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**Research Report**

## Union Budget 2021 of the People by the People, for the People

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**Policy Brief No.4 /2021.Department of Humanities and Social Sciences****Union Budget 2021 of the People by the People, for the People****Pazhanisamy.R\***

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**Abstract**

In spite of the pandemic pressure to limit the use of the resources both internally and outside the economies policymakers all over the globe, compete each other's to recover the economic growth with a v shape through various planned activities on mission mode. Social budgeting is found as one of the most effective way to achieve these objective (United Nation 2020) which has not been effectively practiced and fully implemented widely across the economies due multifaceted and dynamic problems encountered by the public which limits the outlining of the elements of social budget within the usual budgetary framework. This involves various issues of inter and intra allocation of the public expenditures and the source of revenue. With a view to reflect the public priorities in the budget information on how the policymakers collect the public opinion and how they use it rationally which is not available across the literature and leaves a considerable gap in research. In this context an attempt is made in this policy brief to fill this gap in research.

During the pandemic period the demand for such above approach particularly in a democratic economy like India to implement social budget becomes inevitable as it is the government of the people, by the people for the public. Using the secondary data from the ministry of finance the trend of the public expenditure and revenue the elements of social budgeting in India is outlined and the possibility of the effective implementations of the social budget 2021 is given in simplest way that everyone can be understand.

**Keywords:** Union budget 2021, India's budget 2021, Democratic budget, Social budget, Pandemic budget.

**JEL Classifications:** H2, H5, H6, O2, I3, E6,

**Policy Brief No.4 /2021.Department of Humanities and Social Sciences****1. Introduction and Rationale**

United nation has introduced the concept of social budget in 2010 and its implications became a under crux among the policy makers around the globe due to the pressure of pandemic. It is defined as the process by which the goal and priorities of the society can be well reflected in the public policy making particularly in the government decisions making like budget (U.N 2010).

Most of the time budget is prepared with the expectation of certainty about the revenue possibilities which can be adjusted with the changes of the expenditure that occur at the time of the execution with the confident that the fiscal deficit can at least be met by rising the international borrowing which can be settled with some time. As everyone affected simultaneously the ongoing pandemic pressure makes this procedure unusual and limit the economies to prepare the budget only within their resource potential.

Three important aspect to be covered by any government budget at this time. First what source of the income can be uplifted to rise the increasing public expenditure of the economy? Second what are the social security measure can be provided without decreasing vital expenditure like defence. Third, how long it can be sustainably implemented without affecting any sectors of the economy.

Every nations particularly the democratic governments who are of the people, by the people, for the people are in this trap to discover the measures to unavoidably implement this social budget during this pandemic. India is one of the oldest democratic economy that also under the stress of issues of allocating its resources within a limited options to interchange both in its expenditure as well as the revenue generations sources. The available economic literature on directing the solutions for this issues leaves a considerable gap which calls for an attempt to predict and explore the alternative interchange in the methodology of the budget policies. This policy brief is attempted to fill this gap in research.

**2. Reviews**

The literature evidences on social budgeting reveals that availability of various models such as modelling the expenditure and revenue approach which the classical approach follows everywhere, micro simulations and system approaches. Similarly the modular system approach like the demographic, labour supply sub model, economics sub models, social protection model and the government model are available as the rational tools to prepare the social budgeting for the economies (Wolfgang Scholz, Michael Cichon and Krzysztof Hagemejer 2000) which can be used on the context specific needs.

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The simulation techniques are used in economics and behavioural sciences to identify the potential impact of policy change on various variables which makes the ex-ant understanding of the potential impacts and the potential consequences.

Sufficient government spending on health, social protection, education, can ensure the public need through the social budgeting with appropriate tools for the budget tracking and analysis particularly during the time of economic crisis like pandemic is also needed to monitor and ensure more efficient use of scarce resources along with the , policy transparency. The use of these tools can influence government policies – notably direct resource allocations across the various families and households in an economy (UNICEF 2020).

The work of Isabel Ortiz Jingqing Chai Matthew Cummins (2011) titled austerity measures threaten children and poor households reveals that how Evidence in Public Expenditures from 128 Developing Countries and its impact across various households and concludes that protecting vulnerable and poor populations is critical when equitably sharing adjustment costs of the ongoing economic crises caused by the pandemic. However, the macroeconomic and expenditure decisions are often taken by many economies even without comprehensive assessment of their, human development, potential impacts on employment and inclusive and resilient long-term growth which leads the present public policies may create major impacts on social spending and other expenditures that foster aggregate demand, and therefore recovery. Therefore decision makers need to carefully review the distributional impacts, as well as possible alternative policy options, for economic and social recovery.

