, Indian Economy
- ii. M.P, Todaro, Economic Development
- iii. Tyagi, B.P, Public Finance
- iv. Musgrave.R, Public Finance
- v. Mishra and Puri, Economic Development and planning

b. E.BOOKS:

- i. Swaminathan, M., India Superpower: Fiction or Future, 2009
- ii. en-wikipedia.org/wiki. Aam-Aadmi
- ii. en-wikipedia.org/wiki/poverty-reduction

c. websites:

- i. www.winentrance.com/./important-antipoverty-employment-generation.html
- ii. www.onemint.com/./India's-unemployment-rate-stands-at-9-4.
- iii. http://povertydata.worldbank.org/poverty/home
- iv. http://pib.nic.in
- v. www.igidr.ac.in/conf./ysp/MP.ppt.
- vi. http://indiabudget.nic.in

d. journals/magazines:

- i. India Today, dtd 11th March, 2013
- ii. www.epw.in/./understanding-poverty-and-inequality-in-u

f. Newspapers:

- i. Times of India Dtd. 07 Dec, 2011
- ii. Business Standard Dated. 06 and 19 March, 2013
- iii. Deccan Chronicle Dated. 06 March, 2013
- iv. Times of India dated 13 and 19 March, 2013