Researchers like Cichon, M., Hagemeyer, K. and Scholz, W. (2001), argued that that how the ILO social budgeting models can be well suited to all the economies of the world and outlines the conditions for the successful implementation of the social budgeting. For example (Cristina Bloj 2009) work on the budgeting process and the implications on social policies and poverty reduction: alternatives to traditional models suggested that how the social budgeting can be used as an alternative to the traditional budgeting by incorporating the participation of the public and gender aspects of the development.

The present budget practice analysed by the economist (Anupam Raastogi 2004) and observed that India is in turning point which shows no improvement in any of the major fiscal indicator and the restructuring of debt, reforms in power sector and implementation of other issues under MTFRP may offer scope for the future. But the present lower revenue transfers to states have exacerbated their revenue deficits and capacity to spend on social infrastructure and are expected to raise their claim for the resources from the capital market which implies that the roles of state plans and the central planning commission need to be re-examined and modified.

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To sum up the core of the above literature reviews it reveals the demand for social budget approach irrespective of the economies as it derived from the additional pressure of pandemic which motivate this attempt to review and present a brief on social budget approach to Indian economy.

### 3. Methodology

Among the various methods outlined by international labour organisation to the approach of social budget the researcher has used the standard and conventional revenue and expenditure methodology and allayed the trend in various sources and components of each rupee of income and expenditure.

Secondary data pertaining to the budget allocation across various categories for various years were collected from the various document available at the official website of the ministry of finance and compiled the three year moving average and the values are predicted accordingly.

At the same time by keeping the limitations of the source of public borrowing and the adjustability within its components of the public expenditure and revenue the predictions were modified and the final result of the forecasted expenditure and revenue for the meeting the social budget presented in the table and graphical form.

### 4. Trends of Union Budget (source of every rupee)

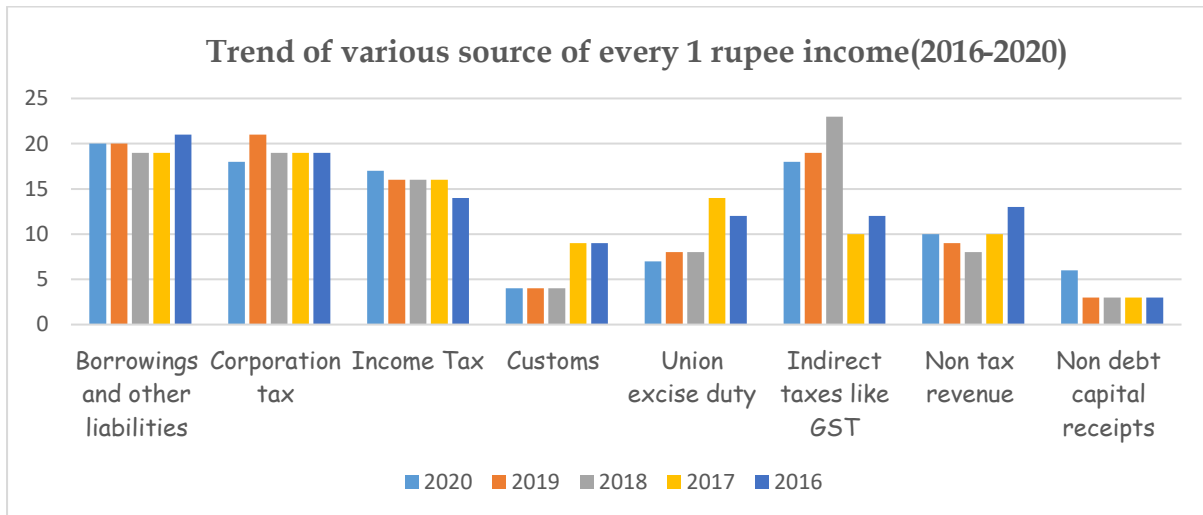
Sl no.	Sources	2020	2019	2018	2017	2016
1.	Borrowings and other liabilities	20	20	19	19	21
2.	Corporation tax	18	21	19	19	19
3.	Income Tax	17	16	16	16	14
4.	Customs	4	4	4	9	9
5.	Union excise duty	7	8	8	14	12
6.	Indirect taxes like GST	18	19	23	10	12
7.	Non tax revenue	10	9	8	10	13
8.	Non debt capital receipts	6	3	3	3	3
	<b>Total</b>	100	100	100	100	100

**Source:** Compiled from various sources of Ministry of finance, GOI

The above table explore the trend of the source of every rupee of income earned by the government over the period of the five years from 2016 to 2010. Among all the sources borrowings and other liabilities like contribute a major source of the rupee as the average of 20.5 percent of the every rupee of government revenue.

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The next top source can be said to be the corporation with the 20 percent of its share to every rupee. Income tax and non-tax revues contributions also constitute a considerable amount which reveals the areas within which India can increase its source of revenue to meet the future annual expenditure of 2021.



The trend reflected in the chart implies that except income tax and the borrowings are declining which means these are main sources from which the income can be raised. But the during the depression cloned economy raising the direct tax like income tax without narrowing the present tax structure will create economic ill effect by squeezing the middle income people who are already within the umbrella of tax.

In real term, based on the willingness to pay principle of taxation most of those within the middle income tax payers should be exempted from the tax to recover from the pandemic ill effect. Alternatively the rich and super rich may bear this additional taxation. The present trend of states claim on the share from the centres revenue create the challenge in the distribution of income across components shown above and it became more complex to find an intra-allocation without sacrificing the other.

On the basis of marginal social benefit approach the allocation may be justified if it provide more social benefit while altering source of income form one into another. So the breaking of the trending of the budget becomes inevitable

Even though the government borrowing and other liabilities has been slightly increasing over the past five years it can be hiked as it increase the debt burden of the economy in the run and intern will increase the interest payment on one hand and slow down the growth rate of the economy by diverting the development benefit to towards the repayment of debt.

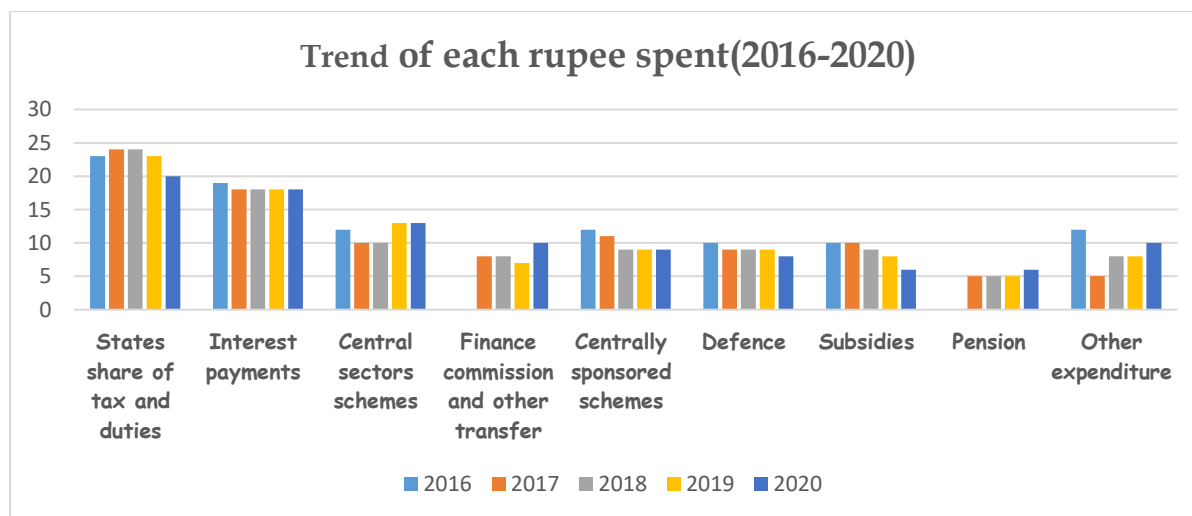
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## 5. Trends of Union Budget (share of various expenditure in every rupee)

Sl no.	Expenditure towards	2016	2017	2018	2019	2020
1.	States share of tax and duties	23	24	24	23	20
2.	Interest payments	19	18	18	18	18
3.	Central sectors schemes	12	10	10	13	13
4.	Finance commission and other transfer	-	8	8	7	10
5.	Centrally sponsored schemes	12	11	9	9	9
6.	Defence	10	9	9	9	8
7.	Subsidies	10	10	9	8	6
8.	Pension	-	5	5	5	6
9.	Other expenditure	12	5	8	8	10
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source:** Compiled from various sources of Ministry of finance, GOI

The trend of the source of every rupee of money spent on various public expenditure explored in the above table highlighting that the center's expenditure goes to the share of state governments in the form of duties as taxes. In each any rupee spent by the government about 18.25 percent goes to the interest payment for the previous debt of the government from various sources. The percentage of debt to GDP of India is already on the rising trend and argued by many economist that the hike of public debt beyond certain threshold level will slow down the economic growth rate ( Balbir Kaur and Atri Mukherjee 2020) which clearly signals that it cannot be avoided and further international debt is also not desirable. So the challenge is to allocate the remaining piece of every rupee should be finely channelized to create the positive impact on the economy to recover the growth of the economy.





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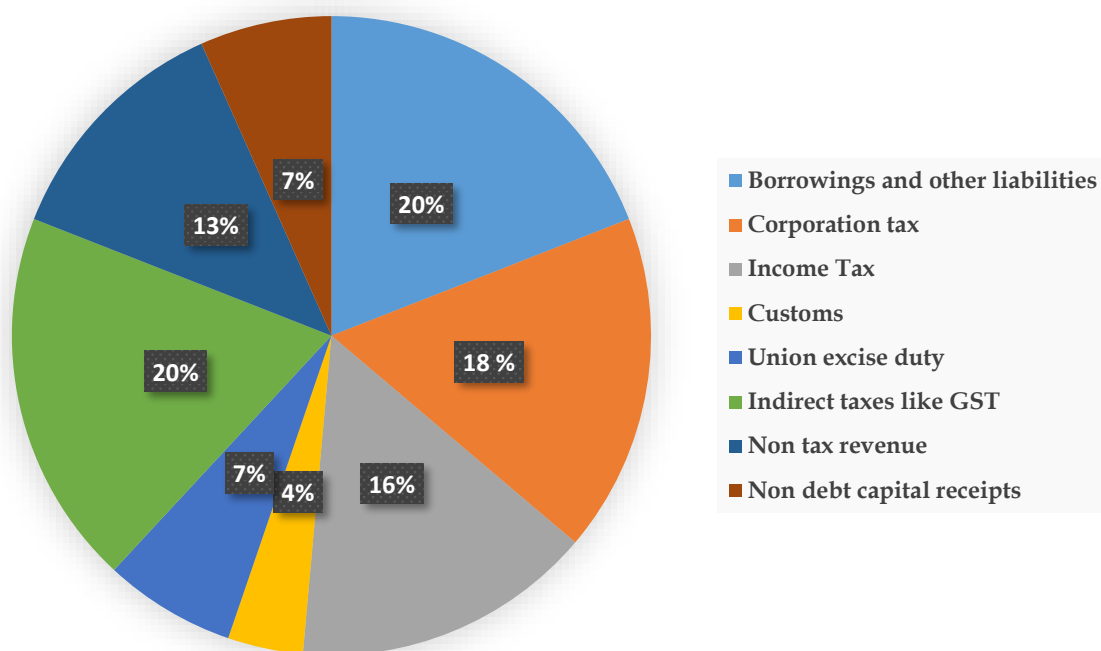
The above chart shows that except central sector schemes all other aspect of expenditure of the government shows a decaling trend meaning that any alternative action can be made only in this aspect.

By keeping the various options and the challenges involved in using it and by going through the above trend analysis the forecast for the upcoming budget 2021 can be outlined as under.

## 6. Source of each rupee of income (forecasted assuming the social budget)

Sl no.	Sources of each rupee of income	2021 (Forecast in ps )
1.	Borrowings and other liabilities	20
2.	Corporation tax	18
3.	Income Tax	16
4.	Customs	4
5.	Union excise duty	7
6.	Indirect taxes like GST	20
7.	Non tax revenue	13
8.	Non debt capital receipts	7
	<b>Total</b>	<b>100</b>

Source of every rupee of income (2021)



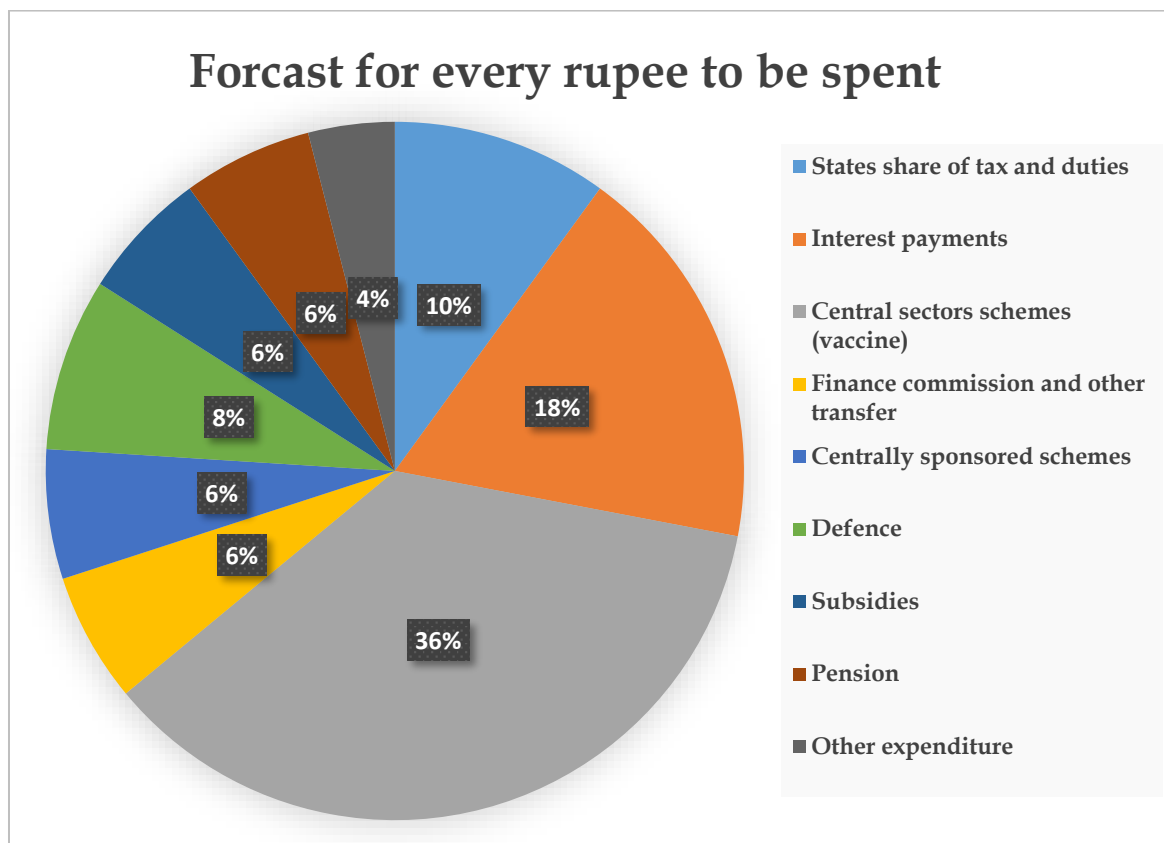
Source: Authors prediction



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## 7. Source of each rupee of income (forecasted assuming the social budget)

Sl.no	Share of various expenditure in every rupee(in ps)	2021
1.	States share of tax and duties	10
2.	Interest payments	18
3.	Central sectors schemes (vaccine)	36
4.	Finance commission and other transfer	6
5.	Centrally sponsored schemes	6
6.	Defence	8
7.	Subsidies	6
8.	Pension	6
9.	Other expenditure	4
	Total	100



The above figure represent the minimum requirement of the budget allocation to be made towards various components of public expenditure in which about 36 percent of the every rupee (about 3.4 percent of the GDP only) need to be devoted towards the vaccination. Even though this figure is relatively low when compared with various economies as India is located the last fourth country in terms of the health care spending.

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Apart from the above aspects the social security measures such as employment generation, providing pandemic relief and rehabilitation activities to the people particularly the vulnerable such as the migrants and immigrant population also occupies the top of the budget as it gained considerable attention. As per the survey conducted by the centre for monitoring the Indian economy CMIE in India, out of an employable workforce of 520 million, nearly 35 to 40% (or up to 200 million workers) may be underemployed with no real work, or employed but earning 50% or less of their former salary in urban centres and their job recovery will take up to the year 2023-2024(Santosh Malhotra 2020) and the present trend of reverse migration has set the economy back to 15 years (sobhana K.Nair 2020) which are to be taken into account while it will possibly create the backward multiplier effect on the economy.

The growth challenges such as income inequality, support for facing the challenging of education, incentive for macro level investment, tax exemption for innovation and technological advancement which resolve pressing issues of the society, transformation of public transportation which meets the need of the society which can make ease of default social distancing, international collaboration on integrated vaccine improvement at the international standards, agriculture and rural development booster packages are also takes high priority among the public even if it increase the fiscal deficit to the very high level.

**Conclusion**

If the social budget approach is implemented by keeping the welfare of public without increasing additional debt and reducing the spending on the share of vital sectors of the economy, the budget can fetch the intended impact on the economy. At the same time the public expenditure should be in real time and active vigilance to check and fine-tune towards increasing the purchasing power among the public, recovering the economy and rectify the leakages instantly if anything found. Such protective and concurrent monitoring of every rupee spent on recovering the economy in all the aspect can only makes the objective of social begetting can be attainable also showcase the true nature of the democratic government of the public, by the public and for the public.

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